ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, November 9, 2016
12:00 Noon

Orange County Fire Authority
Regional Fire Operations and Training Center
1 Fire Authority Road
Room AE117
Irvine, California 92602

Ed Sachs, Chair
Beth Swift, Vice Chair
Shelley Hasselbrink Gene Hernandez Joe Muller Al Murray Tri Ta
Bruce Channing - Ex Officio

This Agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action or discussion shall be taken on any item not appearing on the following Agenda. Unless legally privileged, all supporting documents, including staff reports, and any writings or documents provided to a majority of the Budget and Finance Committee after the posting of this agenda are available for review at the Orange County Fire Authority Regional Fire Operations & Training Center, 1 Fire Authority Road, Irvine, CA 92602 or you may contact Sherry A.F. Wentz, Clerk of the Authority, at (714) 573-6040 Monday through Thursday, and every other Friday from 8 a.m. to 5 p.m. and available online at http://www.ocfa.org

If you wish to speak before the Budget and Finance Committee, please complete a Speaker Form identifying which item(s) you wish to address. Please return the completed form to the Clerk of the Authority. Speaker Forms are available on the counter noted in the meeting room.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the Clerk of the Authority at (714) 573-6040. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to assure accessibility to the meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Muller

ROLL CALL

PUBLIC COMMENTS

Any member of the public may address the Committee on items within the Committee's subject matter jurisdiction but which are not listed on this agenda during PUBLIC COMMENTS. However, no action may be taken on matters that are not part of the posted agenda. We request comments made on the agenda be made at the time the item is considered and that comments be limited to three minutes per person. Please address your comments to the Committee as a whole, and do not engage in dialogue with individual Committee Members, Authority staff, or members of the audience.

2. MINUTES

A. Minutes for the October 12, 2016, Budget and Finance Committee Meeting
Sherry Wentz, Clerk of the Authority

Recommended Action:
Approve as submitted.

3. CONSENT CALENDAR

A. Monthly Investment Reports
Tricia Jakubiak, Treasurer

Recommended Action:
Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of November 17, 2016, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Annual Statement of Investment Policy and Investment Authorization
Lori Zeller, Assistant Chief/Business Services Department

Recommended Action:
Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 17, 2016, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Review and approve the submitted Investment Policy of the Orange County Fire Authority, to be effective January 1, 2017.
2. Pursuant to Government Code Sections 53601 and 53607, renew delegation of investment authority to the Treasurer for a one-year period, to be effective January 1, 2017.

4. DISCUSSION CALENDAR

A. 2016 Long Term Liability Study& Expedited Pension Payment Plan
Lori Zeller, Assistant Chief/Business Services Department

Recommended Action:
Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 17, 2016, with the Budget and Finance Committee's recommendations that the Board of Directors:

1. Direct staff to continue the Expedited Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to return to the Board of Directors in January, with the mid-year financial review, to consider allocation of the $9.8 million of available unencumbered funds identified in the FY 2015/16 financial audit to OCFA's unfunded pension liability.
3. Direct staff to continue seeking cost-saving options related to Workers' Compensation.

B. Audited Financial Reports for the Fiscal Year Ended June 30, 2016
Lori Zeller, Assistant Chief/Business Services Department

Recommended Action:
Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 17, 2016, with the Budget and Finance Committee's recommendation that the Board of Directors:
1. Receive and approve the reports.
2. Review the calculations used to determine the fund balance amounts assigned to the capital improvement program and workers' compensation, and confirm the calculations' consistency with the OCFA's Assigned Fund Balance Policy.

C. Community Risk Reduction Fee Development
Lori Smith, Assistant Chief/Community Risk Reduction Department

Recommended Actions:
1. Provide direction to staff regarding desired modifications to the Exemption Policy (if any), for future review by the Board of Directors when the FY 2016/17 Fee Study is submitted for approval.
2. Direct staff to proceed in categorizing the "Pre/Post Plan Review" time as further detailed herein for completion of the FY 2016/17 Fee Study.

REPORTS
No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, January 11, 2017, at 12:00 noon.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 3rd day of November 2016.

Sherry A.F. Wentz, CMC
Clerk of the Authority

UPCOMING MEETINGS:

Claims Settlement Committee Meeting	Thursday, November 17, 2016, 5:00 p.m.
Executive Committee Meeting	Thursday, November 17, 2016, 5:30 p.m.
Board of Directors Meeting	Thursday, November 17, 2016, 6:00 p.m.

All regular meetings go dark in December.

MINUTES
ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Meeting
October 12, 2016
12:00 Noon

Regional Fire Operations and Training Center
Room AE117
1 Fire Authority Road
Irvine, CA 92602

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on October 12, 2016, at 12:00 p.m. by Vice Chair Swift.

PLEDGE OF ALLEGIANCE
Director Muller led the assembly in the Pledge of Allegiance to our Flag.

ROLL CALL

Present: Shelley Hasselbrink, Los Alamitos
Gene Hernandez, Yorba Linda
Joseph Muller, Dana Point
Al Murray, Tustin
Elizabeth Swift, Buena Park
Tri Ta, Westminster

Absent: Ed Sachs, Mission Viejo.

Also present were:

Assistant Chief Dave Thomas
Assistant Chief Lori Smith
Director of Communications Sandy Cooney
Clerk of the Authority Sherry Wentz
Assistant Chief Lori Zeller
Ex Officio Bruce Channing
General Counsel David Kendig

PUBLIC COMMENTS

Stephen Wontrobski, Mission Viejo resident, addressed Workers' Compensation reform.

COMMITTEE ORIENTATION (F: 12.02B1)

Assistant Chief Lori Zeller provided a PowerPoint orientation of the Budget and Finance Committee.

Director Ta arrived at this point (12:07 p.m.).

2. MINUTES

A. Minutes for the September 14, 2016, Budget and Finance Committee Meeting (F: 12.02B2)

On motion of Director Murray and second by Director Hernandez, the Budget and Finance Committee voted to approve the September 14, 2016, Budget and Finance Committee Minutes as submitted. Vice Chair Swift and Director Ta were recorded as abstentions due to their absence from the meeting.

3. CONSENT CALENDAR (Agenda Item No. 3B was pulled for separate consideration).

A. Fourth Quarter Financial Newsletter (F: 15.07)

On motion of Director Murray and second by Director Hernandez, the Budget and Finance Committee voted unanimously by those present to review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of October 27, 2016, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

B. Quarterly Status Update Orange County Employees' Retirement System (F: 17.06B)

Director Muller pulled this item from the Consent Calendar to address the Orange County Employees' Retirement System assumed rate of return versus the actuals.

On motion of Director Muller and second by Director Hernandez, the Budget and Finance Committee voted unanimously by those present to receive and file the report.

C. Updated Cost Reimbursement Rates (F: 15.12)

On motion of Director Murray and second by Director Hernandez, the Budget and Finance Committee voted unanimously by those present to review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of October 27, 2016, with the Budget and Finance Committee's recommendation that the Board of Directors approve and adopt the proposed updated Cost Reimbursement Rate schedules effective October 28, 2016.

4. DISCUSSION CALENDAR

A. **Monthly Investment Reports** (F: 11.10D2)

Treasurer Trisha Jakubiak provided a summary of the Monthly Investment Reports.

On motion of Director Ta and second by Director Hernandez, the Budget and Finance Committee voted unanimously to review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of October 27, 2016, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. **Community Risk Reduction Fee Development** (F: 15.05)

Assistant Chief Lori Zeller and Assistant Chief Lori Smith provided a PowerPoint overview on the Community Risk Reduction Fee Development.

Director Carol Gamble presented her concerns regarding the fee structuring.

Director Ta left at this point (1:15 p.m.).

On motion of Director Hasselbrink and second by Director Hernandez, the Budget and Finance Committee voted unanimously by those present to direct staff to provide an additional review of the exemption policy, time allocations, and pre-post plan review, and return the item to the Committee for further consideration.

Director Ta was absent for the vote.

C. **Subcontractor Insurance Requirements** (F: 18.10A)

Assistant Chief Lori Zeller presented the Subcontractor Insurance Requirements report.

Director Carol Gamble addressed the need for subcontractors to identify the OCFA as an additional insured.

Discussion ensued.

On motion of Director Hernandez and second by Director Murray, the Budget and Finance Committee voted unanimously by those present to send the Subcontractor Insurance Requirements to the Board of Directors with the recommendation to proceed with Option 1: in issuance of future contracts to ensure that those contracts awarded by OCFA include a requirement that any subcontractors must possess insurance that names OCFA as an additional insured, and place responsibility on the primary contractor to verify that any subcontractors have obtained the required insurance.

Director Ta was absent for the vote.

REPORTS
No items.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

Director Murray thanked staff for their coordination with the Firefighter's Memorial in tribute to Firefighter Greg Hennessey.

Director Hernandez thanked Captain Daryll Milliot for his coordination of the Firefighter's Memorial event in Emmitsburg, Maryland.

Director Hasselbrink noted the Kevin Woyjeck Memorial Highway unveiling ceremony would take place tomorrow. Kevin Woyjeck was a Seal Beach resident and Granite Mountain Hotshot Firefighter, one of 19 firefighters killed in the line of duty on June 30, 2013, in Yarnell Arizona.

Director Muller thanked both Director Gamble and staff for their diligent work in connection with the Budget and Finance Committee staff reports.

Vice Chair Swift thanked staff for their coordination with the Firefighter's Memorial event.

ADJOURNMENT – Vice Chair Swift adjourned the meeting at 1:51 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, November 9, 2016, at 12:00 noon.

Sherry A.F. Wentz, CMC
Clerk of the Authority

Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting **Agenda Item No. 3A**
November 9, 2016 **Consent Calendar**

Monthly Investment Reports

Contact(s) for Further Information

Tricia Jakubiak, Treasurer Treasury & Financial Planning	triciajakubiak@ocfa.org	714.573.6301
Jane Wong, Assistant Treasurer	janewong@ocfa.org	714.573.6305

Summary

This agenda item is a routine transmittal of the monthly investment reports submitted to the Committee in compliance with the investment policy of the Orange County Fire Authority and with Government Code Section 53646.

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of November 17, 2016, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

Attached is the final monthly investment report for the month ended September 30, 2016. A preliminary investment report as of October 21, 2016, is also provided as the most complete report that was available at the time this agenda item was prepared.

Attachment(s)

Final Investment Report – September 2016/Preliminary Report – October 2016

Attachment

Orange County Fire Authority
Monthly Investment Report

Final Report – September 2016

Preliminary Report – October 2016

Monthly Investment Report
Table of Contents

Orange County Fire Authority

Final Investment Report

September 30, 2016

EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of September 2016, the size of the portfolio declined by $4.4 million to $141.2 million. Significant receipts for the month included cash contract payments, charges for current services and other intergovernmental agency payments totaling $15.2 million and the first apportionment of unsecured property taxes in the amount of $5.2 million. Significant disbursements for the month included primarily biweekly payrolls which were approximately $11.3 million each with related benefits. Total September cash outflows for operating expenditures amounted to approximately $26.2 million. The portfolio's balance is expected to decrease further in the following month as there are no major receipts expected for October.

In September, the portfolio's yield to maturity (365-day equivalent) decreased by 10 basis points to 0.57% while the effective rate of return stayed unchanged for the month and for the fiscal year-to-date at 0.62% and 0.61%, respectively. The average maturity of the portfolio shortened by 71 days to 105 days to maturity.

Economic News

U.S. economic activity improved moderately in September 2016, albeit mixed indicators. Employment growth continued; however, the September jobs report came in weaker than expected. There were only a total of 156,000 new jobs created in September while a consensus had expected a higher number. The unemployment rate edged up to 5.0% from 4.9% previously. Consumer confidence continued to improve and rose in September. Retail sales reversed and increased in September, matching expectations. Both manufacturing and non-manufacturing sectors also reversed and increased activity for the month. The CPI (Consumer Price Index) continued to climb slightly more than expected, but longer-term inflation remained low. Housing activity stayed mixed; new home sales picked up while existing home sales pulled back for the month. Industrial production rose in September, but at a slower rate than expected. Based on the current economic conditions, expectations remain that the first rate hike will likely take place in December after the upcoming election.

BENCHMARK COMPARISON AS OF SEPTEMBER 30, 2016

3 Month T-Bill:	*0.29%*	*1 Year T-Bill:*	*0.59%*
6 Month T-Bill:	*0.47%*	*LAIF:*	*0.63%*

OCFA Portfolio: 0.62%

PORTFOLIO SIZE, YIELD, & DURATION

	Current Month	***Prior Month***	***Prior Year***
Book Value-	*$141,183,986*	*$145,605,919*	*$158,324,031*
Yield to Maturity (365 day)	*0.57%*	*0.67%*	*0.37%*
Effective Rate of Return	*0.62%*	*0.62%*	*0.36%*
Days to Maturity	*105*	*176*	*149*

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
September 30, 2016

Orange County Fire Authority
1 Fire Authority Road
Irvine, Irvine, CA 92602
(714)573-6301

Investments	Par Value	Market Value (See Note 1 on page 9)	Book Value (See Note 2 on page 9)	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	12,408,889.66	12,408,889.66	12,408,889.66	8.89	1	1	0.001	0.001
Federal Agency Coupon Securities	29,000,000.00	29,023,630.00	29,004,100.00	20.78	1,024	435	0.973	0.986
Federal Agency Disc. -Amortizing	34,000,000.00	33,986,780.00	33,983,370.00	24.34	103	56	0.332	0.337
Local Agency Investment Funds	64,195,460.68	64,215,106.55	64,195,460.68	45.99	1	1	0.606	0.614
Investments	**139,604,350.34**	**139,634,406.21**	**139,591,820.34**	**100.00%**	**238**	**105**	**0.562**	**0.569**
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	1,448,241.22	1,448,241.22	1,448,241.22		1	1	0.000	0.000
Accrued Interest at Purchase		38,341.67	38,341.67					
Subtotal		1,486,582.89	1,486,582.89					
Total Cash and Investments	**141,052,591.56**	**141,120,989.10**	**141,078,403.23**		**238**	**105**	**0.562**	**0.569**

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	71,503.59	237,437.03
Average Daily Balance	**141,155,327.72**	**153,910,784.12**
Effective Rate of Return	**0.62%**	**0.61%**

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2016. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

P Jakubiak 10/7/16

Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	*$*	*141,078,403.23*
GASB 31 Adjustment to Books (See Note 3 on page 9)	*$*	*105,582.35*
Total	*$*	*141,183,985.58*

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
September 30, 2016

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value (See Note 1 on page 9)	Book Value (See Note 2 on page 9)	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations			12,408,889.66	12,408,889.66	12,408,889.66	0.001	0.001	1	
		Subtotal and Average	**8,367,750.56**		**12,408,889.66**	**12,408,889.66**	**12,408,889.66**		**0.001**	**1**	
Federal Agency Coupon Securities											
3133EFJP3	869	Federal Farm Credit Bank Callable Anytime		10/15/2015	10,000,000.00	9,989,300.00	10,000,000.00	1.100	1.054	744	10/15/2018
3134G7FK2	863	Fed Home Loan Mtg Corp		06/30/2015	9,000,000.00	9,031,230.00	9,000,000.00	1.100	1.065	538	03/23/2018
3134G9JR9	894	Fed Home Loan Mtg Corp Callable 11-3-16		08/29/2016	10,000,000.00	10,003,100.00	10,004,100.00	1.290	0.848	33	05/03/2019
		Subtotal and Average	**36,939,326.32**		**29,000,000.00**	**29,023,630.00**	**29,004,100.00**		**0.986**	**435**	
Federal Agency Disc. -Amortizing											
313384J75	893	Fed Home Loan Bank		06/09/2016	10,000,000.00	9,999,800.00	9,999,366.67	0.380	0.391	6	10/07/2016
313384R76	895	Fed Home Loan Bank		08/31/2016	10,000,000.00	9,995,700.00	9,994,833.33	0.300	0.309	62	12/02/2016
313385AS5	896	Fed Home Loan Bank		09/15/2016	5,000,000.00	4,996,050.00	4,994,300.00	0.380	0.391	108	01/17/2017
313384T58	897	Fed Home Loan Bank		09/23/2016	9,000,000.00	8,995,230.00	8,994,870.00	0.270	0.278	76	12/16/2016
		Subtotal and Average	**31,652,791.17**		**34,000,000.00**	**33,986,780.00**	**33,983,370.00**		**0.337**	**66**	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			64,195,460.68	64,215,106.55	64,195,460.68	0.614	0.614	1	
		Subtotal and Average	**64,195,460.68**		**64,195,460.68**	**64,215,106.55**	**64,195,460.68**		**0.614**	**1**	
		Total and Average	**141,155,327.72**		**139,604,350.34**	**139,634,406.21**	**139,591,820.34**		**0.569**	**105**	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
September 30, 2016

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2016	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2016	1,428,241.22	1,428,241.22	1,428,241.22		0.000	1
		Average Balance	0.00	Accrued Interest at Purchase		38,341.67	38,341.67			1
				Subtotal		1,486,582.89	1,486,582.89			
		Total Cash and Investments	**141,155,327.72**		**141,052,591.56**	**141,120,989.10**	**141,078,403.23**		**0.569**	**105**

“We visualize problems and solutions through the eyes of those we serve.”

ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of October 1, 2016

Orange County Fire Authority
1 Fire Authority Road
Irvine, Irvine, CA 92602
(714)573-6301

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	(10/01/2016 - 10/01/2016)	4 Maturities	0 Payments	78,052,591.56	55.34%	78,052,591.56	78,072,237.43
Aging Interval: 1 - 30 days	(10/02/2016 - 10/31/2016)	1 Maturities	0 Payments	10,000,000.00	7.09%	9,999,366.67	9,999,800.00
Aging Interval: 31 - 60 days	(11/01/2016 - 11/30/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 61 - 91 days	(12/01/2016 - 12/31/2016)	2 Maturities	0 Payments	19,000,000.00	13.46%	18,989,703.33	18,990,930.00
Aging Interval: 92 - 121 days	(01/01/2017 - 01/30/2017)	1 Maturities	0 Payments	5,000,000.00	3.54%	4,994,300.00	4,996,050.00
Aging Interval: 122 - 152 days	(01/31/2017 - 03/02/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 153 - 183 days	(03/03/2017 - 04/02/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	(04/03/2017 - 07/02/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 275 - 365 days	(07/03/2017 - 10/01/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(10/02/2017 - 10/01/2019)	3 Maturities	0 Payments	29,000,000.00	20.56%	29,004,100.00	29,023,630.00
Aging Interval: 1096 days and after	(10/02/2019 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
	Total for	11 Investments	0 Payments		100.00	141,040,061.56	141,082,647.43

NOTES TO PORTFOLIO MANAGEMENT REPORT

Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank (formerly Union Bank) Trust Department provides market values of the remaining investments.

Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.

Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2016 includes an increase of $39,825 to the LAIF investment and an increase of $65,757 to the remaining investments.

Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of $1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

Local Agency Investment Fund (LAIF)

As of September 30, 2016, OCFA has $64,195,460 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of September 30, 2016 is 1.000306032. When applied to OCFA's LAIF investment, the fair value is $64,215,106 or $19,646 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at September 30, 2016 is included on the following page.

State of California
Pooled Money Investment Account
Market Valuation
9/30/2016

	Description	Carrying Cost Plus Accrued Interest Purch.	Amortized Cost	Fair Value	Accrued Interest
1*	United States Treasury:				
	Bills	$ 11,401,506,250.08	$ 11,424,324,705.67	$ 11,428,957,500.00	NA
	Notes	$ 20,045,572,538.49	$ 20,043,793,876.45	$ 20,060,297,000.00	$ 28,241,781.50
1*	Federal Agency:				
	SBA	$ 720,861,955.68	$ 720,861,955.68	$ 713,031,386.07	$ 457,100.69
	MBS-REMICs	$ 54,197,494.37	$ 54,197,494.37	$ 57,380,084.72	$ 255,981.62
	Debentures	$ 874,936,111.43	$ 874,932,465.60	$ 875,566,000.00	$ 1,420,035.50
	Debentures FR	$ -	$ -	$ -	$ -
	Discount Notes	$ 7,676,506,236.05	$ 7,687,765,499.99	$ 7,691,065,000.00	NA
	GNMA	$ -	$ -	$ -	$ -
1*	Supranational Debentures	$ 349,980,433.20	$ 349,980,433.20	$ 350,734,500.00	$ 653,124.50
2*	CDs and YCDs FR	$ 400,000,000.00	$ 400,000,000.00	$ 400,000,000.00	$ 656,791.92
2*	Bank Notes	$ 800,000,000.00	$ 800,000,000.00	$ 800,059,819.97	$ 2,270,333.35
2*	CDs and YCDs	$ 12,600,028,335.66	$ 12,600,009,446.78	$ 12,600,111,931.68	$ 22,649,236.08
2*	Commercial Paper	$ 7,333,219,055.55	$ 7,341,231,833.25	$ 7,340,803,513.90	NA
1*	Corporate:				
	Bonds FR	$ -	$ -	$ -	$ -
	Bonds	$ -	$ -	$ -	$ -
1*	Repurchase Agreements	$ -	$ -	$ -	$ -
1*	Reverse Repurchase	$ -	$ -	$ -	$ -
	Time Deposits	$ 5,222,440,000.00	$ 5,222,440,000.00	$ 5,222,440,000.00	NA
	AB 55 & GF Loans	$ 803,510,000.00	$ 803,510,000.00	$ 803,510,000.00	NA
	TOTAL	$ 68,282,758,410.51	$ 68,323,047,710.99	$ 68,343,956,736.34	$ 56,604,385.16

Fair Value Including Accrued Interest $ 68,400,561,121.50

* Governmental Accounting Standards Board (GASB) Statement #72

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and
Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost (**1.000306032**).
As an example: if an agency has an account balance of $20,000,000.00, then the agency would report its participation in the LAIF valued at $20,006,120.64 or $20,000,000.00 x **1.000306032**.

Orange County Fire Authority

Preliminary Investment Report

October 21, 2016

Orange County Fire Authority
1 Fire Authority Road
Irvine, Irvine, CA 92602
(714)573-6301

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
October 21, 2016

Investments	Par Value	Market Value (See Note 1 on page 18)	Book Value (See Note 2 on page 18)	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	6,258,981.10	6,258,981.10	6,258,981.10	5.07	1	1	0.001	0.001
Federal Agency Coupon Securities	29,000,000.00	28,998,990.00	29,001,409.37	23.48	1,024	414	0.973	0.986
Federal Agency Disc. -Amortizing	24,000,000.00	23,989,410.00	23,988,279.17	19.42	96	56	0.310	0.314
Local Agency Investment Funds	64,293,001.91	64,312,677.63	64,293,001.91	52.04	1	1	0.606	0.614
Investments	**123,551,983.01**	**123,560,058.73**	**123,541,671.55**	**100.00%**	**260**	**109**	**0.604**	**0.612**

Cash and Accrued Interest	Par Value	Market Value	Book Value		Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Passbook/Checking (See Note 4 on page 18) (not included in yield calculations)	-1,816,420.27	-1,816,420.27	-1,816,420.27		0	0	0.000	0.000
Accrued Interest at Purchase		38,341.67	38,341.67					
Subtotal		-1,778,078.60	-1,778,078.60					
Total Cash and Investments	**121,735,562.74**	**121,781,980.13**	**121,763,592.95**		**260**	**109**	**0.604**	**0.612**

Total Earnings	October 21 Month Ending	Fiscal Year To Date
Current Year	44,633.90	282,070.93
Average Daily Balance	**134,833,230.71**	**150,365,398.09**
Effective Rate of Return	**0.58%**	**0.61%**

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2016. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

P Jakubiak 10/28/16

Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	*$*	*121,763,592.95*
GASB 31 Adjustment to Books (See Note 3 on page 18)	*$*	*105,582.35*
Total	*$*	*121,869,175.30*

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
October 21, 2016

(See Note 1 on page 18) (See Note 2 on page 18)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations (See Note 4 on page 18)			6,258,981.10	6,258,981.10	6,258,981.10	0.001	0.001	1	
		Subtotal and Average	14,754,610.32		6,258,981.10	6,258,981.10	6,258,981.10		0.001	1	
Federal Agency Coupon Securities											
3133EFJP3	869	Federal Farm Credit Bank Callable Anytime		10/15/2015	10,000,000.00	9,976,800.00	10,000,000.00	1.100	1.054	723	10/15/2018
3134G7FK2	863	Fed Home Loan Mtg Corp		06/30/2015	9,000,000.00	9,021,690.00	9,000,000.00	1.100	1.065	517	03/23/2018
3134G9JR9	894	Fed Home Loan Mtg Corp Callable 11-3-16		08/29/2016	10,000,000.00	10,000,500.00	10,001,409.37	1.290	0.848	12	05/03/2019
		Subtotal and Average	29,002,690.62		29,000,000.00	28,998,990.00	29,001,409.37		0.986	414	
Federal Agency Disc. -Amortizing											
313384R76	895	Fed Home Loan Bank		08/31/2016	10,000,000.00	9,997,000.00	9,996,583.33	0.300	0.309	41	12/02/2016
313385AS5	896	Fed Home Loan Bank		09/15/2016	5,000,000.00	4,996,100.00	4,995,408.34	0.380	0.391	87	01/17/2017
313384T58	897	Fed Home Loan Bank		09/23/2016	9,000,000.00	8,996,310.00	8,996,287.50	0.270	0.278	55	12/16/2016
		Subtotal and Average	26,843,310.52		24,000,000.00	23,989,410.00	23,988,279.17		0.314	56	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			64,293,001.91	64,312,677.63	64,293,001.91	0.614	0.614	1	
		Subtotal and Average	64,232,619.24		64,293,001.91	64,312,677.63	64,293,001.91		0.614	1	
		Total and Average	134,833,230.71		123,551,983.01	123,560,058.73	123,541,671.55		0.612	109	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
October 21, 2016

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2016	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2016	-1,836,420.27	-1,836,420.27	-1,836,420.27	*(See Note 4 on page 18)*	0.000	1
		Average Balance	**0.00**	Accrued Interest at Purchase		38,341.67	38,341.67			0
				Subtotal		-1,778,078.60	-1,778,078.60			
		Total Cash and Investments	**134,833,230.71**		**121,735,562.74**	**121,781,980.13**	**121,763,592.95**		**0.612**	**109**

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Orange County Fire Authority
1 Fire Authority Road
Irvine, Irvine, CA 92602
(714)573-6301

ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of October 22, 2016

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	(10/22/2016 - 10/22/2016)	4 Maturities	0 Payments	68,735,562.74	56.47%	68,735,562.74	68,755,238.46
Aging Interval: 1 - 30 days	(10/23/2016 - 11/21/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 31 - 60 days	(11/22/2016 - 12/21/2016)	2 Maturities	0 Payments	19,000,000.00	15.60%	18,992,870.83	18,993,310.00
Aging Interval: 61 - 91 days	(12/22/2016 - 01/21/2017)	1 Maturities	0 Payments	5,000,000.00	4.10%	4,995,408.34	4,996,100.00
Aging Interval: 92 - 121 days	(01/22/2017 - 02/20/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 122 - 152 days	(02/21/2017 - 03/23/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 153 - 183 days	(03/24/2017 - 04/23/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	(04/24/2017 - 07/23/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 275 - 365 days	(07/24/2017 - 10/22/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(10/23/2017 - 10/22/2019)	3 Maturities	0 Payments	29,000,000.00	23.83%	29,001,409.37	28,998,990.00
Aging Interval: 1096 days and after	(10/23/2019 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
	Total for	10 Investments	0 Payments		100.00	121,725,251.28	121,743,638.46

NOTES TO PORTFOLIO MANAGEMENT REPORT

Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank Trust Department provides market values of the remaining investments.

Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.

Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2016 includes an increase of $39,825 to the LAIF investment and an increase of $65,757 to the remaining investments.

Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of $1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

GLOSSARY

INVESTMENT TERMS

Basis Point. Measure used in quoting yields on bonds and notes. One basis point is .01% of yield.

Book Value. This value may be the original cost of acquisition of the security, or original cost adjusted by the amortization of a premium or accretion of a discount. The book value may differ significantly from the security's current value in the market.

Commercial Paper. Unsecured short-term promissory notes issued by corporations, with maturities ranging from 2 to 270 days; may be sold on a discount basis or may bear interest.

Coupon Rate. Interest rate, expressed as a percentage of par or face value, that issuer promises to pay over lifetime of debt security.

Discount. The amount by which a bond sells under its par (face) value.

Discount Securities. Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity. Treasury bills, bankers' acceptances and most commercial paper are issued at a discount.

Effective Rate of Return. Rate of return on a security, based on its purchase price, coupon rate, maturity date, and the period between interest payments.

Federal Agency Securities. Securities issued by agencies such as the Federal National Mortgage Association and the Federal Farm Credit Bank. Though not general obligations of the US Treasury, such securities are sponsored by the government and therefore have high credit ratings. Some are issued on a discount basis and some are issued with coupons.

Federal Funds. Funds placed in Federal Reserve banks by depository intuitions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed Funds are considered to be immediately available funds.

Fed Funds Rate. The interest rate charged by one institution lending federal funds to another.

Federal Open Market Committee. The branch of the Federal Reserve Board that determines the direction of monetary policy.

Local Agency Investment Fund (LAIF). A California State Treasury fund which local agencies may use to deposit funds for investment and for reinvestment with a maximum of $50 million for any agency ***(excluding bond funds, which have no maximum)***. It offers high liquidity because deposits can be converted to cash in 24 hours and no interest is lost. Interest is paid quarterly and the State's administrative fee cannot to exceed 1/4 of a percent of the earnings.

Market value. The price at which the security is trading and could presumably be purchased or sold.

Maturity Date. The specified day on which the issuer of a debt security is obligated to repay the principal amount or face value of security.

Money Market Mutual Fund. Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repurchase agreements and federal funds).

Par. Face value or principal value of a bond typically $1,000 per bond.

Rate of Return. The amount of income received from an investment, expressed as a percentage. A *market rate of return* is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

Treasury Bills. Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes. Intermediate U.S. government debt securities with maturities of one to 10 years.

Treasury bonds. Long-term U.S. government debt securities with maturities of 10 years or longer.

Yield. Rate of return on a bond.

Yield-to-maturity. Rate of return on a bond taking into account the total annual interest payments, the purchase price, the redemption value and the amount of time remaining until maturity.

ECONOMIC TERMS

Conference Board Consumer Confidence Index A survey that measures how optimistic or pessimistic consumers are with respect to the economy in the near future.

Consumer Price Index (CPI). A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. Changes in CPI are used to assess price changes associated with the cost of living.

Durable Goods Orders. An economic indicator released monthly that reflects new orders placed with domestic manufacturers for delivery of factory durable goods such as autos and appliances in the near term or future.

Gross Domestic Product. The monetary value of all the finished goods and services produced within a country's borders in a specific time period. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

Industrial Production. An economic indicator that is released monthly by the Federal Reserve Board. The indicator measures the amount of output from the manufacturing, mining, electric and gas industries.

ISM Institute for Supply Management (ISM) Manufacturing Index. A monthly index that monitors employment, production inventories, new orders and supplier deliveries.

ISM Non-manufacturing Index. An index based on surveys of non-manufacturing firms' purchasing and supply executives. It tracks economic data for the service sector.

Leading Economic Index. A monthly index used to predict the direction of the economy's movements in the months to come. The index is made up of 10 economic components, whose changes tend to precede changes in the overall economy.

National Federation of Independent Business Small Business Optimism Index. An index based on surveys of small business owners' plans and expectations regarding employment, capital, inventories, economic improvement, credit conditions, expansion, and earnings trends in the near term or future.

Producer Price Index. An index that measures the average change over time in the selling prices received by domestic producers for their output.

University of Michigan Consumer Sentiment Index. An index that measures the overall health of the economy as determined by consumer opinion. It takes into account an individual's feelings toward his or her own current financial health, the health of the economy in the short term and the prospects for longer term economic growth.

Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting — **Agenda Item No. 3B**
November 9, 2016 — **Consent Calendar**

Annual Statement of Investment Policy and Investment Authorization

Contact(s) for Further Information

Lori Zeller, Assistant Chief Business Services Department	lorizeller@ocfa.org	714.573.6020
Tricia Jakubiak, Treasurer Treasury & Financial Planning	triciajakubiak@ocfa.org	714.573.6301

Summary

This agenda item is submitted to the Committee in compliance with the Authority's Investment Policy that requires the Statement of Investment Policy to be reviewed and approved annually by the Budget and Finance Committee and the Board of Directors. This item is also being submitted in compliance with Government Code provisions which require the Board of Directors to review and renew the annual delegation of investment authority to the Treasurer for a one-year period.

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 17, 2016, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Review and approve the submitted Investment Policy of the Orange County Fire Authority, to be effective January 1, 2017.
2. Pursuant to Government Code Sections 53601 and 53607, renew delegation of investment authority to the Treasurer for a one-year period, to be effective January 1, 2017.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

The Statement of Investment Policy is reviewed annually and revised by the Treasurer, if needed. The proposed Policy is then submitted to the Budget and Finance Committee and Board of Directors for approval every November to become effective on January 1 for the calendar year.

During the past year, there were no significant legislative amendments to the California Government Code regarding investments; therefore, staff is not proposing any changes to the OCFA's Investment Policy for 2017.

The Proposed Investment Policy is attached for review and approval, to be effective January 1, 2017. (Attachment).

Attachment(s)
Proposed Investment Policy

Attachment

ORANGE COUNTY FIRE AUTHORITY

INVESTMENT POLICY

Calendar Year 2017

INVESTMENT POLICY

History of OCFA's Investment Policy & Cash Management Program

Following the formation of the Orange County Fire Authority in March 1995, OCFA funds were initially invested in the Orange County Investment Pool (OCIP) and the Local Agency Investment Fund (LAIF). At that time, investment options were limited since the Authority was using County services for treasury, banking, and accounting systems pending implementation of its own systems. During this transitional stage, OCFA staff worked to establish independent banking, custodian, and broker/dealer agreements, installed a portfolio management system, and implemented the Banner Financial System. Staff also researched and drafted a comprehensive Investment Policy. On January 1, 1997, the OCFA Board of Directors adopted the Investment Policy and appointed a Treasurer. Immediately thereafter, OCFA assumed in-house responsibility for Treasury services and implemented its own Cash Management & Investment Services Program.

As the Cash Management program evolved, all remaining funds in the OCIP were gradually withdrawn. The Treasurer invested these funds in individual securities and scheduled maturities to correspond with cash flow needs. Investments included Treasury and Federal Agency securities, prime quality commercial paper, money market mutual funds (U.S. Treasury Obligations), and LAIF.

Since inception in 1997, the Treasurer has continued to refine the Investment Policy on an annual basis to meet the changing needs of the Authority. The Policy has also been formally recognized by the Association of Public Treasurer's of the United States and Canada (APTA US&C). Certification is awarded when an investment policy meets the professional standards set forth by MTA US&C. Agencies may submit for re-certification after significant changes are made to the Policy.

During the past year, there were no significant legislative amendments to the California Government Code regarding investments that would require a change to the 2016 Investment Policy.

INVESTMENT POLICY

TABLE OF CONTENTS

INVESTMENT POLICY

ORANGE COUNTY FIRE AUTHORITY

1. **Policy:** The Orange County Fire Authority (the "Authority") shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives, in priority order, of safety, liquidity, and return on investment.

2. **Scope:** This Investment Policy applies to all financial assets of the Orange County Fire Authority which are available for investment by the Authority's Treasurer; except that funds in the Authority's deferred compensation plan, defined contribution plan**,** and security deposits held in escrow in lieu of retention are excluded from this investment policy. The funds governed by this policy may be referred to herein as the OCFA portfolio.

    2.1. The Authority's funds are accounted for in the Comprehensive Annual Financial Report (CAFR) and include the funds listed below and any new fund created by the Board of Directors unless specifically exempted.

    Fund 121 General Fund
    Fund 122 Facilities Maintenance and Improvements
    Fund 123 Capital Projects
    Fund 124 Communications and Information Systems Replacement
    Fund 133 Vehicle Replacement
    Fund 171 Structural Fire Fund Entitlement
    Fund 190 Self-Insurance Fund
    Fund 422 Extra-Help Retirement Trust

    2.2. Bond fund investments will be held separately and made in accordance with the bond debenture requirements.

    2.3. Retiree Medical Trust Funds may be held separately from the OCFA portfolio and invested in accordance with California Government Code Section 53620 to 53622 and/or Section 31694.3.

3. **Prudence:** The standard of prudence to be used shall be the "prudent investor" standard (in Probate Code Sections 16040-16042 and 16045-16054 cited as Uniform Prudent Investor Act) and shall be applied in the context of managing the overall portfolio, not to a single item within a diversified portfolio. Investments shall be made with judgment and care (under circumstances then prevailing) which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

4. **Objectives:** The primary objectives of investment activities, in order of priority, shall be:

   4.1. *Safety*: Safety of principal is the prime objective of the investment program. The investment program shall be designed and implemented to ensure preservation of capital in the overall portfolio. Invested funds shall be **diversified** to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities.

   4.2. *Liquidity*: The investment portfolio shall be structured in a manner which strives to time the maturity of securities with cash requirements. Additionally, since not all possible cash demands can be anticipated, the portfolio should consist of securities with an active secondary or resale market.

   4.3. *Return on investment*: The Authority shall attempt to obtain a reasonable return provided that the requirements of safety and liquidity are first met.

5. **Authorization and Delegation of Authority:** Under California Government Code Section 53601, the legislative body of a local agency (i.e., the Authority's Board of Directors) is authorized to invest surplus moneys as specified in that code section. In accordance with California Government Code Section 53607, this authority is delegated to the Treasurer of the Authority for a one-year period. Subject to review, the Board of Directors may renew the delegation of authority under this code section each year. The Treasurer will be responsible for all investment transactions and shall establish a system of controls to regulate the activities of officials involved in any aspect of the investment program.

   5.1. *Investment Procedures:* The Treasurer shall establish written procedures for the operation of the investment program consistent with this Investment Policy. The procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. The procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction, except as provided under the terms of this policy and the procedures established by the Treasurer.

   5.2. *Delegation in Treasurer's Absence*: In the Treasurer's absence, the Treasurer delegates investment authority in the following order to (1) the Assistant Chief, Business Services and (2) the Deputy Fire Chief or Fire Chief's designee.

6. **Duties and Responsibilities:**

6.1. *Treasurer*: Charged with responsibility for all public funds and securities belonging to or under the control of the Authority, and for the deposit and investment of those funds in accordance with the principles of sound treasury management and in accordance with the applicable laws, ordinances and policies adopted by the Authority.

6.2. *Auditor*: Charged with recording investment activity in the accounting records and with verifying the Treasurer's records with broker confirmations, bank statements and safekeeping records.

6.3. *Assistant Chief, Business Services*: Charged with responsibility (in the absence of the Treasurer) for all public funds and securities belonging to or under the control of the Authority and for their deposit. Duties related to investment activities shall be performed by staff other than those responsible for the accounting of those investments.

6.4. *Deputy Fire Chief or Fire Chief's designee*: Charged with responsibility (in the absence of the Treasurer and Assistant Chief, Business Services) for all public funds and securities belonging to or under the control of the Authority and for their deposit. Duties related to investment activities shall be performed by staff other than those responsible for the accounting of those investments.

6.5. *Fire Chief*: Charged with responsibility for implementation of and conformance to the policies and procedures approved by the Board of Directors for the investment of the Authority's funds.

6.6. *Budget and Finance Committee*: Charged with responsibility for investment oversight. The Committee shall review the monthly investment reports and significant investment activity being undertaken. The Committee's recommendations shall be reported in a monthly investment report to the Executive Committee.

6.7. *Executive Committee*: Charged with responsibility to receive, review and approve the monthly investment report, following review by the Budget and Finance Committee.

6.8. *Board of Directors*: May delegate to the Treasurer for a one-year period the authority to invest the Fire Authority's funds. Subject to review, the Board may renew the delegation of this authority each year. The Board shall also annually consider and approve a written Statement of Investment Policy at a public meeting. Any change to the Investment Policy at any time shall also be considered by the Board at a public meeting.

7. **Ethics and Conflicts of Interest**: All officers, employees, and participants in the Authority's investment process shall:

7.1. Act responsibly as custodians of the public trust.

7.2. Avoid any transaction that might impair the public confidence in the Authority's ability to serve the citizens of our area of responsibility.

7.3. Refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7.4. Abide by the Authority's adopted Conflict of Interest Code, which by reference is incorporated into this Investment Policy.

7.5. The Treasurer, the Assistant Chief, Business Services, the Deputy Fire Chief or Fire Chief's designee and the Fire Chief shall be prohibited from doing personal investment transactions with any broker or securities dealer with whom OCFA does business, with the exception of the OCFA's primary bank for banking services. Employees shall subordinate their personal investment transactions to those of OCFA, particularly with regard to the time of purchases and sales.

8. **Authorized Financial Dealers and Institutions**: To promote the optimum yield on the investment of Authority funds, investment procedures shall be designed to encourage competitive bidding on transactions from approved financial institutions or broker/dealers.

8.1. On a biennial basis, the Treasurer shall recommend a list of at least three financial institutions and broker/dealers who are authorized to provide investment services. The list shall be approved by the Budget and Finance Committee and the Executive Committee. All financial institutions and broker/dealers who wish to be considered for the list must meet the following minimum requirements:

8.1.1 Must certify that they have read and agree to comply with the investment policies of the Authority.

8.1.2 Must be a primary or regional dealer that qualifies under the Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule).

8.1.3 Must have a branch office in California.

8.1.4 Must be experienced in institutional trading practices and familiar with the California Government Code as related to investments for local governmental agencies.

8.1.5 Must have been in business for at least three years.

8.1.6 Must provide current audited financial statements.

8.1.7 Must provide proof of Financial Industry Regulatory Authority (FINRA) certification.

8.1.8 Other criteria as may be established in the *Investment Procedures Manual* of the Authority.

8.2. All financial institutions in which the Authority's public funds are deposited will supply the Treasurer with the following:

8.2.1 Current audited financial statements.

8.2.2 Depository contracts.

8.2.3 A copy of the latest FDIC call report.

8.2.4 Proof that the institution is state or federally chartered.

9. **Authorized Investment Advisors and Investment Managers:**

Authorized Investment Advisors

Although the Authority does not currently use an investment advisor, these policies and procedures shall be applicable if an investment advisor is utilized in the future to provide advice and guidance for the investment of OCFA portfolio funds**.** Under Government Code, the Authority is authorized to engage specially trained and experienced firms for economic advice and services. The Board of Directors must approve, in advance, all contracts with an investment advisor, after review by the Authority's Counsel. The investment advisor may only provide advice and may not effectuate trades; he/she may not make investment decisions. The Treasurer shall provide the investment manager with a copy of the Authority's Investment Policy.

Authorized Investment Managers

The provisions above for authorized investment advisors also apply to authorized investment managers. In addition, an investment manager may effectuate trades upon specific authorization for each transaction; however, he/she may not make investment decisions. All investment decisions must be made and approved by the Treasurer in advance, before the investment manager is authorized to execute a transaction. The Treasurer shall provide the investment manager with a copy of the Authority's Investment Policy. Upon execution of any trade, the Authority must receive confirmation directly from the broker/dealer and the custodian, not from the investment manager. Investments recommended by the investment manager should be safe kept by the Authority's regular custodian, and not with the investment manager.

10. **Authorized and Suitable Investments**: The Authority is empowered by statute (California Government Code Section 53600 et seq., 53620 et seq., and Section 5922[d]) to invest in the following types of securities (see Section 15 of this Policy for maximum percentage limits imposed under Authority Policy):

10.1. U.S Treasury or Federal Agency securities.

10.2. Collateralized or insured passbook savings accounts and demand deposits.

10.3. Collateralized or insured certificates of deposit (or time deposits) placed with commercial banks (maximum term five years).

10.4. Bankers acceptances (issued by one of the 10 largest domestic banks or 20 largest international banks based on assets) with maturities not to exceed 180 days. State statute restricts bankers' acceptances to no more than 40% of the agency's surplus funds and no more than 30% in any one commercial bank. Authority policy is more restrictive, with a maximum 25% limit (see Section 15.1.4). Bankers' acceptances are to be purchased only from institutions that are well capitalized as the term is defined in the glossary.

10.5. Money market mutual funds whose portfolio consists solely of short-term treasury securities (i.e., one year or less remaining until maturity, at purchase). Mutual funds must be AAA rated by at least 2 of the 3 largest rating agencies.

10.6. Repurchase agreements whose underlying collateral consists of U.S. Treasury obligations or U.S. government agency obligations and the collateralization level must be in accordance with Government Code section 53601(i)(2), effective January 1, 1996 (maximum maturity of 14 days). A Public Securities Association (PSA) Master Repurchase Agreement is required between the Authority and the bank or broker/dealer for all repurchase agreements transacted. Direct investment in reverse repurchase agreements is prohibited.

10.7. Local Agency Investment Fund (State of California Pool).

10.8. Commercial paper in compliance with the following requirements:

10.8.1 Must be rated highest-quality by at least two of the following three nationally recognized rating agencies. Highest-quality ratings are defined as (1) Moody's Investor Services rating of P1; (2) Standard & Poor's rating of A1/A1+; (3) Fitch rating of F1/F1+.

10.8.2 Investments will not be made with commercial paper issuers placed on negative credit watch by any one of the above rating agencies.

10.8.3 Commercial paper issuers must be domestic corporations having assets in excess of $500,000,000 and having an AA or better rating on its long term debentures as provided by Moody's, Standard & Poor's, or Fitch.

10.8.4 Purchases of eligible commercial paper may <u>not</u>: (a) exceed 270 days to maturity; or (b) exceed 15% of the cost value of the portfolio. Although Government Code allows a maximum investment in commercial paper of 25%, Authority Policy maintains a 15% maximum, which is more restrictive.

10.8.5 The Treasurer shall conduct research on commercial paper issuers prior to investing OCFA funds with those issuers. The Treasurer will avoid investing in issuers with current events that involve negative financial implications that could lead to a downgrade to their credit rating. Sources of research will include, at a minimum, WSJ.com, Bloomberg.com, Marketwatch.com, and CNNMoney.com.

10.9. Negotiable certificates of deposit, issued by national or state-chartered banks or state or federal savings institutions, commercial bank, savings bank (savings and loan association), or credit union that uses a private sector entity that assists in the placement of certificates of deposit under specified conditions. Government code limits negotiable certificates of deposit to 30% of the portfolio. Authority Policy, which is more restrictive, limits investment in these securities to 25% (see Section 15.1.5).

10.10. Proceeds of bonds or other indebtedness and any moneys set aside and pledged to secure payment of the bonds may be invested in accordance with the resolution, indenture, or other statutory provisions governing the issuance of those bonds or indebtedness.

10.11. Retiree Medical Funds may be held in a separate trust fund and invested as permitted under California Government Code Section 53620 to 53622 and/or Section 31694.3 for the purpose of paying health insurance benefits to retirees.

11. **Unallowable Investments / Restrictions**: The Authority shall **not** invest OCFA portfolio funds in the following instruments:

11.1. Derivatives, except for indirect investment through the State's Local Agency Fund.

11.2. Reverse repurchase agreements, although indirect investment through a pool is allowable up to a maximum of ten percent (10%) of the pool's portfolio.

11.3. Financial futures or financial options.

11.4. Common stocks or corporate bonds.

12. **Investment Pools:** Governmental sponsored pools and/or mutual funds should be carefully reviewed prior to investing and should be monitored on an ongoing basis. Requisite information on the pool includes the following:

12.1. A statement of investment policy and objectives.

12.2. A list of allowable investments.

12.3. Disclosure regarding settlement and safeguarding of investments.

12.4. Description of securities pricing (fair value) and whether GASB 31 compliant.

12.5. An explanation of interest calculations and distributions, plus fee disclosures.

12.6. Deposit and withdrawal restrictions.

12.7. Disclosure of audit findings and reports.

13. **Collateralization:** Collateral must always be held by an independent third party with whom the Authority has a current custodial agreement.

13.1. State law regarding collateralization of deposits of public funds requires that securities be held by an agent (i.e., a trust company) of the bank, which may include the bank's trust department only if acceptable to both the bank and the Treasurer, pursuant to California Government Code Sections 53656 and 53658. Under the provisions of California Government Code Section 53652, banks are required to secure the deposits of public funds, including certificates of deposits, by: a) pledging government securities with a value of 110% of the principal and accrued interest; b) pledging first trust deed mortgage notes having a value of 150% of the total agency deposit; or c) a letter of credit drawn on the Federal Home Loan Bank at 105% of the total agency deposit. Deposits must be secured at all times with eligible securities pursuant to Section 53651. A copy of the Call Report of Local Agency's Deposits and Securities must be supplied to the Authority and retained to document compliance with the collateral requirements.

13.2. Collateralization of repurchase agreements must be at least 102% of the market value of principal and accrued interest. Collateral must consist of U.S. Treasury obligations or U.S. Agency obligations. Other specific requirements on repurchase agreements must be addressed in a master repurchase agreement between the Authority and the bank or broker/dealer.

13.3. The Treasurer, at his/her discretion, may waive the collateral requirements for deposits up to $250,000 which are fully insured by the Federal Deposit Insurance Corporation. The right of collateral substitution is granted.

14. **Safekeeping and Custody:** All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party qualified custodian and evidenced by safekeeping receipts. The trust department of the Authority's bank may act as third party custodian, provided that the custodian agreement is separate and apart from the banking agreement.

15. **Diversification**: The Authority shall maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or security type.

15.1. *Restrictions on Securities*: At no time shall the Authority's portfolio be invested in a single security type or in a single financial institution or pool in excess of 15% of the total investment portfolio, with the following exceptions:

15.1.1 Treasury securities 100%

15.1.2 Local Agency Investment Fund 75% *(Excludes moneys deposited in LAIF bond funds.)*

15.1.3 Federal Agency securities 75%

15.1.4 Bankers' Acceptances 25%

15.1.5 Negotiable CD's 25%

15.2. *Exception for Automatic Overnight Sweep*: There shall be no restriction on the amount that is automatically swept from the Authority's bank into the Highmark Money Market Mutual Fund of U.S. Treasury Obligations *on an overnight basis*, in order to accommodate immediate investment of large inflows of property taxes or other receipts, pending diversified investment into other securities by the Treasurer.

15.3. *Maturity Diversification*: Every effort will be made to match investment maturities to cash flow needs. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing the market risk. Maximum maturities shall be as follows:

15.3.1 At least 50% of the portfolio is limited to a period of one year or less.

15.3.2 Unless matched to a specific requirement and approved by the Executive Committee and the Board of Directors, no portion of the portfolio may exceed five years.

16. **Internal Control**:

16.1. Internal policies and procedures shall be developed to assure that appropriate controls are in place to document and confirm all transactions. A separate *Investment Procedures Manual* shall be established to assist Treasury staff with daily operations and shall be reviewed at least annually by the Treasurer.

16.2. An independent analysis by an external auditor shall be conducted annually to review internal control, account activity and compliance with policies and procedures.

16.3. To provide further protection of the Authority funds, written instructions require the Authority's bank to obtain verification of all wire transfers from two of the three following officers:

16.3.1 Treasurer.

16.3.2 Assistant Chief, Business Services.

16.3.3 Deputy Fire Chief.

17. **Performance Standards**: The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with investment risk constraints and cash flow needs.

17.1. *Investment Strategy:* The Authority's basic investment strategy is to buy and hold investments until maturity. However, the Treasurer may sell a security due to adverse changes in credit or market risk or due to unexpected cash flow needs.

17.2. *Market Yield (Benchmark):* The basis used by the Treasurer to determine whether market yields are being achieved shall be the rates of return from the following combination of indices: Local Agency Investment Fund (LAIF) and 3-month, 6-month and 1-year Treasury Bills (constant maturity).

17.3. *Review*: The investment policy shall be reviewed at least annually by the Budget and Finance Committee and approved by the Board of Directors to ensure its consistency with the overall objectives of safety (including diversification), liquidity and return, as well as its relevance to current law and financial/economics trends. The Authority's philosophy prohibits speculation (i.e., purchasing securities with the intent to profit from anticipated changes in future market conditions). Leveraging or borrowing money for the purpose of investing is specifically prohibited.

18. **Reporting:**

18.1. *Monthly Reports*: In compliance with Government Code Sections 53607 and 53646**,** the Treasurer shall file a monthly investment report with the Clerk of the Board, who will submit copies to the Board of Directors, the Executive Committee, the Budget and Finance Committee, the Fire Chief, the Assistant Chief of Business Services, the Auditor, and the Authority's outside auditor (as required). The investment report will be agendized for the monthly meetings of the Budget and Finance Committee and the Executive Committee, and any Board member may request inclusion of the report on the Board's agenda at any time. This report shall certify that the Treasurer has complied with the Authority's *Investment Procedures Manual* and will include an *Executive Summary,* which provides a condensed summary of the most important information in the report, plus a detailed report covering the following elements:

18.1.1 Type of investments and percent that each type represents in the portfolio.

18.1.2 Issuer.

18.1.3 Purchase date.

18.1.4 Date of maturity.

18.1.5 Amount of deposit.

18.1.6 Face value of the securities.

18.1.7 Current market value of securities.

18.1.8 Portfolio yield and comparison to benchmark.

18.1.9 Interest earnings.

18.1.10 Percentage of portfolio maturing within one year, 1-3 years, 3-5 years and over 5 years.

18.1.11 Statement relating the report to the Investment Policy.

18.1.12 Statement on availability of funds to meet its obligations for the next 30 days and the next 6 months.

18.1.13 Description of funds, investments, or programs managed by contracted parties.

18.1.14 Statement of compliance of the portfolio with the investment policy or manner in which the portfolio is out of compliance.

18.1.15 GASB 31 effects on financial statements.

18.1.16 Comments on the fixed income markets and economic conditions.

18.1.17 Potential changes in future portfolio structure (if any), including risk factors.

18.1.18 Any other information required by the Board.

18.2. *Annual Reports*: The Treasurer shall submit an annual report to the Budget and Finance Committee and the Executive Committee, following the close of the fiscal year which shall certify that the Treasurer has complied with the Authority's investment procedures and detail the following:

18.2.1 Analysis of the composition of the investment fund.

18.2.2 Discussion of investment risk in the portfolio.

18.2.3 GASB 31 impacts.

18.2.4 A review of trends regarding the size of the investment fund.

18.2.5 Portfolio performance and comparison to benchmark.

18.2.6 Investment income.

18.2.7 A statement of anticipated investment fund activity in the next fiscal year.

18.3 **Investment Policy Adoption:** The Treasurer shall annually render to the Fire Chief, the Budget and Finance Committee, and the Board of Directors a Statement of Investment Policy.

Glossary

Active Deposits. Funds which are immediately required for disbursement.

Active investment management. An investment strategy that involves the active trading of securities in an attempt to earn above-average returns on a portfolio. Active investment management requires frequent monitoring of financial markets.

Agency. A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of an FSA is the Federal National Mortgage Association (FNMA).

Arbitrage. Generally, transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a difference in prices in the two markets.

Bankers' Acceptances (BA's). Time drafts or bills of exchange that are accepted payment by banks engaged in the financing of international trade. BA's finance the importation, exportation, shipment or storage of foreign and domestic goods. BA's are usually backed by documentation such as invoices, bills of lading, or warehouse receipts. Upon acceptance by a bank, a BA becomes an irrevocable and unconditional obligation of the accepting bank, while it is also an obligation of the drawer as well as any endorser thereof.

Basis point. By common agreement, .01% of yield on a fixed income security (1/100 of 1%).

Bond Equivalent Yield (BEY). An annual yield, expressed as a percentage, describing the return provided to bond holders. A bond equivalent yield is double the simple interest, semiannual yield. Since Treasury and agency notes and bonds pay interest semiannually, the bond equivalent yield is a way to compare yields from discount securities, such as Treasury bills and bankers' acceptances with yields available from coupon securities. From that usage, this yield measure is also known as the coupon yield equivalent. For securities that pay daily, monthly or quarterly interest, the bond equivalent yield understates the benefits obtained from the compounding of those investments.

Book-entry clearance. A system for the transfer of ownership of securities through entries on the records of a centralized agency. The centralized agency holds securities on behalf of their owners; when the securities are sold, ownership is transferred by bookkeeping entry from the seller to the purchaser. In the case of U.S government securities, securities certificates are not issued, and ownership of the securities is evidenced in computer records maintained by the Federal Reserve System. For other types of securities, book entry clearance is made available through linked or interfaced systems maintained by four securities depositories, which hold securities and act on behalf of their participants.

Book-entry security. A security which is not available to purchasers in physical form. Such a security may be held either as a computer entry on the records of a central holder (as is the case with U.S. certain government securities) or in the form of a single, global certificate.

Book value. The value at which a security is carried on the inventory lists or other financial records of an investor. This value may be the original cost of acquisition of the security, or original cost adjusted by the amortization of a premium or accretion of a discount. The book value may differ significantly from the security's current value in the market.

Broker. A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not position or take ownership of the security.

Certificate of Deposit (CD). A deposit of funds, in a bank or savings and loan association, for a specified term that earns interest at a specified rate or rate formula.

Collateralization. Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper. Unsecured short-term promissory notes issued by corporations, with maturities ranging from 2 to 270 days. May be sold on a discount basis or may bear interest. Firms with lower ratings or without well known names usually back their commercial paper with guarantees or bank letters of credit.

Coupon rate. Interest rate, expressed as a percentage of par or face value, that issuer promises to pay over lifetime of debt security.

Credit Risk. The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return). A measure of the simple interest annual yield for interest-bearing investments with maturities of one year or more. To calculate the current yield, the annual coupon interest income is divided by the amount paid to acquire the investment. It is important to note that the current yield is only accurate for investments purchased at par. The current yield calculation includes just one income cash flow - the annual interest income. It ignores the profit or loss resulting from discounts and premiums.

Custody. The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the **custodian**.

Dealer. An individual or firm who, as a matter of regular business, purchases or sells securities for his account and risk.

Delivery versus payment (DVP). A settlement procedure where payment for a securities purchase is made simultaneously with the transfer of the purchased securities. The same procedure applies for a securities sale; the securities are transferred as payment is made.

Derivative instrument. A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivative instruments can be highly volatile and result in a loss of principal in changing interest rate environments.

Discount. The amount by which a bond sells under its par (face) value.

Discount securities. Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity. Treasury bills, bankers' acceptances and most commercial paper are issued at a discount.

Diversification. Dividing investment funds among a variety of securities, offering independent returns, to reduce risk inherent in particular securities.

Effective Annual Yield. A seldom used expression to refer to the yield on an investment expressed on a compound interest basis.

Fed Wire. Computerized network linking the Fed with its district banks, member banks, and primary dealers in government securities.

Federal Agency Securities. A variety of securities issued by several Federally sponsored agencies. Some are issued on a discount basis and some are issued with coupons. Several have the full faith and credit guarantee of the U.S. government, although others do not.

Federal Deposit Insurance Corporation (FDIC). A federal agency that insures bank deposits, currently up to $250,000 per deposit.

Federal funds (Fed Funds). Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Fed Funds Rate - Interest rate charged by one institution lending federal funds to another.

Floater. A floating rate security with an interest rate that resets at specified intervals according to an underlying index, such as LIBOR (the London Interbank Offered Rate), and is based on a predetermined formula. The value of a floater will fluctuate as interest rates change and therefore can be very volatile.

Inactive deposits. Funds not immediately needed for disbursement.

Interest rate risk. The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Inverse floater. A security that reacts inversely to the direction of interest rates. These securities can be very volatile and can lose value in a rising interest-rate environment.

Leverage. An attempt to increase the rate of return on an investment by buying securities on margin or using borrowed funds for investment purposes. This practice can be risky if interest rates rise or if investment yields are lower than expected.

Liquidity. The quality of an asset that permits it to be converted quickly into cash without a significant loss of value.

Local Agency Investment Fund (LAIF). A special fund in the State Treasury which local agencies may use to deposit funds for investment and for reinvestment. There is no minimum investment period and the minimum transaction is $5,000, in multiples of $1,000 above that, with a maximum of $50 million for any agency ***(excluding bond funds, which have no maximum)***. It offers high liquidity because deposits can be converted to cash in 24 hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via a check, warrant, or direct deposit to the agency's State Pooled Fund account. The State keeps an amount for reasonable costs of making the investments, not to exceed 1/4 of a percent of the earnings.

Marketability. The measure of ease with which a security can be sold in the secondary market.

Mark-to-Market. The practice of valuing a security of portfolio according to its market value, rather than its cost or book value.

Market Rate of Return. The average yield of the 3-month U.S. Treasury Bill or other index that closely matches the average maturity of the portfolio.

Market Value. The price at which the security is trading and could presumably be purchased or sold.

Maturity Date. The specified day on which the issuer of a debt security is obligated to repay the principal amount, or face value of, a security.

Money Market Mutual Fund. Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Fund. An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines.

Negotiable. Salable.

Par. Face value or principal value of a bond, typically $1,000 per bond.

Passive investment management. An investment strategy where securities are bought with the intention of holding them to maturity or investments in benchmark products designed to yield a market rate of return.

Principal. The face amount or par value of a debt instrument.

Primary Dealer. A small group of large banks and brokers that have pledged to make a market for any Treasury securities at any time. The are required to report their inventory positions and volume of activities to the Federal Reserve. Because of this, they are given the right to deal directly with the Federal Reserve in their daily operations.

Prudent Investor Standard. A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

Rate of return. The amount of income received from an investment, expressed as a percentage. A *market rate of return* is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

Public Securities Association. The bond market trade association, which publishes a Master Repurchase Agreement that is widely accepted as the industry standard.

Rating. Judgment of creditworthiness of an issuer made by an accepted rating service.

Repurchase Agreement (Repo). A form of secured, short-term borrowing in which a security is sold with a simultaneous agreement to buy it back from the purchaser at a future date. A *master repurchase agreement* is a written contract governing all future transactions between the parties and seeks to establish each party's rights in the transaction.

Reverse Repurchase Agreement. A form of secured, short-term investment in which a security is purchased with a simultaneous agreement to sell it back to the seller at a future date.

Safekeeping. A procedure where securities are held by a third party acting as custodian for a fee.

Secondary Market. Markets for the purchase and sale of any previously issued financial instrument. The first sale of a financial instrument by the original issuer is said to be done a primary market. All subsequent trades are said to be secondary market.

Securities Investors Protection Corporation (SIPC). A private corporation providing insurance to brokerage firms to cover customer accounts up to $500,000 in securities which includes a $250,000 for cash.

Swap. The trading of one asset, or cash flows, for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another. Also used to manage risk; for example, swapping fixed interest rate payments for floating rate payments.

Total return. Interest income paid on the invested principal, plus interest income earned from the successive reinvestment of that interest income, plus projected capital gains (or minus losses) on the investment. Differs from yield to maturity because (1) it can include gains or losses from sales prior to maturity, and (2) it permits the assumption of a reinvestment rate different from the yield earned on the underlying principal.

Treasury Bills. Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes. Intermediate U.S. government debt securities with maturities of one to 10 years.

Treasury Bonds. Long-term U.S. government debt securities with maturities of ten years or longer.

Uniform Net Capital Rule. Securities and Exchange Commission 15C3-1 outlining capital requirements for brokers.

Weighted Average Maturity (WAM). The average maturity of all the securities that comprise a portfolio.

Yield. Loosely refers to the annual return on an investment expressed as a percentage on an annual basis. For interest-bearing securities, the yield is a function of the rate, the purchase price, the income that can be earned from the reinvestment of income received prior to maturity, call or sale and the time from purchase to maturity, call or sale. Different formulas or methods are used to calculate yield. See Yield to Maturity and Total Return Analysis.

Yield-to-maturity. The rate of return yielded by a debt security held to maturity when both the interest payments and the investor's potential capital gain or loss are included in the calculation of the return.

Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting
November 9, 2016

Agenda Item No. 4A
Discussion Calendar

2016 Long Term Liability Study & Expedited Pension Payment Plan

Contact(s) for Further Information

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Summary

This annual agenda item is submitted to provide information on the Orange County Fire Authority's (OCFA) total long term liabilities and strategies for mitigating and/or funding the liabilities.

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 17, 2016, with the Budget and Finance Committee's recommendations that the Board of Directors:

1. Direct staff to continue the Expedited Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to return to the Board of Directors in January, with the mid-year financial review, to consider allocation of the $9.8 million of available unencumbered funds identified in the FY 2015/16 financial audit to OCFA's unfunded pension liability.
3. Direct staff to continue seeking cost-saving options related to Workers' Compensation.

Impact to Cities/County

Strategic planning to reduce liabilities where possible, and provide early funding for those liabilities which cannot be reduced, will assist OCFA in sustaining frontline emergency services for our member agencies and the citizens we serve.

Fiscal Impact

The Adopted Budget for FY 2016/17 and the five-year financial forecast includes a $3.6 million payment for the Expedited Pension Payment Plan. The accelerated payments proposed herein are recommended in a manner which minimizes the impact to cash contract city charges. Continuous pursuit of the recommended actions will lower OCFA's salary and benefit costs over the long term, ultimately reducing OCFA's expenditure budget and positively impacting our annual charges to cash contract cities.

Background

In order to determine an agency's financial stability, one must look at all of its long term obligations or liabilities, not just pensions. The Liability Study (Attachment 1) examines all of OCFA's long-term liabilities, with primary focus on pension liability.

Unfunded Pension Liability – Funding Study vs. CAFR
It should be noted that this November Budget and Finance Committee agenda packet contains two separate staff reports that both contain data relating to OCFA's pension liability; one report (this Agenda Item No. 4A) is for the Annual Long Term Liability Study and the other report (Agenda Item No. 4B) is for the Comprehensive Annual Financial Report (CAFR). These two reports provide two different numbers for the OCFA's pension liability. The technical description for why these two numbers are different is provided in Agenda Item No. 4B. A very simplified description, for ease of understanding, is provided below.

The unfunded pension liability number, as reported in this Annual Long Term Liability Study, is $419.0 million. The unfunded pension liability number, as reported in the CAFR, is $517.7 million. Very simply stated, the majority of the difference is caused by how investments earnings are recognized. During calendar year 2015, the pension system only earned 0.10%; however, actuarial assumptions were that the system would earn 7.25%. The loss of earnings, as compared to the assumption, was recognized immediately for the CAFR (thus a larger liability); however that same loss of earnings for the Liability Study will be spread over the next five years.

Expedited Pension Payment Plan
In 2015, to continue the accelerated funding of OCFA's pension liability (Unfunded Actuarially Accrued Liability, or UAAL), OCFA requested OCERS' actuary, Segal Consulting, to estimate the impact on OCFA's UAAL amortization period and retirement contribution rates based on an updated accelerated funding plan, which included the following four strategies:

1. Contributing an additional $12,609,380 from FY 2014/15 unencumbered fund balance with an additional $3 million each year thereafter
2. Contributing additional funds each year using projected savings that will be realized under new Public Employees' Pension Reform Act (PEPRA) starting at $2,802,122 in 2015/16 and continuing in different amounts until payment is complete
3. Contributing an additional $1 million each year starting in 2016/17 and increasing by $2 million each year until it reaches $15 million and continuing at $15 million thereafter
4. Contributing $1 million per year from surplus fund balance available in the Workers' Compensation Self Insurance Fund starting in 2016/17 for 5 years

Segal Consulting reported that the above strategies were collectively estimated to reduce OCFA's amortization period significantly, with payoff anticipated by FY 2026/27. The value of the proposed expedited payment strategies results in a "snowball" effect with growing annual values that add up to a cumulative $254.5 million over the accelerated payment timeline, resulting in 100% funding of the UAAL. Some members of the OCFA Board have discussed potentially lowering the target, and to only accelerate payments until achieving 80% funding instead of 100%; however, that dialogue was placed on hold with the concept that the percentage funding target can be further discussed when OCFA actually achieves the 80% funding level.

The OCFA has already taken steps to reduce some of its long-term liabilities and accelerate funding of other liabilities. Staff is committed to continue seeking additional ways to mitigate liability impacts, fund the accrued liabilities, and ensure the long term viability of the organization.

Attachment(s)
1. 2016 Long Term Liability Study
2. Updated Snowball Strategy

Attachment 1

O R A N G E   C O U N T Y   F I R E   A U T H O R I T Y

2016

LIABILITY STUDY

OCFA'S LONG TERM LIABILITES

N O V E M B E R   2 0 1 6

OCFA'S LONG TERM LIABILITY STUDY

I. OBJECTIVE

One of the key components of fiscal responsibility is prudent management of long-term liabilities. The objective of this annual study is to provide an accurate assessment of the OCFA's ***total*** long-term obligations and continuously identify strategies to reduce and/or fund the liabilities.

II. BACKGROUND

OCFA's long term liabilities include:

1. Defined Benefit Pension Plan
2. Defined Benefit Retiree Medical Plan
3. Lease Purchase Agreements (helicopters)
4. Workers Compensation Claims
5. Accrued Compensated Absences (accumulated sick and vacation payouts)

OCFA's biggest long-term challenges are pensions, retiree medical for retired employees, and workers' compensation claims. Both the Defined Benefit Pension Plan and the Defined Benefit Retiree Medical Plan currently have unfunded liability balances, as further described below.

DEFINED BENEFIT PENSION PLAN

In a *defined benefit plan,* employees receive *specific benefits* upon retirement, based on a pre-established formula. For example, a pension plan may provide retirees an annual retirement income which is determined in accordance with an agreed-upon formula, such as a predetermined percentage of annual earnings multiplied by the number of years of service.

The OCFA participates in the Orange County Employees' Retirement System (OCERS), a cost sharing multiple-employer, defined benefit pension plan. All OCFA regular, full-time and part-time employees become members of OCERS upon employment, and the OCFA makes periodic contributions to OCERS as part of the funding process. The contributions submitted to OCERS are divided into employer and employee contributions. The combination of these contributions and investment income from OCERS' investments are structured to fund the employees' retirement benefits by the time the employees retire.

The OCFA's employees are distributed into two employee categories for purposes of retirement benefits, identified as Safety members and General members. Both the Safety and General categories include three tiers of retirement benefit formulas each, depending on date of hire:

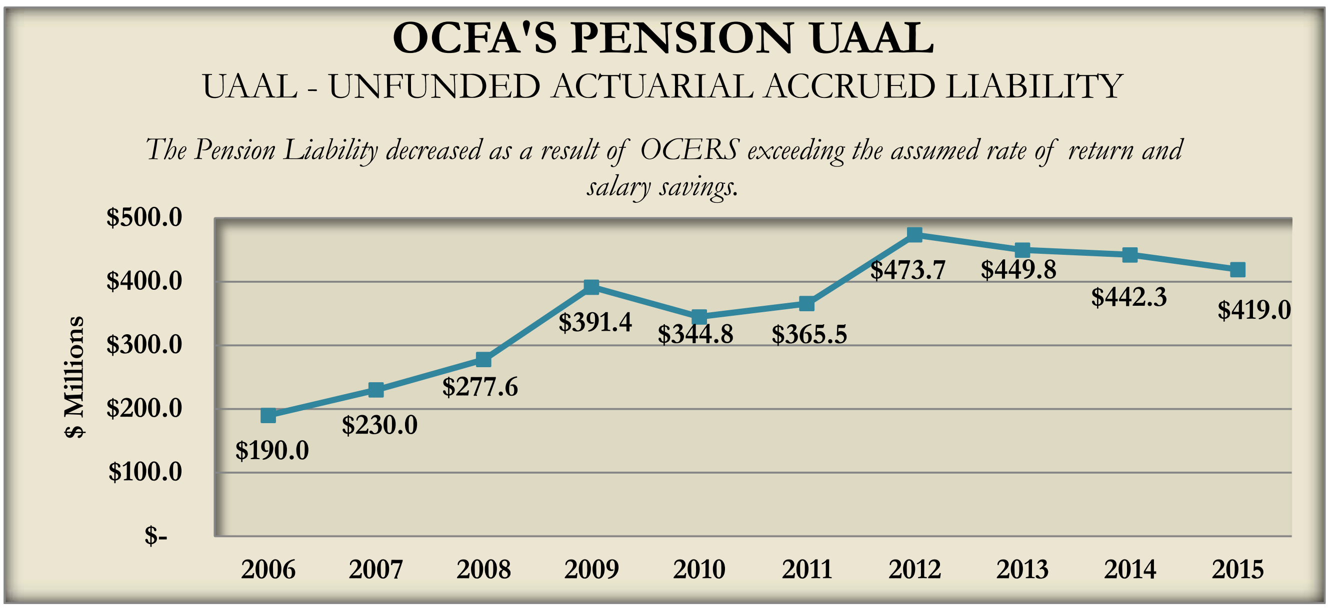
	Hired Prior to July 1, 2012	**Hired Between July 1, 2012 – Dec. 31, 2012**	**Hired on or after Jan. 1, 2013 (w/out reciprocity)**
Safety	3% @ 50	3% @ 55	2.7% @ 57

	Hired Prior to July 1, 2011	**Hired Between July 1, 2011 – Dec. 31, 2012**	**Hired on or after Jan. 1, 2013 (w/out reciprocity)**
General	2.7% @ 55	2% @ 55	2.5% @ 67

OCFA Retirement Costs, Liabilities and Funding

OCFA's annual retirement costs (mandatory costs plus voluntary accelerated payments) represent approximately $74 million or 23% of the Authority's FY 2016/17 General Fund budget. Each year, the Authority receives its retirement rates from OCERS. The total retirement rate has two components: the Normal Cost Component plus the current year's cost for the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost Component is the cost to pay for the current year's value of retirement benefits as earned. The UAAL Component is the accrued liability for past services which were not funded by prior contributions and investments.

The UAAL is determined by the actuary and is the difference between the present value of accrued liabilities and the value of assets as of a specific date. This amount changes over time as a result of changes in accrued benefits, pay levels, rates of return on investments, changes in actuarial assumptions, and changes in the demographics of the employee base.



Based on the December 31, 2015, valuation by OCERS, the Authority's total UAAL was $419.0 million with $356.8 million or 85% attributed to Safety members and $62.2 million or 15% attributed to General members. The Safety member plans are currently 75% funded, and the General member plans are 68% funded. The OCFA reduces its UAAL over time as part of the annual required pension contribution to OCERS as shown below:

General Members (2.7% @ 55, 2.0% @ 55, and 2.5% @ 67 combined)

*Employer Rate **	**2015 Valuation**	**2014 Valuation**
Normal Cost	12.51%	12.69%
UAAL	20.53%	20.28%
Total	33.04%	32.97%

Safety Members (3.0% at 50, 3% @ 55 and 2.7% @ 57 combined)

*Employer Rate **	**2015 Valuation**	**2014 Valuation**
Normal Cost	25.98%	26.47%
UAAL	22.40%	24.42%
Total	48.38%	50.89%

* Totals do not include *Employee Rates*, which vary based on age of entry and retirement formula. *Employee Rates* range from 4.77% - 15.98% for General and 4.54% - 14.03% for Safety (See Exhibit A). Rates are also after adjustment for additional UAAL contributions made in 2014 and 2015.

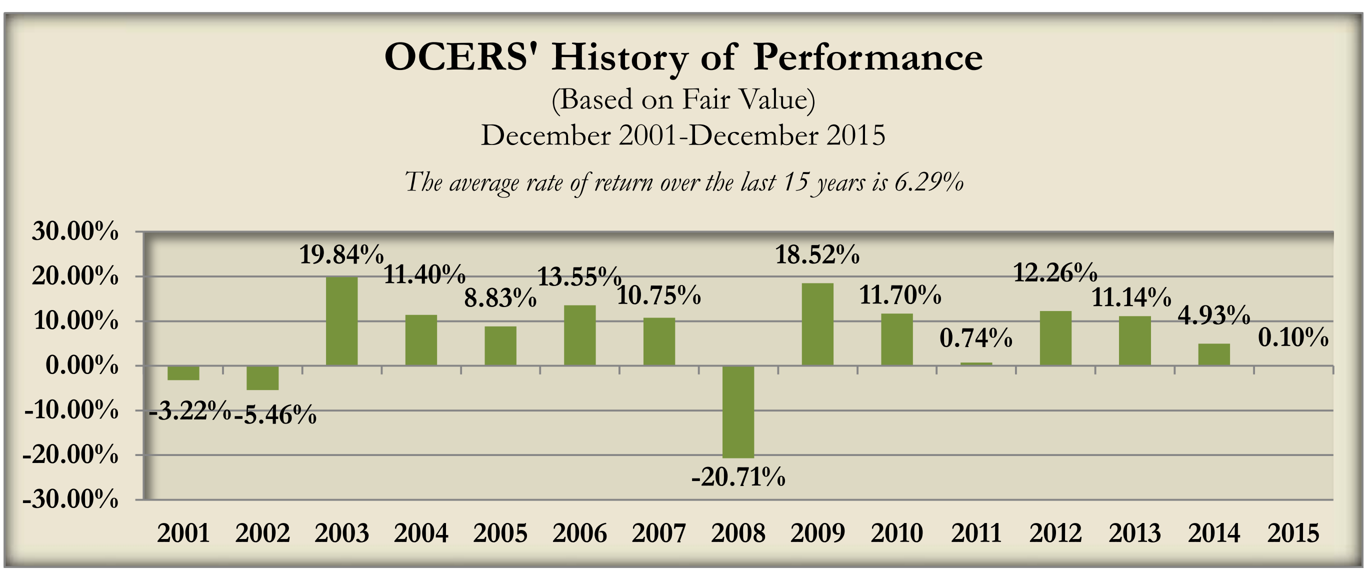
Two events have the greatest impact on plan funding: (1) plan changes, namely benefit formula changes and (2) differing actual experience requiring a modification in assumptions to reflect reality such as life expectancy. Other assumptions that impact the funding and UAAL include:

1. The assumed rate of return
2. The rate of increase in salaries
3. Member mortality
4. The age at which members choose to retire
5. How many members become disabled
6. How many members terminate their service earlier than anticipated

The assumed rate of return, also known as the discount rate, is a critical issue impacting OCFA's UAAL. The higher the discount rate, the lower the present value of pension assets needed to meet future pension obligations. A lower discount rate increases the current unfunded pension liabilities. In 2013, the OCERS Board voted to lower the interest rate assumption from 7.75% to 7.25% which increased OCFA's annual retirement costs by $7.5 million. This increase was phased in over a two-year period starting in FY 2014/15.

In 2015, OCERS actual return was 0.10%, significantly below its assumed rate of return of 7.25%. This would typically result in a noticeable increase in the UAAL. However, this year OCFA paid $15.4 million in additional contributions which, along with salary savings, lowered OCFA's UAAL by $23.3 million from $442.3 million in 2014 to $419.0 million in 2015. Of the $23.3 million decline in the UAAL, Safety's UAAL decreased by $23.6 million and General's UAAL increased slightly by $300,000 for a net decrease of $23.3 million.

The following chart shows a history of OCERS' investment performance over the past fifteen years. Although there have been years in which OCERS exceeded its assumed rate of return, the years in which OCERS incurred significant losses, such as the 21% loss in 2008, have a dramatic negative impact. OCERS' average return for the 15 years reflected below is 6.29%, which is below its assumed rate of return of 7.25%. When OCERS' actual return falls below its assumed rate of return, OCFA incurs higher retirement rates/costs.



OCERS' investment return also impacts the funding level of the entire system, as demonstrated in the following chart. After the 21% loss in 2008, OCERS UAAL increased and its funding level began to drop. The funding level improved in 2013 when OCERS rate of return exceeded the assumed rate of return.

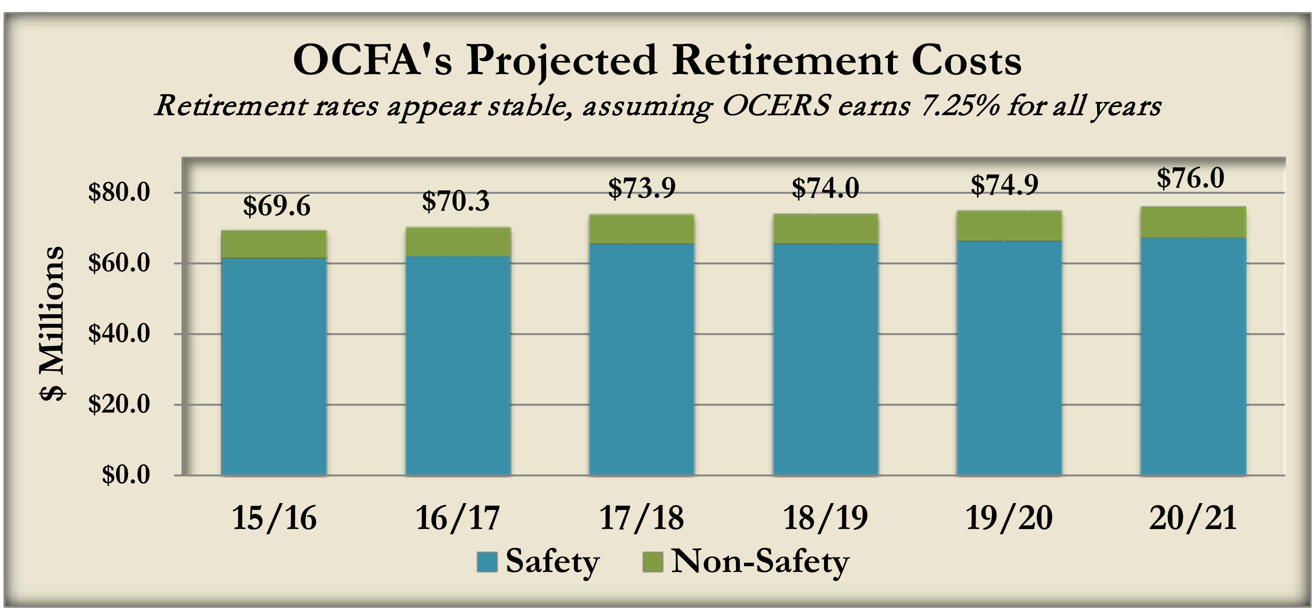
OCERS' Schedule of Funding Progress

(Dollars in Thousands)

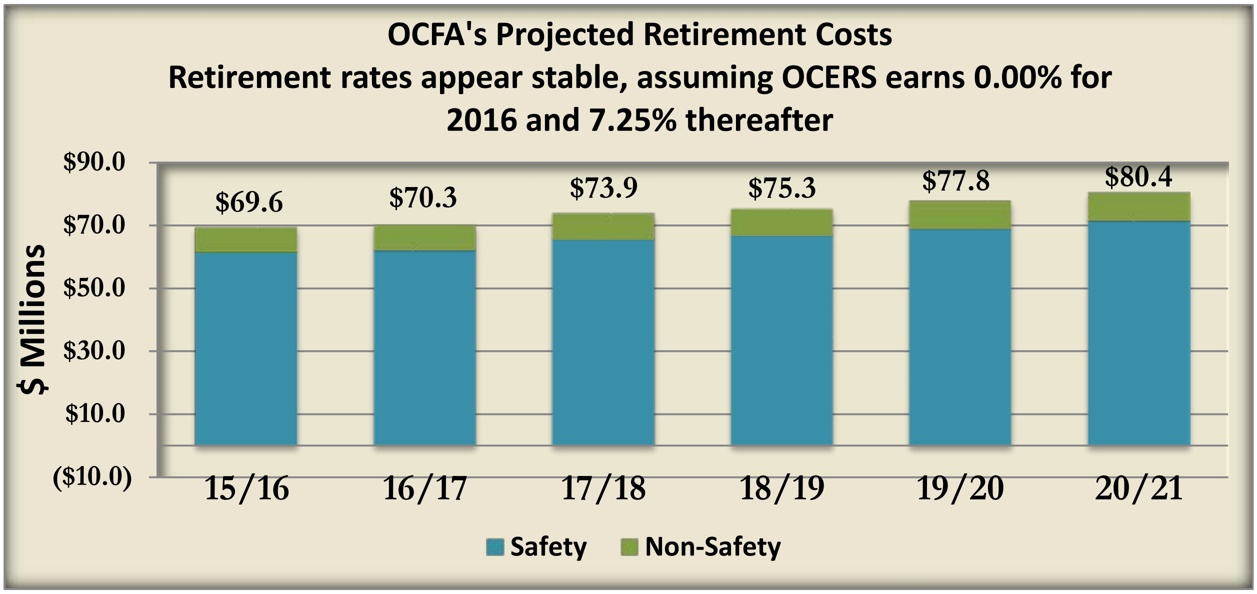
OCERS' funding level has improved recently

Actuarial Valuation Date December 31	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Total UAAL (b-a=c)	Funded Ratio (a/b)
2001	$4,586,844	$4,843,899	$257,055	94.69%
2002	4,695,675	5,673,754	978,079	82.76%
2003	4,790,099	6,099,433	1,309,334	78.53%
2004	5,245,821	7,403,972	2,158,151	70.85%
2005	5,786,617	8,089,627	2,303,010	71.53%
2006	6,466,085	8,765,045	2,298,960	73.77%
2007	7,288,900	9,838,686	2,549,786	74.08%
2008	7,748,380	10,860,715	3,112,335	71.34%
2009	8,154,687	11,858,578	3,703,891	68.77%
2010	8,672,592	12,425,873	3,753,281	69.79%
2011	9,064,355	13,522,978	4,458,623	67.03%
2012	9,469,208	15,144,888	5,675,680	62.52%
2013	10,417,125	15,785,042	5,367,917	65.99%
2014	11,449,911	16,413,124	4,963,213	69.76%
2015	12,228,009	17,050,357	4,822,348	71.72%

The chart below assumes OCERS will earn its assumed rate of return of 7.25% in 2015 and future years. This chart should be contrasted with the chart on the following page to demonstrate the significant impact on retirement contribution rates, when OCERS does not earn its assumed rate of return.



The chart below assumes OCERS will not earn its assumed rate of return, and instead will earn 0.00% in 2016 and 7.25% in future years. OCERS' year-to-date 2016 return as of August is 6.2%. Note the increased retirement contributions starting in FY 18/19.



The analysis of long-term obligations, including pensions, is an important part of credit rating agencies' review of local governments. A number of these agencies have been downgraded due in part to pension funding issues.

OCFA has taken steps to increase employee contributions, reduce benefits by establishing new tiers, and accelerate the paydown of the UAAL with the long-term goal to ensure adequate pension funding. However, other factors (such as OCERS' investment performance) are beyond the OCFA's control, yet these factors have a significant impact on determining retirement rates, and ensuring adequate funding.

Expedited Pension UAAL Payment Plan

In September 2013, the OCFA Board of Directors approved an Expedited Pension UAAL Payment Plan. The expedited plan will have the following benefits:

- Results in OCFA's pension liability being paid off sooner
- Earlier and larger contributions into the pension system result in greater investment income earned
- Greater investment income earned results in less money paid by the employer over the long term

OCFA's expedited payment plan originally involved three components including (1) use of year-end fund balance available, (2) contributing additional funds each year using savings achieved under PEPRA or other annual actuarial gains, and (3) contributing an additional $1 million per year in budgeted funds, with the annual budget allocation building to $5 million per year by year 5.

In FY15/16, the plan was modified to include the following:

1. Contributing an additional $1 million each year starting in 2016/17 and increasing by $2 million each year until it reaches $15 million and continuing at $15 million thereafter
2. Contributing $1 million per year from surplus fund balance available in the Workers' Compensation Self Insurance Fund starting in 2016/17 for 5 years

The outcomes from the expedited payment plan implementation in FY 2013/14 and 2014/15 along with OCFA's anticipated future year expedited payments were submitted to OCERS' actuary for determination of how long it would take OCFA to achieve full payment of the UAAL. ***In 2015, the actuary reported back that the expedited payment plan would achieve full payment of OCFA's UAAL by FY 2026/27, assuming all other actuarial inputs are held constant.***

Additional Payments to Lower UAAL
FY 13/14 $ 5.5m.
FY 14/15 21.3m
FY 15/16 15.4m

In an effort to continue the accelerated funding of OCFA's UAAL, the OCFA submitted a request to OCERS to have its actuary, Segal Consulting, estimate the impact on OCFA's UAAL amortization period and retirement contribution rates if the OCFA continues its acceleration of the UAAL. Segal was asked to look at the combination of the following four strategies for lowering the UAAL:

1. Contributing an additional $12,609,380 from FY 2014/15 unencumbered fund balance with an additional $3 million each year thereafter
2. Contributing additional funds each year using projected savings that will be realized under new Public Employees' Pension Reform Act (PEPRA) starting at $2,802,122 in 2015/16 and continuing in different amounts until payment is complete

All of the above strategies would reduce the OCFA's existing UAAL more rapidly, and effectively shorten the weighted-average amortization period. Shortening the amortization period would have many benefits to OCFA. Although it would cause our employer contributions to rise during the expedited payment period, it would result in our liability being paid off sooner. Earlier payments of contributions will result in greater investment income earned and less money paid from the employer over the long-term. Segal Consulting reported that the above expedited payment strategies are collectively estimated to reduce OCFA's amortization period significantly, with payoff anticipated in 12 years (including the current fiscal year), instead of the current period of 20 years required by OCERS.

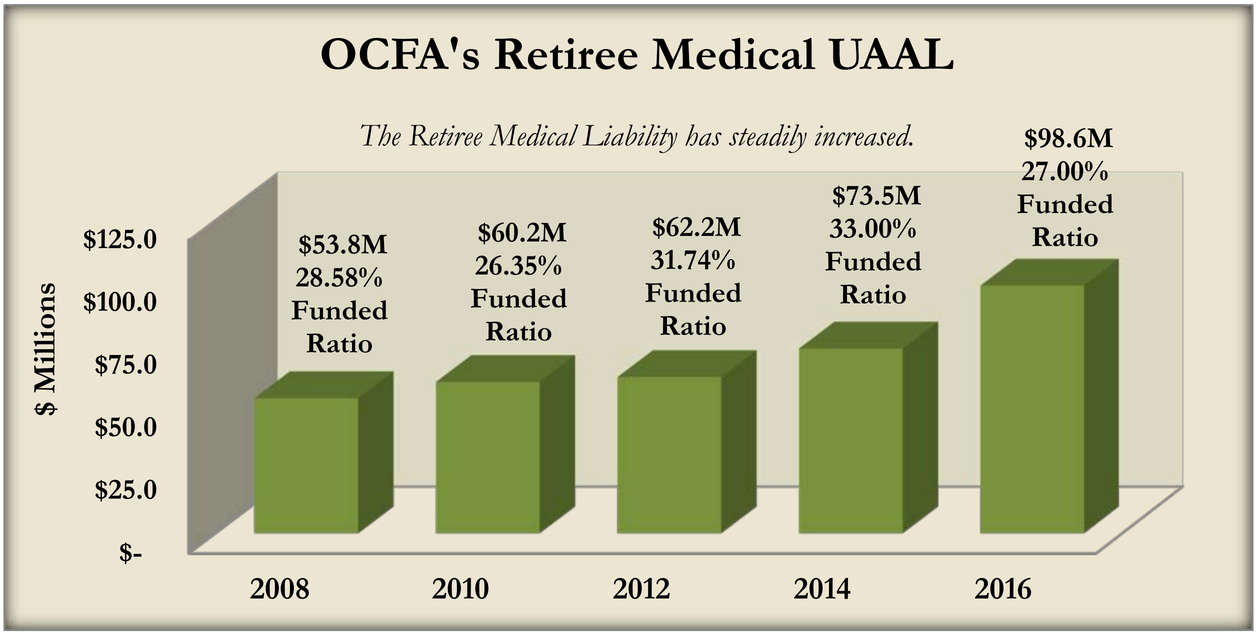
Staff evaluated the affordability of various expedited payment options, using the OCFA's long term financial forecast. We concluded that combining multiple strategies would yield positive benefits for OCFA, while also retaining flexibility in the event that OCFA's financial environment should change significantly in the coming years.

DEFINED *BENEFIT* RETIREE MEDICAL PLAN

In addition to the OCFA's retirement plan administered by OCERS, the OCFA provides a post-employment medical retirement plan (Retiree Medical Plan) for certain employees. Employees hired prior to January 1, 2007, are in a *defined benefit plan* that provides a monthly grant toward the cost of retirees' health insurance coverage based on years of service. The Plan's assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are invested by OCERS. As such, if OCERS does not earn its assumed rate of return of 7.25%, the UAAL increases. Current active employees hired prior to January 1, 2007, are required to contribute 4% of their gross pay toward the Retiree Medical Plan.

Based on an actuarial study prepared by Nyhart Epler as of July 1, 2016, the OCFA's Unfunded Actuarial Accrued Liability (UAAL) for the Retiree Medical defined benefit plan is $98.6 million. The UAAL is impacted by future retirees, spouses of retirees, a maximum 5% annual increase in the medical grant, the investment return of the trust, and the underlying assumptions such as the mortality tables.

Under the Government Accounting Standards Board (GASB) Statement No. 45, OCFA is required to have an actuarial valuation performed on its Retiree Medical Plan every two years.



Note: Does not include implicit subsidy and uses OCERS assumed rate of return of 7.75% up to 2012 and 7.25% thereafter.

The benefit provided under the OCFA's Retiree Medical Plan is a negotiated benefit included in the various Memorandums of Understanding and the Personnel & Salary Resolution for employees hired prior to January 1, 2007.

The OCFA has previously approached funding issues and plan sustainability issues relating to this Plan collaboratively with its labor groups in order to identify options for improving the funding status. Similar to previous approaches, following receipt of the 2012 Actuarial Study for this Plan, management met with representatives of all three labor groups to review the findings. In 2013, we gathered ideas from labor for options that may be considered in the future to improve the funding status of the Plan and had the actuary perform a special actuarial study to evaluate the various options and associated impacts on plan funding. The results of the special study were shared with each of the labor groups. Periodic discussions on this topic continue with management and labor seeking options for future funding of the plan.

DEFINED *CONTRIBUTION* RETIREE MEDICAL PLAN

For employees hired on or after January 1, 2007, the OCFA created a *defined contribution plan* that is administered by SelectAccount. The Plan provides for the reimbursement of medical, dental, and other healthcare expenses of retirees. Employees are required to contribute 4% of their gross pay. Account assets are invested as directed by the participant and all contributions, investment income, realized gains and losses are credited to the individual's account. Under this plan structure, there is no UAAL.

LEASE PURCHASE AGREEMENTS

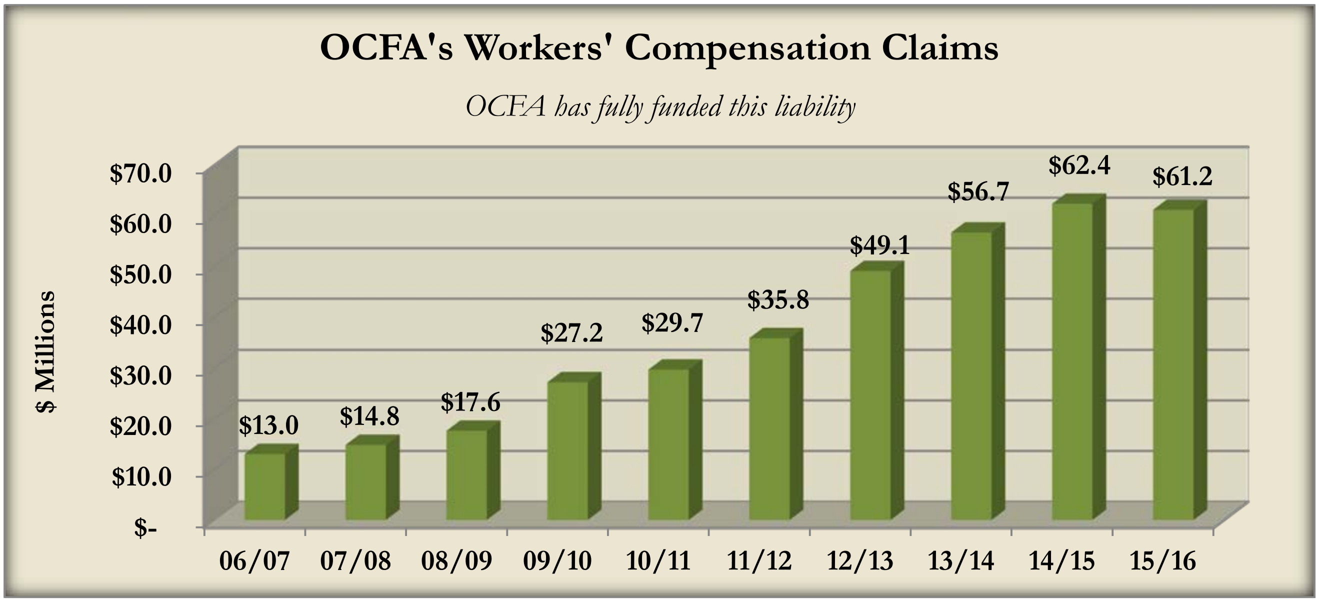
A Lease Purchase Agreement is a form of long-term debt used by government agencies to acquire buildings, vehicles, equipment and other capital assets. Within this type of lease, a lessee can apply lease payments annually toward the purchase of the property. In December 2008, the OCFA entered into a ten-year Lease Purchase Agreement to purchase two helicopters and related equipment for a purchase price of $21.5 million. In 2011, OCFA refinanced the helicopters and lowered its interest rate from 3.76% to 2.58% saving $444,000 over the remaining six years of the lease. As of June 30, 2016, $6.3 million remains due, including interest and principal. The final maturity is in 2018.

During the FY 2014/15 budget development process, staff analyzed the feasibility of paying off the outstanding helicopter lease. Staff concluded that the early payoff of the obligation would have detrimental impacts on Fund 133: Vehicle Replacement Fund. The Fund would go negative within two years of paying off the lease which means there would be no funding available to purchase needed fire apparatus; therefore, staff is no longer pursuing early payoff of the lease agreement.

WORKERS' COMPENSATION CLAIMS

In March 2002, OCFA implemented a workers' compensation self-insurance program. A separate fund called Fund 190: Self Insurance was established in May 2003 to track funding and expenditures for workers' compensation claims liability. The funding sources include revenue from the General Fund and interest earnings. The required funding levels are determined by an independent actuarial study. As of June 30, 2016, OCFA's total workers' compensation liability is $61.2 million. Although the workers' compensation program represents a large liability for OCFA, it is important to note that it is a ***fully-funded*** liability. OCFA has $73.7 million set-aside in reserves to pay this liability as the various medical claims and bills become due, reflecting a funding surplus of $12.5 million.

This liability reflects the present value of estimated outstanding losses at the 50% confidence level. A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, a 50% confidence level means that the actuary believes funding will be sufficient in five out of ten years. The Workers' Compensation Funding Policy that was adopted by the Board on May 27, 2010, had set the funding level at 50% for outstanding losses and 60% for projected losses.



As part of the FY 2015/16 Budget adoption, the Board approved lowering the confidence level for projected losses from 60% to 50%. Actual workers' compensation expenditures have remained well below the actuary's estimates for several years. The reduced confidence level should align the annual funding more closely with actual workers' compensation experience.

There are several factors that contribute to the liability including workers' compensation reform that increased the statute of limitation for cancer from five to ten years; injury presumption for safety personnel; an aging workforce which contributes to a longer recovery time and higher permanent disability benefits; increased medical costs; and an increase to the workforce in 2012 with the addition of the City of Santa Ana. The City of Santa Ana reimburses the OCFA for injuries that initially occurred on or before April 20, 2012.

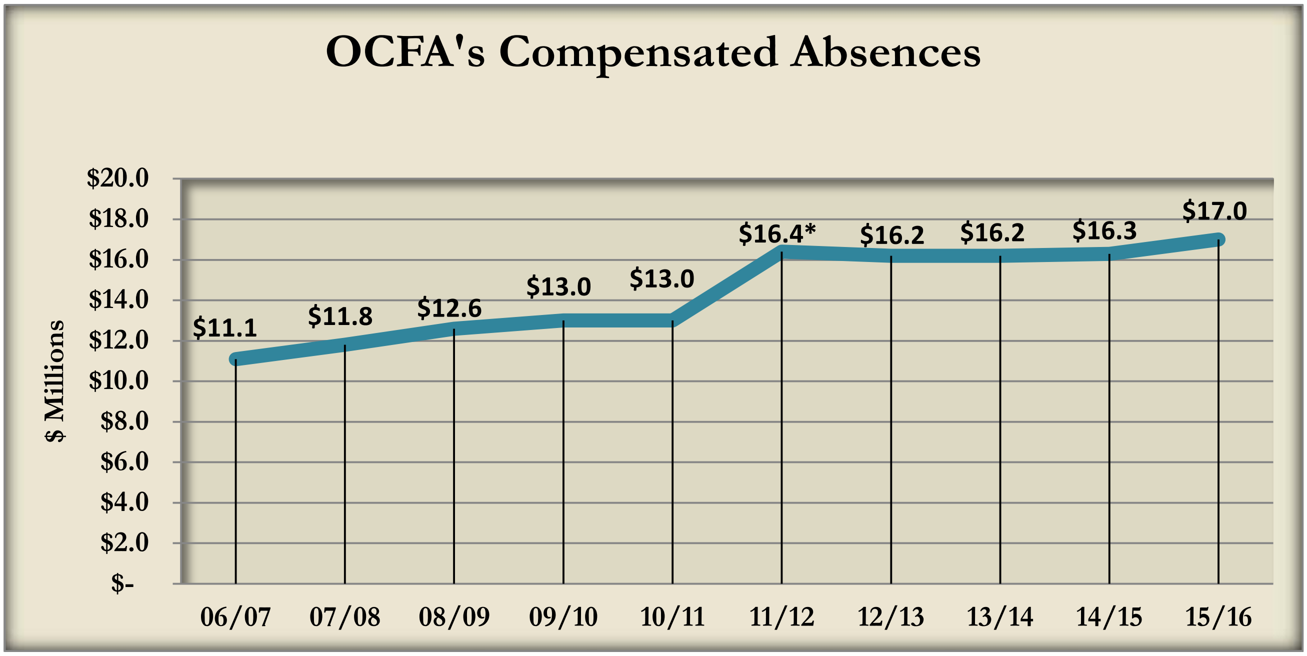
In addition, the outstanding liability reflected in the above chart reflects the fact that although the entire future cost of claims are recorded in the year of injury, the actual payment of that claim does not occur immediately. The cash flow payments for many workers' compensation cases occur slowly over time; therefore, it is a natural occurrence that the unpaid liability for a self-insured system will grow as the unpaid liabilities stack on top of each other over the years. Upon maturity, the amount of unpaid liability should level out, and continued increases at that point in time are more likely driven by other forces, such as increased medical costs, increased claim activity, legislative changes and case law.

ACCRUED COMPENSATED ABSENCES

Compensated absences are commonly described as paid time off made available to employees in connection with sick and vacation time. If employees do not use all of such compensated absences, a liability is accrued for the unused portion. The OCFA's policy allows employees to accumulate earned but unused sick and vacation pay benefits.

OCFA's labor agreements allow employees to cash out sick and vacation time throughout their career with the exception of Local 3631 Firefighter unit which can only cash out vacation time. However, the majority of sick and vacation payouts occur at the time an employee retires.

The OCFA has budgeted $3.9 million for sick and vacation payouts in FY 2016/17 based on historical trends and expected retirements. OCFA's total liability for compensated absences as of June 30, 2016, is $17.0 million.



**FY 11/12 corrected to include Santa Ana General Leave Balances. The City of Santa Ana reimburses the OCFA for uses of transferred Leave Balances.*

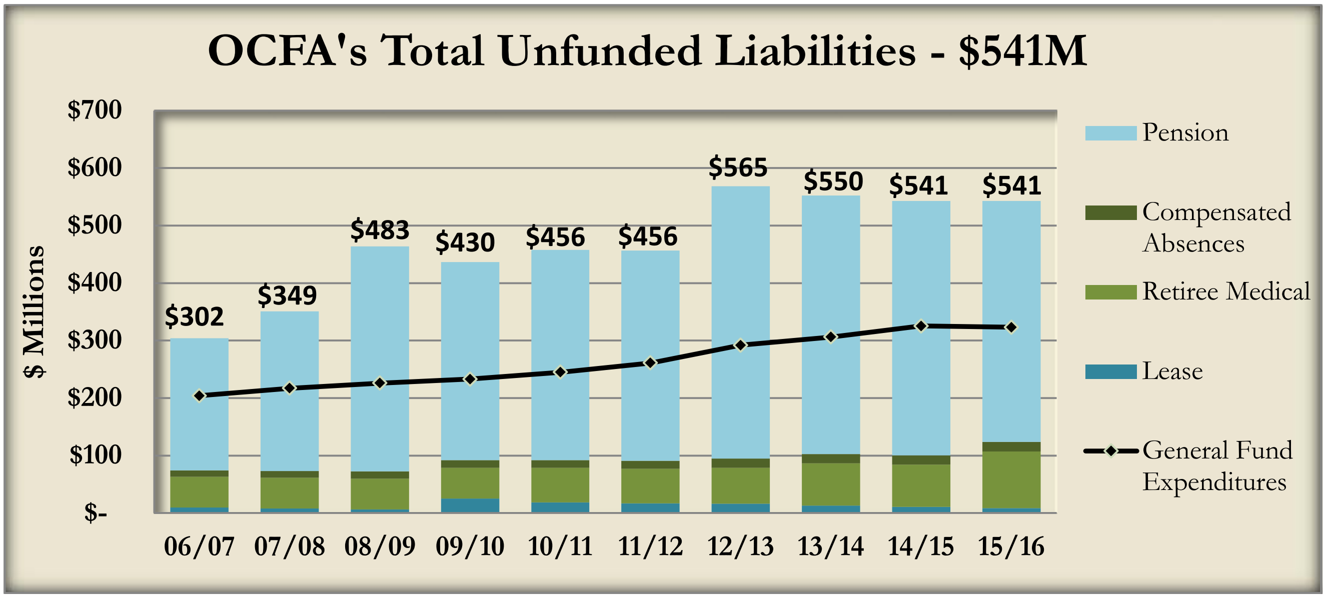
III. SUMMARY

OCFA's total long term, unfunded liabilities as of June 30, 2016,* are as follows:

	$ Amount in Millions	*% of Total*
Defined Benefit Pension Plan *	$419.0	77.5%
Defined Benefit Retiree Medical Plan	98.6	18.2
Helicopter Lease Purchase Agreement	6.3	1.2
Accrued Compensated Absences	17.0	3.1
Total	**$540.9**	**100.0%**

*Note: the valuation date for the pension plan is December 31, 2015, instead of June 30, 2016, consistent with OCERS' calendar year basis for financial reporting.

When OCFA presented its first Liability Study to the Board in September 2012, the Board directed staff to identify strategies to lower and/or mitigate OCFA's long term liabilities. As shown in the chart below, as some of these strategies have been implemented, OCFA has reduced its total long term, unfunded obligations in the last few years.



Note: Workers Compensation was removed since it is fully funded by a reserve fund.

ACTIONS TAKEN

OCFA has already taken several steps to manage its long-term obligations:

1. During 2015 and 2016, OCFA completed negotiations with all four labor groups resulting in increased employee contributions towards retirement.
2. On June 26, 2014, the Board approved an Alternative Dispute Resolution process for disputed workers' compensation cases, also known as a Carve-Out program. The State has approved the program and it was implemented on October 1, 2014.
3. On September 26, 2013, the Board approved a strategy to expedite the pay down of OCFA's pension liability. Under this Plan, the actuary, the Segal Company, estimates this liability will be paid by 2026/27. To date, OCFA has made an additional $45 million in payments to OCERS to lower its UAAL.
4. Completed a special actuarial study relating to the OCFA's Retiree Medical Defined Benefit Plan to evaluate options for potential plan amendments which could improve plan funding, subject to future negotiation with OCFA's labor groups. The results of the study were shared with the labor groups.
5. Evaluated the financial feasibility of paying off the outstanding lease financing obligations associated with the OCFA's helicopters, as part of the 2014/15 budget development process.
6. Directed staff to evaluate options for mitigating the budget and liability impacts of payouts for accumulated sick and vacation balances, subject to future negotiation with OCFA's labor groups.
7. Used a trigger formula during down economic cycles to connect pay raises for all OCFA employees to OCFA's financial health.
8. Implemented lower retirement formulas for all labor groups.
9. Refinanced the helicopter lease to lower the interest rate.

10. Implemented annual prepayment of retirement contributions to achieve a discount.
11. Provided a study to the Board of Directors regarding the feasibility of Pension Obligation Bonds.
12. Provided a study to the Board of Directors regarding the feasibility of changing automatic Cost of Living Allowance (COLA) increases for pensions; transmitted a copy of the report to the County Board of Supervisors and OCERS Board of Retirement, for their consideration of potential cost-containment actions relating to Pension COLAs under the authority granted by the '37 Act.

RECOMMENDATIONS

Recommended actions pending approval of this staff report include:

1. Direct staff to continue the Expedited Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to return with the mid-year financial review to consider allocation of the $9.8 million of available unencumbered funds identified in the FY 2015/16 financial audit to OCFA's unfunded pension liability.
3. Direct staff to continue seeking cost-saving options related to Workers' Compensation.

CONCLUSION

In order to strategically fund long-term liabilities, OCFA must continue to strategically balance present-day needs with future commitments. The goal is for OCFA's budget over the long-term to fund all of its long-term liabilities

Exhibit A

OCFA Member Retirement Contributions

Safety Members' Retirement

Firefighter Safety members:
Effective September 2016, 2017, 2018, and 2019, employees will pay an additional 3.50%, 3.49%, 2.00%, and 0.54% in employee retirement contributions, respectively, increasing their employee contributions from 11% to 20.53% depending upon their age of entry. Employees hired on or after January 1, 2013, when PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

Chief Officer Safety members:
Effective July 2016, 2017, 2018, and 2019,employees will pay an additional 3.50%, 3.49%, 3.30%, and 0.93% in employee retirement contributions, respectively, increasing the employee contributions from 9% to 20.22% depending upon their age of entry. Thereafter, these employees will pay any subsequent increases in the employee retirement contributions. Employees hired on or after January 1, 2013, when PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

General Members' Retirement

OCEA members:
Effective March 2015, 2016 and 2017, employees hired prior to January 1, 2013, will pay an additional 2%, 2.5% and 3% in employee retirement contributions, respectively, increasing the employee contributions from 9% to 16.5%, depending upon their age of entry. Thereafter, these employees will pay any subsequent increases in the cost for employee retirement contributions. Employees hired after PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

Administrative Management members:
Effective July 2015, January 2016, and January 2017, employees hired prior to January 1, 2013, will pay an additional 4%, 2%, and 2.25% in employee retirement contributions, respectively, increasing the employee retirement contributions from 8.25% to 16.5%, depending upon their age of entry. Thereafter, these employees will pay any subsequent increases in the cost for employee retirement contributions. Employees hired after PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

Executive Management:

Some members of Executive Management fall under Safety and others fall under General member categories. Regardless, all Executive Management employees who are not subject to the provisions of PEPRA were paying 9% in employee retirement contributions prior to March 2015. Effective March 2015, they began phased-in increases to their contribution rate with a 2% increase in employee contributions in year one, a 2.5% increase in year two and payment of full member contributions in year three, which vary based on age of entry.

Orange County Fire Authority
Expedited Payment of UAAL
Snowball Effect of Multiple Strategies

Attachment 2

			Estimated Annual UAAL Payments from Various Strategies / Sources					
Years From Start of Plan	**Remaining Years to Completion**	**Fiscal Year**	**Annual Savings based on Reductions to Growing by $2M Annually Available**	**Budget Increase of $1M, Budget for Retirement Rates (PEPRA)**	**Annual Increase of Unencumbered $1M/year to OCFA Fund Balance to $15M**	**Projected Retirement Contribution Contributions**	**Annual Snowball Amount Payment**	**Cumulative Expedited UAAL**
			Part A of Plan	**Part B of Plan**	**Part C of Plan (modified)**	**Proposed new Part D**		
1		13/14	3,000,000	2,500,000	-	-	5,500,000	5,500,000
2		14/15	21,290,238	-	-	-	21,290,238	26,790,238
3		15/16	12,609,380	2,802,122	-	-	15,411,502	42,201,740
4		16/17	3,000,000	1,653,114	1,000,000	1,000,000	6,653,114	48,854,854
5	1	17/18	3,000,000	1,886,420	3,000,000	1,000,000	8,886,420	57,741,274
6	2	18/19	3,000,000	3,167,397	5,000,000	1,000,000	12,167,397	69,908,671
7	3	19/20	3,000,000	1,648,658	7,000,000	1,000,000	12,648,658	82,557,329
8	4	20/21	3,000,000	2,368,859	9,000,000	1,000,000	15,368,859	97,926,188
9	5	21/22	3,000,000	3,279,280	11,000,000		17,279,280	115,205,468
10	6	22/23	3,000,000	4,787,217	13,000,000		20,787,217	135,992,685
11	7	23/24	3,000,000	5,772,547	15,000,000		23,772,547	159,765,232
12	8	24/25	3,000,000	6,814,115	15,000,000		24,814,115	184,579,347
13	9	25/26	3,000,000	14,242,631	15,000,000		32,242,631	216,821,978
14	10	26/27	3,000,000	19,647,456	15,000,000		37,647,456	254,469,434
			69,899,618	70,569,816	109,000,000	5,000,000	254,469,434	

Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting
November 9, 2016

Agenda Item No. 4B
Discussion Calendar

Audited Financial Reports for the Fiscal Year Ended June 30, 2016

Contact(s) for Further Information

Lori Zeller, Assistant Chief Business Services Department	lorizeller@ocfa.org	714.573.6020
Jim Ruane, Finance Manager/Auditor (Presenter)	jimruane@ocfa.org	714.573.6304
Tammie Pickens, General Accounting Manager	tammiepickens@ocfa.org	714.573.6320

Summary

This annual agenda item is submitted to present the OCFA's audited Comprehensive Annual Financial Report (CAFR) and other audited financial reports for the fiscal year ended June 30, 2016, in compliance with the provisions of Section 6505 of the California Government Code and the Amended Joint Powers Agreement.

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 17, 2016, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Receive and approve the reports.
2. Review the calculations used to determine the fund balance amounts assigned to the capital improvement program and workers' compensation, and confirm the calculations' consistency with the OCFA's Assigned Fund Balance Policy.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

See attached expanded background.

Attachment(s)

1. Comprehensive Annual Financial Report (CAFR) for the Year Ended June 30, 2016
2. Financial Statements for the Year Ended June 30, 2016
3. Report on Internal Control for the Year Ended June 30, 2016
4. Single Audit Report for the Year Ended June 30, 2016
5. Audit Communication Letter for the Year Ended June 30, 2016
6. Assigned Fund Balance Policy
7. Assigned Fund Balance Calculations as of June 30, 2016 for:
   A. Capital Improvement Program
   B. Workers Compensation
8. Calculation of Unencumbered Fund Balance as of June 30, 2016

Background

Financial Audit and Reports

Lance, Soll & Lunghard, LLP, Certified Public Accountants, performed OCFA's annual financial audit for Fiscal Year 2015/16. Its work included an audit of OCFA's Financial Statements in accordance with generally accepted auditing standards (GAAS); a review of internal controls to determine the depth of planned audit procedures; and a Single Audit of federal grant expenditures. The following Fiscal Year 2015/16 audit reports are being submitted for approval:

- **Comprehensive Annual Financial Report (CAFR)** (Attachment 1) – Staff has prepared the CAFR for the fiscal year ended June 30, 2016, which includes OCFA's audited Financial Statements, as well as additional background and multi-year statistical information covering OCFA's financial trends, revenue and debt capacity, demographic and economic information, and operating information. The CAFR includes an unmodified or "clean" opinion letter from the auditors, which states that OCFA's Financial Statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles (GAAP).
- **Financial Statements** (Attachment 2) – In addition to the CAFR, OCFA has prepared stand-alone audited Financial Statements. This report consists of the "Financial Section" from the CAFR document and is generally used to satisfy external financial reporting requirements when the full CAFR is not required.
- **Report on Internal Control** (Attachment 3) – The auditors have reported no significant deficiencies or material weaknesses in their report on internal control over financial reporting, compliance, and other matters.
- **Single Audit Report** (Attachment 4) – This report includes a review of federal grant funds expended by OCFA during the fiscal year. Major programs selected for more in-depth testing were the National Urban Search & Rescue (US&R) Response System; the Homeland Security Grant Program; and the Assistance to Firefighters Grant. The report indicates that OCFA has complied, in all material respects, with the types of compliance requirements identified in the U.S. Code of Federal Regulations "Uniform Guidance" as applicable to each of its major federal programs.
- **Audit Communication Letter** (Attachment 5) – Professional standards require the auditors to communicate certain information pertaining to the audit directly to those charged with the OCFA's governance. This letter includes information about the auditors' responsibilities, the planned scope and timing of the audit, and required communications in several areas.

The CAFR will be distributed to each OCFA member agency and published electronically on OCFA's website along with the Single Audit Report. The Financial Statements and other audit reports will be filed with the County Auditor-Controller, the State Controller's Office, the State Auditor, the Federal Audit Clearinghouse, and other grant agencies, as applicable. Copies for public review are available at the office of the Clerk of the Authority.

Assigned Fund Balance

The Board of Directors has adopted an *Assigned Fund Balance Policy* (Attachment 6), which delegates authority to assign fund balance amounts for the capital improvement program and workers' compensation from the Board of Directors to the Assistant Chief of Business Services, or her designee, with a final review of the calculation by the Budget and Finance Committee.

The Budget and Finance Committee's review of the calculation occurs each year at the time the audited financial statements are approved, and confirms the calculation's consistency with the provisions of the policy. OCFA's fund balance as of June 30, 2016, includes assignments for the capital improvement program and workers' compensation, with detailed calculations included as Attachments 7A and 7B.

Net Pension Liability vs. Unfunded Actuarial Accrued Liability

OCFA has implemented GASB Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These accounting statements have changed the way that pension liabilities are reported in the financial statements of governmental employers that sponsor or contribute to pension plans. Under these accounting standards, the ***funding*** or paying of OCFA's pension liability is completely disconnected from the ***reporting*** of the liability and related pension expense in the audited financial statements.

Each year OCFA receives two separate and distinct actuarial valuations from the Orange County Employees Retirement System (OCERS) that are used to identify OCFA's annual costs and future obligations pertaining to the retirement plan for its full-time employees. Both actuarial valuations are prepared by Segal Consulting (Segal) on behalf of OCERS using a "measurement date" of December 31.

- **Funding Valuation:** The "funding valuation" is used to determine OCFA's Unfunded Actuarial Accrued Liability (UAAL) and to set required contribution rates for the upcoming fiscal year. The method in which governmental employers fund their UAAL is systematic and assumed to occur over a long period of time. Contributions paid annually over the UAAL's amortization period are intended to accumulate to an amount necessary to fund the UAAL over time. OCFA's UAAL as reported in the December 31, 2015, funding valuation totaled $419 million.

- **GASB Reporting Valuation:** The "GASB reporting valuation" is used to determine OCFA's Net Pension Liability (NPL), annual pension expense, and related calculations for financial reporting purposes in compliance with GASB Statement No. 68. The actuarial assumptions in this report differ from the "funding valuation" since they must comply with national GASB standards that are consistently applied by all governments. Amounts in this valuation may materially change from one year to the next, creating more volatility in the pension expense recognized in the financial statements (as compared to the required contributions identified in the "funding valuation"). OCFA's NPL for its OCERS pension plan reported in the June 30, 2016, audited financial statements totaled $518 million. More detailed information regarding this long-term net liability can be found on the Statement of Net Position and in the Notes to the Financial Statements No. 16 and 21 (Attachment 1).

Currently, the net difference between OCFA's UAAL (funding) and NPL (reporting) is $99 million, which is the result of different liability and asset values used in measuring these amounts in the separate actuarial valuations. The primary differences are attributed to the NPL being calculated using the plan's current market value of assets, and the UAAL being calculated by adjusting the market value of assets for asset smoothing per the OCERS Actuarial Funding Policy. Differences are also created by timing differences of when actuarial gains and losses are recognized in the liability calculation for financial reporting purposes compared to funding valuation purposes.

Segal has provided OCERS with a reconciliation to assist in understanding the underlying differences between the UAAL and the NPL for the retirement plan as a whole. Following is a recap of the Segal reconciliation including only the rate groups applicable to OCFA:

	Rate Group #8 (Safety)	Rate Group #10 (General)	OCFA Total
Liability Reconciliation			
Actuarial accrued liability (L1)	$1,438,178,636	$195,036,000	$1,633,214,636
Gains (losses) from lower (higher) than expected:			
Salary increases	23,804,000	1,659,000	25,463,000
Cost of living increases	9,470,000	1,107,000	10,577,000
Retirement experience	(3,908,000)	(3,536,000)	(7,444,000)
Other experience	3,649,000	(579,000)	3,070,000
Gain (loss) from rolled forward to actual liabilities	(413,262)	(71,415)	(484,677)
Total pension liability (L2)	$1,470,780,374	$193,615,585	$1,664,395,959
Asset Reconciliation			
Valuation of assets (A1)	$1,081,399,000	$132,797,000	$1,214,196,000
Adjustment for deferred investment return and non-valuation reserve	(60,090,649)	(7,379,198)	(67,469,847)
Market value of assets (A2)	$1,021,308,351	$125,417,802	$1,146,726,153
Net Reconciliation			
Unfunded Actuarial Accrued Liability (UAAL) (L1-A1)	$356,779,636	$62,239,000	$419,018,636
Net Pension Liability (NPL) (L2-A2)	$449,472,023	$68,197,783	$517,669,806
Difference	**$92,692,387**	**$5,958,783**	**$98,651,170**

Structural Fire Fund

The Amended Joint Powers Agreement gives the Board of Directors the sole discretion to determine if sufficient unencumbered funds from the prior fiscal year are available for OCFA-related services or resource enhancements to over-funded Structural Fire Fund (SFF) members. This determination is made after consideration of the audited Financial Statements and after consideration of the OCFA's financial needs. Based on the audited Financial Statements for the fiscal year ended June 30, 2016, the unencumbered fund balance is $9,814,477 (Attachment 8), which is 2.82% of the General Operating Fund budget for Fiscal Year 2016/17. Staff will make recommendations regarding the use and/or distribution of the unencumbered fund balance when the mid-year budget update is provided to the Board of Directors in January 2017.

Attachment 1

Orange County Fire Authority

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016

Orange County, California
Business Services Department / Finance Division

Orange County Fire Authority
Comprehensive Annual Financial Report
Year ended June 30, 2016

Board of Directors
As of June 2016

Gene Hernandez, Chair
City of Yorba Linda
(Board Member Since 2013)

Elizabeth Swift, Vice Chair
City of Buena Park
(Board Member Since 2011)

Phillip Tsunoda
City of Aliso Viejo
(Board Member Since 2011)

Rob Johnson
City of Cypress
(Board Member Since 2013)

Joseph Muller
City of Dana Point
(Board Member Since 2015)

Jeffrey Lalloway
City of Irvine
(Board Member Since 2013)

Michele Steggell
City of La Palma
(Board Member Since 2015)

Don Sedgwick
City of Laguna Hills
(Board Member Since 2015)

Laurie Davies
City of Laguna Niguel
(Board Member Since 2016)

Noel Hatch
City of Laguna Woods
(Board Member Since 2013)

Dwight Robinson
City of Lake Forest
(Board Member Since 2015)

Shelley Hasselbrink
City of Los Alamitos
(Board Member Since 2015)

Ed Sachs
City of Mission Viejo
(Board Member Since 2015)

Craig Green
City of Placentia
(Board Member Since 2015)

Carol Gamble
City of Rancho Santa Margarita
(Board Member Since 2011)

Bob Baker
City of San Clemente
(Board Member Since 2012)

John Perry
City of San Juan Capistrano
(Board Member Since 2015)

Angelica Amezcua
City of Santa Ana
(Board Member Since 2015)

David Sloan
City of Seal Beach
(Board Member Since 2010)

David Shawver
City of Stanton
(Board Member Since 1995)

Al Murray
City of Tustin
(Board Member Since 2011)

Rick Barnett
City of Villa Park
(Board Member Since 2013)

Tri Ta
City of Westminster
(Board Member Since 2009)

Lisa Bartlett
County of Orange
(Board Member Since 2015)

Todd Spitzer
County of Orange
(Board Member Since 2013)

Jeff Bowman
Fire Chief

Prepared by Finance Division
Photos provided by Multimedia

Orange County Fire Authority

Mission

We enhance public safety and meet the evolving needs of our communities through education, prevention, and emergency response.

Vision

OCFA is a premier public service agency providing superior services that result in no lives or property lost. We reach this through exceptional teamwork and strong partnerships in our community.

Guiding Principles

The Board, management, and members of OCFA are committed to upholding the following guiding principles in how we run our organization and work with each other:

- Service
- Safety
- Financial Responsibility
- Teamwork
- Trust
- Excellence
- Ethics
- Personal Responsibility
- Care and Respect
- Honesty and Fairness
- Reliability
- Diversity
- Integrity

Customer Service Motto

We visualize problems and solutions through the eyes of those we serve.

ORANGE COUNTY FIRE AUTHORITY
Comprehensive Annual Financial Report
Year ended June 30, 2016

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Introductory

Section

ORANGE COUNTY FIRE AUTHORITY
P. O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Rd., Irvine, CA 92602
Jeff Bowman, Fire Chief (714) 573-6000 www.ocfa.org

September 30, 2016

The Board of Directors
Orange County Fire Authority
1 Fire Authority Road
Irvine, California 92602

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orange County Fire Authority (OCFA) for the fiscal year ended June 30, 2016. This report consists of management's representations concerning the finances of the OCFA and is presented using the financial reporting model outlined in the Governmental Accounting Standards Board (GASB) Statement No. 34. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

To provide a reasonable basis for making its representations, OCFA management has established a comprehensive internal control framework. This framework is designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting transactions are executed in accordance with management's authorization and properly recorded so that the financial statements can be prepared in conformity with generally accepted accounting principles (GAAP). The objective of the internal control framework is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The design and operation of internal controls also ensures that federal and state financial assistance funds are expended in compliance with applicable laws and regulations related to those programs.

OCFA's financial statements have been audited by Lance, Soll & Lunghard, LLP, a firm of certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the OCFA's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The Management's Discussion and Analysis (MD&A) narrative provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. The MD&A is also intended to disclose any known significant events or decisions that affect the financial condition of the OCFA. The MD&A complements, and should be read in conjunction with, this letter of transmittal.

Background Information on the OCFA

OCFA was formed on March 1, 1995, transitioning from the Orange County Fire Department to a joint powers authority (JPA) as allowed by California State Government Code 6500 et seq. OCFA is an independent organizational entity similar to a special district, and is the largest regional service organization in Orange County and one of the largest in California. The service area includes twenty-three member cities and the unincorporated areas of Orange County, California. A twenty-five member Board of Directors governs the OCFA. This Board includes an elected official appointed to represent each of the twenty-three member cities and two representatives from the County Board of Supervisors. OCFA is managed by an appointed Fire Chief who reports to the Board of Directors.

The annual budget serves as the foundation for OCFA's financial planning and control. The budget development process begins in November. The budget team compiles the input received from the section/division managers who follow the policies and guidelines established by Executive Management. The results are presented to Executive Management for review and prioritization. The draft budget is further refined through various committee reviews, including a City Managers' Budget and Finance Committee, a Capital Improvement Program Ad Hoc Committee, and the OCFA Budget and Finance Committee. The OCFA Budget and Finance Committee recommends the budget for approval by the Board of Directors in May or June. The Board has the option of holding a public hearing on the proposed budget, and is required to adopt a final budget by no later than June 30, the close of the OCFA's fiscal year.

The appropriated budget is allocated by fund and department. Department Chiefs may make transfers of appropriations between sections within a department. Transfers of appropriations between departments require the approval of Executive Management, and transfers between funds require the approval of the Board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. Budgetary Comparison Statements for the General Fund and all major special revenue funds, if any, are presented in the governmental funds section of the accompanying financial statements. Budgetary Comparison Schedules for all remaining governmental funds with appropriated annual budgets are presented in the supplementary schedules section of the accompanying financial statements.

Information on Orange County and the Local Economy[1]

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the local economic environment within which the OCFA operates.

Orange County Profile:

Orange County is located along the southern coast of California, with Los Angeles County to the north; San Diego County to the south; and Riverside and San Bernardino counties to the east. Orange County covers an area of 799 square miles, with 42 miles of coastline along the Pacific Ocean, and is home to over 3.1 million people. There are thirty-four cities in Orange County. OCFA provides regional fire services to twenty-three of those cities, along with the unincorporated areas throughout the county.

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[1] Portions throughout this section obtained from the *2016 Community Indicators Report* published by the Children & Families Commission of Orange County, released July 2016. The report may be viewed in its entirety at *http://occhildrenandfamilies.com/wp-content/uploads/2014/12/OCCIR_2016_WebRev.pdf*

Population and Demographics:

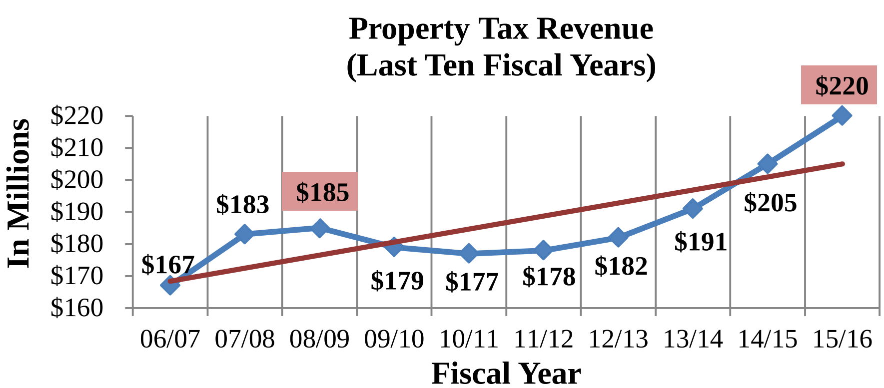
Orange County's population continues to grow; however the proportion of seniors is increasing as compared to the proportion of all other age groups. Residents over the age of sixty-five currently comprise 14% of Orange County's population, a number that is expected to rise to 24% by the year 2040. This change in the county's demographics is projected to continue, and may impact the long-term ability to sustain schools, pensions, and other government support to members of the community. Overall, Orange County is comparable to state and national averages in regards to the financial stability of its residents. However, the county does experience geographic concentrations of wealth and poverty. Approximately 37% of neighborhoods throughout Orange County have high concentrations of families that are considered financially challenged based on their income, employment, and housing expenses. Although there has been slight improvement over the previous year, approximately 22% of Orange County's residents live in poverty.

Employment and Housing:

Orange County's economy has maintained its long-time condition of being "job rich" and "housing poor." The unemployment rate has fallen from a ten-year high of 10.1% in March 2010 down to 4.1% in December 2015. Orange County's four largest employment sectors – tourism, business/professional, health services, and construction – have kept pace with inflation but have not experienced significant growth in the last year. Construction is not keeping pace with the growing number of jobs, and the housing that is being built is not affordable to those with lower incomes. The minimum household income needed for a first-time homebuyer to purchase a single-family home priced at 85% of the Orange County median was $86,870. Approximately 43% of Orange County households can afford to purchase at this price. As a result, many younger and middle-aged adults are leaving the county in search of more affordable housing; businesses are unable to find workers to fill vacant positions; and those living in crowded or poverty conditions are spending a greater portion of their income on housing.

Property Taxes:

The most significant local economic factor impacting OCFA is Orange County's housing market, including fluctuations in new construction activities and housing prices. Property taxes derived from these activities comprised 61.5% of the OCFA's total governmental funds revenues in Fiscal Year 2015/16. As shown in the chart below, OCFA's property tax revenues have been steadily increasing for the last five fiscal years.



Property tax revenues in Fiscal Year 2015/16 totaling $220 million surpassed the pre-recession peak from Fiscal Year 2008/09 by over $35 million (19.0%). This increase is attributed primarily to appreciation in Orange County's housing prices and an increase in new housing development. Orange County's real estate market continues to improve. Housing prices have risen substantially, and have nearly reached the same levels that existed prior to the 2007 housing downturn. In January 2016, Orange County's median single family home price was $704,950. For comparison purposes, the price peak was $747,260 in April 2007, and the price low was $432,100 in January 2009.

Long-term Financial Planning

Since its formation in 1995, OCFA has been preparing multi-year projections of its revenues and expenditures. For the past twenty years, a firm of property tax consultants has been retained to assist in the projection of the OCFA's single largest revenue source – property taxes. With these projections and a collection of conservative assumptions, the OCFA forecasts its financial condition five years into the future. Various scenarios can be developed from the forecast to assess the impact of proposed or impending changes to the budget, the economy or the underlying assumptions. As a result, this tool provides an early warning of potential financial difficulties. Historically, OCFA's method of projecting its property tax revenue was to increase the value of existing structures by the 2% constitutional maximum, increase these values to account for re-sales, and add in the value of any new development. During the recession, those techniques were adjusted to incorporate the appreciation or depreciation rate set by the State Board of Equalization, the potential for the County Assessor to reassess existing structures, and the possibility that re-sales might actually decrease the assessed values. However, with the recession ended and housing showing signs of recovery, OCFA has, in conjunction with its property tax consultant, returned to its previous practice for estimating property tax growth.

Relevant Financial Policies

The OCFA Board of Directors has adopted the following formal budgetary and fiscal policies:

Financial Stability Budget Policy – This policy is intended to guide the OCFA budget actions toward maintaining long-term financial stability and to establish fund balance levels and annual funding targets for the General Fund and Capital Improvement Program (CIP).

Fiscal Health Plan – The purpose of this plan is to establish a framework for ensuring an ongoing focus on fiscal health and a general process to ensure timely and appropriate response to adverse fiscal circumstances. The cornerstones of this plan are a set of strong fiscal policies and a comprehensive system for monitoring OCFA's fiscal performance. Financial indicators are monitored through frequent updates of the OCFA's five-year financial forecast to evaluate stability, strength, or weaknesses of OCFA's finances.

Investment Policy – This policy is updated annually to reflect changes in legislation and the changing needs of the OCFA. It specifies the types of investments allowed in the OCFA portfolio, as well as the diversification and maturity requirements for investments.

Roles/Responsibilities/Authorities for the OCFA – This document identifies those roles and responsibilities that have been retained by the Board, as well as responsibilities that have been delegated. All authority rests with the Board unless it is delegated by statute or Board action. When delegated, these authorities are further defined by contracts, resolutions, policies and/or other Board actions.

Accounts Receivable Write-off Policy for Uncollectible Accounts – This policy establishes the criteria and procedures for requesting uncollectible amounts to be written off.

Short-term Debt Policy – This policy establishes guidelines for managing the OCFA's cash flow position in a fiscally conservative manner through the issuance of short-term debt.

Emergency Appropriations Policy – This policy, which was adopted in September 2008, establishes guidelines for increasing appropriations in the event of extraordinary fire or emergency activity following the last Board meeting of the fiscal year.

Assigned Fund Balance Policy – This policy, which was adopted in April 2011 and amended effective July 2014, establishes the authority by which OCFA may set aside cumulative resources in fund balance for an intended future use.

Grants Management Policy – This policy, which was effective January 2012, establishes an overall framework for guiding OCFA's use and management of grant resources.

Capital Projects Fund Policy – This policy, which was effective July 2014, defines the types of allowable activities that may be accounted for in OCFA's capital projects funds, as defined by Governmental Accounting Standard Board (GASB) Statement No. 54.

Major Initiatives Expected to Affect Future Financial Positions

OCFA has established the following strategic objectives for both the current and upcoming fiscal years:

Strategic Objectives for Fiscal Years 2015/16 and 2016/17
1. Improve OCFA communications at all levels
2. Establish consistency in Human Resources functions and improve labor relations
3. Conduct analysis of field operations and internal support functions
4. Focus on fiscal health
5. Build customer service mindset
6. Improve risk management outcomes
7. Implement performance improvement/efficiency measures
8. Improve public safety technology systems
9. Develop a Continuity of Operations Plan (COOP) for OCFA
10. Maintain flexibility for unforeseen events

Various initiatives, along with performance measures designed to document and assess progress toward their completion, have been identified for each of the ten strategic objectives. Highlights of select initiatives that have the potential to impact OCFA's future financial positions are described below.

Establish Working Groups to Address Operational Issues – Various working groups have been established to analyze operational issues, and to develop and implement action plans that will enhance the quality, efficiency, and effectiveness of how public safety services are provided to OCFA's member agencies and the citizens of Orange County.

- **Emergency Medical Services (EMS) Delivery Enhancements –** The Board of Directors has approved the phase-in and ongoing evaluation of enhancements to the EMS deployment model, as feasible, at six month intervals. These changes are intended to improve levels of service; enhance firefighter safety; reduce response times on advanced life support (ALS) medical calls; reduce the number of responding units; and reduce the need for automatic aid support from neighboring cities. In July 2015, "Phase 1" was implemented in the cities of Dana Point, Laguna Niguel, Tustin, and Yorba Linda. Unit reconfigurations in these cities included the conversion of two paramedic assessment trucks to paramedic trucks; one paramedic assessment engine to a paramedic engine; and one medic van to two paramedic engines. The Fiscal Year 2015/16 financial impact totaled approximately $860,000 to account for additional paramedic specialty skill compensation and the addition of one firefighter paramedic position. In February 2016, "Phase 2" was implemented in the cities of Irvine, Lake Forest, Mission Viejo, and Santa Ana. Unit reconfigurations included the conversion of six paramedic vans and twelve paramedic assessment engines to twelve paramedic engines; and the conversion of one paramedic assessment truck to a paramedic truck. The Fiscal Year 2015/16 financial impact totaled approximately $185,000 (pro-rated) to account for additional paramedic specialty skill compensation. Ongoing annual costs of Phase 2 are anticipated to total approximately $375,000. The desired outcome of EMS delivery enhancements is measured by response data, which continues to be evaluated at six-month intervals. Below is a summary of the Fiscal Year 2015/16 financial impacts of the EMS delivery enhancements.

			Fiscal Year 2015/16 Financial Impact	
City	**From**	**To**	**Phase 1 (Full)**	**Phase 2 (Partial)**
Dana Point	PAU* Engine 30	Paramedic Engine 30	$662,409	$ -
Irvine	PAU Engine 4 / Medic Van 4 PAU Engine 26 / Medic Van 26 PAU Engine 28 PAU Engine 38 / Medic Van 38 PAU Engine 47 PAU Engine 55	Paramedic Engine 4 Paramedic Engine 26 Paramedic Engine 28 Paramedic Engine 38 Paramedic Engine 47 Paramedic Engine 55	-	61,416
Laguna Niguel	PAU Truck 49	Paramedic Truck 49	66,329	-
Lake Forest	PAU Engine 54	Paramedic Engine 54	-	30,708
Mission Viejo	PAU Engine 31 / Medic Van 31	Paramedic Engine 31	-	30,708
Santa Ana	PAU Engine 70 PAU Truck 76 PAU Engine 77 / Medic Van 77 PAU Engine 78 / Medic Van 78 PAU Engine 79	Paramedic Engine 70 Paramedic Truck 76 Paramedic Engine 77 Paramedic Engine 78 Paramedic Engine 79	-	61,416
Tustin	PAU Truck 43	Paramedic Truck 43	66,329	-
Yorba Linda	Medic Van 32	Paramedic Engine 32 Paramedic Engine 10	66,329	-
	** PAU = Paramedic Assessment Unit*		**$861,396**	**$184,248**

- **Hazardous Materials Response Team (HMRT) Program –** OCFA's HMRT program is responsible for responding to industrial hazardous materials and weapons of mass destruction (WMD) incidents. It is one of three such programs to exist in Orange County. The program has experienced operational staffing issues pertaining to personnel recruitment and retention, training costs, and workload impacts. In order to address these issues and provide improved program longevity, the Board of Directors approved the establishment of 2.5% specialty compensation effective March 2016 for HMRT members who have obtained a specialist certification and have been assigned to the team for a minimum of two years. By providing this incentive, it is anticipated that employees will remain in the program longer, that OCFA will realize an offsetting reduction in its training costs, and that OCFA's regional response capability to serve the citizens of Orange County will improve. The Fiscal Year 2015/16 financial impact of this change was approximately $65,000, while the ongoing financial impact, net of training cost savings, is expected to be approximately $70,000 annually.

- **Urban Search and Rescue (USAR) and Technical Rescue Truck (TRT) Operations and Staffing –** Like the HMRT program, the USAR/TRT specialty program has also experienced ongoing issues in regards to personnel retention, unit availability and response, and training costs. In order to address these issues and improve OCFA's response capabilities, the Board of Directors approved the establishment of 7.5% specialty compensation effective March 2016 for all USAR-trained TRT personnel. Other recommended program changes included a daily staffing model that will guarantee resource availability; modified training and skill set requirements; a reduction in the number of air operations support trucks; establishment of an interview process for Fire Captain positions; an updated dispatch response matrix for USAR assets; and establishment of a group of qualified part-time USAR team to support staffing needs. The Fiscal Year 2015/16 fiscal impact of this change was approximately $265,000, while the net ongoing financial impact, including a reduction in training costs, is expected to be approximately $410,000 annually.

- **Air Operations Program Paramedic Position –** In February 2015, the Board of Directors approved a six-month trial to implement staffing changes to the Air Operations Program. Program changes included implementation of a 24/7, three platoon schedule and the addition of a firefighter paramedic position on weekends. During the trial period, helicopter availability more than doubled, and OCFA personnel responded to 18% more incidents that previously would have fallen out of the non-24/7 work schedule. During the trial period, more than half of the incidents that the helicopter responded to were medical in nature, and twenty-two patients were provide paramedic level escort while being transported with the helicopter. This enhancement improved patient care, increased safety, and reduced response times by eliminating the need to land and pick up a paramedic. By providing an Advance Life Support (ALS) capability to the helicopter, OCFA has provided a better depth of service than it previously had and has become more versatile in its response coverage. Based on the results of the trial, in January 2016 the Board of Directors approved the permanent addition of a firefighter paramedic post position at an annual ongoing cost of approximately $665,000. The pro-rated Fiscal Year 2015/16 fiscal impact of this program change was approximately $330,000.

Focus on Long-term Fiscal Health for OCFA and Its Members – OCFA remains focused on the pursuit of fiscal health, seeking to ensure that services delivered are sustainable into the future. In January 2016, a mid-year financial report was presented to the Board of Directors that reflected continued improvement in OCFA's fiscal health and also allocated approximately $12.6 million toward the pay-down of the Unfunded Actuarial Accrued Liability (UAAL) with the Orange County Employees Retirement System (OCERS). In addition, the Fiscal Year 2016/17 budget was adopted by the Board of Directors in May 2016, reflecting a balanced General Fund, cash contract increases to member cities that were below the allowable cost cap, and a flow of surplus funds from the General Fund to the Capital Improvement Program.

Second Amendment to the JPA and New Equity Options – In response to past concerns from OCFA member agencies about the relationship of financial contributions to level of service received, the Board of Directors empowered an Equity Ad Hoc Committee (Committee) to identify methods for mitigating equity concerns. In September 2013, the Board approved a solution presented by the Committee which required OCFA to issue equity payments to qualifying Structural Fire Fund (SFF) agencies, based on a calculation of average SFF Tax Rate. The solution required that equity payments be made from unrestricted revenue sources (non-property tax revenues). A Second Amendment to the JPA (2nd Amendment) was ratified by member agencies in November 2013, and concurrently the Board approved requesting a judicial review of the 2nd Amendment to seek court validation. On August 7, 2014, the 2nd Amendment was declared invalidated. OCFA and the City of Irvine appealed the decision; however, in March 2016 the appellate court issued an opinion affirming the 2nd Amendment's invalidation and thus overturning equity solutions that were previously put in motion by the Committee. In May 2016, the Board voted to conduct any future discussions of new proposals regarding member equity at regular Board meetings in lieu of forming a new Equity Ad Hoc Committee.

Accelerated Pay-Down of Pension Liability with the Orange County Employees Retirement System – In September 2013, the Board of Directors approved several strategies to accelerate funding OCFA's Unfunded Actuarial Accrued Liability (UAAL) with the Orange County Employees Retirement System (OCERS). Those strategies, referred to as the "Snowball Plan," were revised in November 2015 to include the following: (1) using unencumbered fund balance available at the close of each fiscal year to make annual lump sum payments, estimated at an average amount of $3 million annually; (2) including savings from reduced retirement rates resulting from the implementation of the Public Employees' Pension Reform Act in the annual budget to make bi-weekly additional payments; (3) budgeting an additional $1 million beginning in Fiscal Year 2016/17, and increasing by $2 million each year until reaching an annual amount of $15 million; and (4) contributing $1 million annually for five years, beginning in Fiscal Year 2016/17, from surplus fund balance available from the General Fund's fund balance assignment for workers' compensation. OCFA has been making additional payments toward its UAAL annually since Fiscal Year 2013/14, with additional payments made during Fiscal Year 2015/16 totaling $15.5 million. A recent estimate received from the OCERS actuary indicated that accelerated payments have shortened the timeline to pay down the UAAL from an original twenty-nine years to twelve years. The Board of Directors is updated annually on the status of the pay-down plan.

Improve Risk Management Outcomes – A workers' compensation injury analysis was completed in Fiscal Year 2015/16 in an attempt to reduce annual claims, expenses, and backfill costs as a result of work-related injuries. OCFA's goal was to reduce its claims costs by 5-10%, and also to return 75% of injured employees who are released by a physician to light duty work within four days. Although the number of open workers' compensation claims declined by 2% during Fiscal Year 2015/16, employee salary and claim costs for the program both increased. Moving into Fiscal Year 2016/17, OCFA will continue to focus on maintaining or reducing its workers' compensation costs.

Progress on the Public Safety System Project – OCFA is in the process of a major, multi-year project to replace its Public Safety System (PSS), which has been in use since the 1980's. The Computer Aided Dispatch (CAD) portion was completed and went live on September 9, 2014, marking a tremendous milestone for the PSS project as a whole. Building on the successful CAD implementation, OCFA will continue to work in Fiscal Year 2016/17 toward establishing timelines and objectives for the replacement of the Records Management System (RMS) portion of the Public Safety System, which includes the Orange County Fire Incident Reporting System (OCFIRS), Integrated Fire Prevention (IFP), and Investigations Case Management System (ICMS) applications. The Fiscal Year 2016/17 Capital Improvement Program budget includes funding for both the OCFIRS and IFP applications totaling approximately $1.3 million.

Labor Negotiations for Expiring Firefighter MOU – The Memorandum of Understanding (MOU) with Orange County Professional Firefighters Association (OCPFA) for the firefighter bargaining unit expired in October 2015, and was extended to allow additional time for negotiations. Negotiation sessions between OCFA management and OCPFA were in progress throughout Fiscal Year 2015/16, and an MOU was approved at a special meeting of the Board of Directors September 1, 2016. The four-year MOU extends through August 2020 and accomplishes the Board's goal of having employees pay 100% of the employee portion of retirement contributions. The financial impact of the MOU is the cost-equivalent of a 10.44% salary increase over a four-year period, with an average dollar increase of $5.4 million annually.

Hiring for Vacancies and Frozen Positions

A hiring freeze for positions that do not provide front line service to the public went into effect during Fiscal Year 2008/09. As the economy has improved in recent years, positions have been unfrozen, when necessary, at a measured and sustainable pace. In addition, each position that becomes vacant through employee retirements and terminations is reviewed by Executive Management to determine whether the workload can be reassigned or if it will be necessary to fill the position. A total of 86 authorized positions were frozen as of June 30, 2016, a decrease of 11 positions as summarized below.

	June 30		
Frozen Positions	**2016**	**2015**	**+/-**
Recommendations from the 2008 Santiago After Action Report included the addition of a fourth firefighter on twelve wildland engines, to be phased in over multiple fiscal years. Phase one authorized the addition of 9 positions, which were subsequently frozen in Fiscal Year 2008/09 pending improved financial condition.	9	9	-
The addition of a four-person truck company at Fire Station No. 20 (Irvine) was deferred in Fiscal Year 2008/09 until development activity and service demand increases (12 positions). In addition, the station's 3-person engine and 2-person paramedic van were transitioned to a single 4-person paramedic engine during Fiscal Year 2010/11, resulting in 3 additional frozen firefighter positions.	15	15	-
Six staff captain positions (two training officers and Administrative Captains for Divisions 1, 3, 4 and 5) have been frozen since Fiscal Year 2010/11, with personnel transitioning to fill vacant suppression field positions.	6	6	-
As a result of a service reduction request by the City of Stanton in July 2012, the four-person truck company at Fire Station No. 46 (Stanton) was reconfigured and replaced by a two-person paramedic van, resulting in 3 frozen fire apparatus engineer and 3 frozen fire captain positions since Fiscal Year 2012/13. During Fiscal Year 2015/16, those 6 positions were unfrozen in conjunction with new Fire Station No. 56 (Village of Sendero), which became operational in July 2015.	-	6	(6)
In November 2012, the OCFA's agreement for Aircraft Rescue Firefighting services at John Wayne Airport was amended to reduce daily staffing from seven to six personnel, resulting in 3 frozen fire apparatus engineer positions since Fiscal Year 2012/13.	3	3	-
Vacancies remain frozen for an additional thirty-four suppression positions, including: Fire Apparatus Engineers (15 positions, backfilled with overtime); Fire Captains (15 positions, backfilled with overtime); Staff Battalion Chiefs (2 positions); Heavy Fire Equipment Operator (1 position); and Fire Pilot (1 position).	34	34	-
Subtotal – Suppression	67	73	(6)
Vacancies remain frozen for nineteen non-suppression positions.			
✓ Executive Management/Human Resources	2	3	(1)
✓ Operations	1	1	-
✓ Community Risk Reduction	9	12	(3)
✓ Business Services	4	4	-
✓ Support Services	3	4	(1)
Subtotal – Non-Suppression	19	24	(5)
Total frozen positions	86	97	(11)

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the OCFA for its Fiscal Year 2014/15 Comprehensive Annual Financial Report (CAFR), the eighteenth consecutive year OCFA has received this prestigious award. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements. The certificate is valid for a period of one year. We believe our Fiscal Year 2015/16 CAFR continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for this year's award.

The timely preparation of the CAFR was made possible by the dedicated efforts of the staff of the Finance Division. We acknowledge the support and direction provided to OCFA staff by the accounting firm of Lance, Soll & Lunghard, LLP. We would also like to express our appreciation to the Board of Directors and Budget and Finance Committee for their leadership and support in planning and conducting the financial operations of the OCFA in a responsible and progressive manner.

Respectfully submitted,

Bowman | Lori Zeller

Jeff Bowman, Fire Chief | Lori Zeller, Assistant Chief of Business Services

ORANGE COUNTY FIRE AUTHORITY
Organization Chart
As of June 30, 2016

The Public

Board of Directors — **Legal Counsel**

Fire Chief
Jeff Bowman

Human Resources Division
Vacant,
Director

~ Employee Benefits
~ Employee Relations
~ Risk Management

Communications & Public Affairs
Sandy Cooney
Director

~ Community Relations & Education
~ Legislative Services
~ Multimedia
~ Public Information Office

Operations Department
Dave Thomas
Assistant Chief

Operations Training & Safety
Division I
~ Battalion 1
Division II
~ Battalion 5, JWA
Division III
~ Battalions 6 & 7
~ US&R
~ Swift Water Rescue
Division IV
~ Battalions 2 & 3
~ CVS
~ EMS
Division V
~ Battalion 4
Division VI
~ Battalion 9
~ Hazardous Materials
Division VII
~ Battalion 8
~ Air Operations

Community Risk Reduction Dept.
Lori Smith
Assistant Chief

Investigation Services

Planning & Development

Pre-Fire Management

Prevention Field Services

Business Services Department
Lori Zeller
Assistant Chief

Clerk of the Authority

Finance

Purchasing and Materiel Management

Treasury & Financial Planning

Support Services Department
Mike Schroeder
Assistant Chief

Emergency Command Center

Fleet Services

Information Technology

Property Management

Organizational Planning Dept.
Brian Young
Assistant Chief

Emergency Planning & Coordination

Organizational Training & Development

Strategic Services

ORANGE COUNTY FIRE AUTHORITY
Management Staff and Appointed Officials
As of June 30, 2016

Jeff Bowman	Fire Chief
Dave Thomas	Assistant Chief Operations Department
Lori Smith	Assistant Chief Community Risk Reduction Department
Lori Zeller	Assistant Chief Business Services Department
Mike Schroeder	Assistant Chief Support Services Department
Brian Young	Assistant Chief Organizational Planning Department
Vacant	Director Human Resources Division
Sandy Cooney	Director Communications & Public Affairs
Sherry A.F. Wentz	Appointed – Clerk of the Authority
Jim Ruane	Appointed – Auditor
Patricia Jakubiak	Appointed – Treasurer
Woodruff, Spradlin, & Smart	General Counsel

ORANGE COUNTY FIRE AUTHORITY
Organization of Board of Directors
As of June 30, 2016

The Orange County Fire Authority Board of Directors has twenty-five members. Twenty-three of the members represent partner cities and two members represent the county unincorporated area. The Board of Directors meets monthly. Following are descriptions of each committee that has been established by the Board of Directors:

The **Executive Committee** meets monthly and conducts all business of the OCFA, with the exception of policy issues, including labor relations, budget issues and other matters specifically retained by the Board of Directors. The Executive Committee consists of no more than nine members of the Board of Directors. The committee membership is comprised of the following designated positions: the Chair and Vice Chair of the Board of Directors, the immediate past Chair of the Board, and the Chair of the Budget and Finance Committee. In addition, the Chair appoints five at-large members, subject to the approval of the Board of Directors. At least one member of the Board of Supervisors serves on this committee. In addition, the ratio of committee members representing cash contract cities to the total committee membership will be as close as reasonably possible to the ratio of the number of cash contract cities to total member agencies. The Chair of the City Managers Technical Advisory Committee serves as an ex officio non-voting member of the Executive Committee.

The **Budget and Finance Committee** meets monthly and advises staff and makes recommendations to the Board of Directors on matters related to financial and budget policies, development of budgets for the General Fund and capital expenditures, assignment of fund balances, budget balancing measures, evaluation and development of plans to meet long-term financing needs, investment oversight and purchasing policies. The Chair of the Board makes appointments to the Committee on an annual or as-needed basis. The Chair of the City Manager Budget and Finance Committee serves as an ex officio non-voting member of this committee. The Budget and Finance Committee is also designated to serve as the OCFA's audit oversight committee.

The **Claims Settlement Committee** has the authority to settle claims and lawsuits and pre-litigation claims for amounts above $50,000, not to exceed $250,000, including insurance pool settlements, workers' compensation settlements, and the initiation and settlement of subrogation claims. Settlements of lawsuits in amounts exceeding $250,000 are approved by the Board of Directors. The Claims Settlement Committee meets monthly and consists of the Board Chair and Vice Chair, the Budget and Finance Committee Chair, the Fire Chief, and the Human Resources Director.

The **Human Resources Committee** advises OCFA staff and makes recommendations to the Board of Directors on matters regarding human resources policies; job class specifications; compensation programs; benefit changes and renewals; staff training, development and recognition programs; succession planning; risk management and workers' compensation policies; and development of management/performance evaluation and information systems. The committee consists of five members of the Board of Directors, all of which are appointed by the Chair of the Board.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Fire Authority

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Financial

Section

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Orange County Fire Authority
Irvine, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority, (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
Orange County Fire Authority
Irvine, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Prior Year Comparative Information

The financial statements include (partial or summarized) prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2015, from which such partial information was derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet, schedule of revenues, expenditures and changes in fund balance, and original and final budget are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Orange County Fire Authority
Irvine, California

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea California
September 30, 2016

Orange County Fire Authority Safety Message

PulsePoint

Cardiac arrest is one of the leading causes of death, affecting hundreds of thousands of people in the United States each year. Effective cardio-pulmonary resuscitation (CPR), administered immediately after cardiac arrest, can increase a victim's chance of survival.

What Is PulsePoint?

Orange County Fire Authority has launched PulsePoint, a free mobile app that guides lifesaving CPR response for registered users within its service area. PulsePoint is designed for use by citizens and off-duty professionals trained in CPR. Informed at the same time as emergency responders, users are given detailed instructions, including the nearby locations of automated external defibrillators (AEDs). For more information on PulsePoint visit http://www.pulsepoint.org/pulsepoint-respond/.

Get Certified

- ✓ Contact the American Red Cross or the American Heart Association to get CPR certified.
- ✓ Maintain your certification by getting recertified when required.

Be a Life Saver

- ✓ PulsePoint is available on both the Apple App Store and the Google Play Store.
- ✓ Be notified when there is a cardiac emergency in your immediate vicinity. Your next rescue could be right around the corner.

Management's Discussion and Analysis

Fire Station 56 Grand Opening - July 2015

ORANGE COUNTY FIRE AUTHORITY
Management's Discussion and Analysis
Year ended June 30, 2016

As management of the Orange County Fire Authority (OCFA), we offer readers of OCFA's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2016.

Financial Highlights

Governmental Activities: OCFA's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $160,663,918 at the end of the current fiscal year. Net position consisted of net investment in capital assets totaling $187,910,677; restricted for capital projects and other purposes totaling $547,099; and an unrestricted deficit totaling $349,121,694. The result of current fiscal year operations caused total net position to decrease by $4,521,893 from the prior fiscal year.

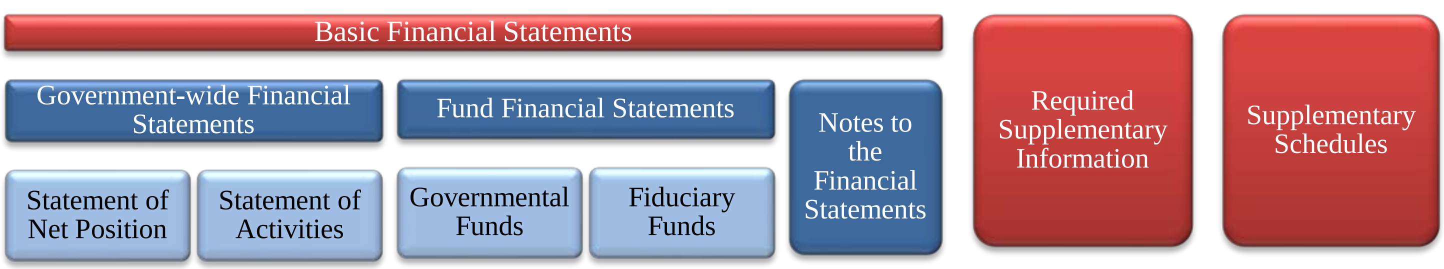
Governmental Funds: As of the close of the current fiscal year, the OCFA's governmental funds showed combined ending fund balances totaling $209,370,885, an increase of $32,481,099 from the prior fiscal year. Of the total ending fund balance, $36,756,804 (17.6%) was available for funding future operational needs.

General Fund: At the end of the current fiscal year, total fund balance for the General Fund was $153,057,705, and was categorized as follows:

❖ Nonspendable	$ 36,779,845
❖ Restricted	13,867
❖ Committed	584,464
❖ Assigned	78,922,725
❖ Unassigned	36,756,804
Fund balance of the General Fund as of June 30, 2016	$153,057,705

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to OCFA's basic financial statements. The basic financial statements are comprised of the following three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This financial report also contains required and other supplementary information in addition to the basic financial statements.



Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of OCFA's finances, in a manner similar to a private-sector business. Public safety activities are reported as governmental activities, since they are principally supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 28-31.

Statement of Net Position: The statement of net position presents information on all of OCFA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of OCFA is improving or deteriorating.

Statement of Activities: The statement of activities presents information showing how OCFA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. OCFA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. OCFA's funds can be divided into two categories – governmental funds and fiduciary funds.

Governmental Funds: Governmental funds 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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of government 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 OCFA's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate this comparison.

OCFA reports four individual governmental funds. Information is presented separately in the fund financial statements for all four governmental funds, since OCFA has elected to classify all governmental funds as major funds. The OCFA adopts an annual appropriated budget for each governmental fund. Budgetary comparison statements and schedules have been provided for the governmental funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 34-42.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support OCFA's own programs. Combined basic fiduciary fund financial statements can be found on pages 43-44.

Notes to the Financial Statements and Required Supplementary Information (RSI): The notes and RSI provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-92, while RSI can be found on pages 95-102.

Supplementary Schedules: The budgetary schedules referred to earlier in connection with governmental funds are presented in the supplementary schedules section. Combining and individual fund statements and schedules can be found on pages 104-115.

Government-wide Financial Analysis

Net Position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of OCFA, net position totaled a deficit of $160,663,918 at the end of the most recent fiscal year, a 5.0% improvement from the prior fiscal year. Following is a summary of the OCFA's net position as of June 30, 2016 and 2015:

ORANGE COUNTY FIRE AUTHORITY's Net Position

			Increase (Decrease)	
Governmental Activities	June 30, 2016	June 30, 2015	Amount	%
Assets:				
Current and other assets	$ 228,981,439	$ 208,723,950	$20,257,489	9.7%
Capital assets	194,021,124	199,246,842	(5,225,718)	-2.6%
Total assets	423,002,563	407,970,792	15,031,771	3.7%
Deferred outflows of resources:				
Related to pensions	139,040,544	85,763,924	53,276,620	6.2%
Total deferred outflows of resources	139,040,544	85,763,924	53,276,620	6.2%
Liabilities:				
Long-term liabilities	668,803,193	611,877,324	56,925,869	9.3%
Other liabilities	17,992,265	29,787,326	(11,795,061)	-4.0%
Total liabilities	686,795,458	641,664,650	45,130,808	7.0%
Deferred inflows of resources:				
Related to pensions	35,911,567	21,194,439	14,717,128	6.9%
Total deferred inflows of resources	35,911,567	21,194,439	14,717,128	6.9%
Net position:				
Net investment in capital assets	187,910,677	190,800,116	(2,889,439)	-1.5%
Restricted for capital projects	533,232	533,232	-	n/a
Restricted for other purposes	13,867	55,538	(41,671)	-0.8%
Unrestricted	(349,121,694)	(360,513,259)	11,391,565	3.2%
Total net position	$(160,663,918)	$(169,124,373)	$ 8,460,455	5.0%

- At June 30, 2016, the largest portion of OCFA's net position reflects its investment in capital assets, less related outstanding debt used to acquire those assets. OCFA uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although OCFA's investment in its capital assets is reported net of related debt, it should be noted that the repayment of any debt issued to acquire capital assets must be from other sources. OCFA cannot sell the assets to obtain funding.

- An additional portion of OCFA's net position represents resources that are subject to external restrictions on how they may be used. As of June 30, 2016, restricted net position relates to CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations, as well as donations received for specific programs and unperformed purchase orders for grant-funded programs.

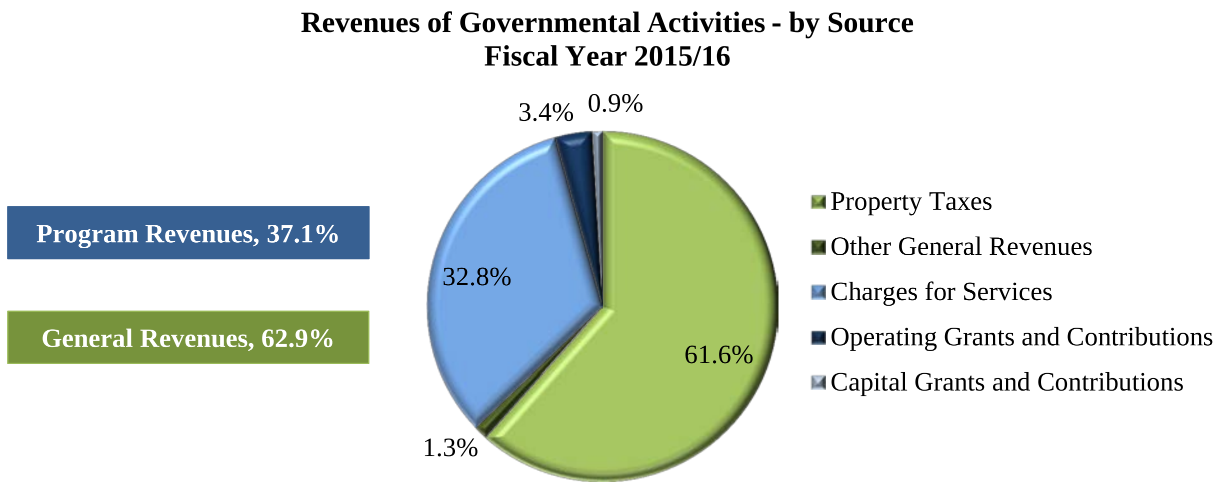
- The remaining balance of net position is considered unrestricted. A positive unrestricted balance would represent amounts that may be used to meet OCFA's ongoing obligations to citizens and creditors. A deficit unrestricted balance, as reported on June 30, 2016 and June 30, 2015, indicates that OCFA's obligations (liabilities and deferred inflows of resources) currently exceed its resources (assets and deferred outflows of resources). This deficit is due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 during Fiscal Year 2014/15, which required that OCFA begin reporting its net pension liabilities on the Statement of Net Position. Although the situation surrounding OCFA's pension plans did not change, the way in which they are accounted for and reported in the financial statements changed based on the new guidance provided in GASB Statement No. 68.

Changes in Net Position: Governmental activities increased OCFA's net position by $8,460,455 during the most recent fiscal year, an indication that OCFA's financial position has improved. As previously noted, the reason for the overall deficit in net position is due to a change in financial reporting requirements under GASB Statement No. 68, not the result of a change in OCFA's financial situation.

Governmental activities are divided into two categories – program and general. Program revenues are those derived directly from a government program itself, or from parties outside the government's taxpayers, and thus reduce the net cost of providing that program. Any program expenses that are not offset by program revenues must essentially be financed by general revenues, such as taxes and investment earnings. Following is a summary of OCFA's changes in net position for Fiscal Year 2015/16 and Fiscal Year 2014/15, followed by explanations for the increases or decreases in revenues and expenses between fiscal years.

ORANGE COUNTY FIRE AUTHORITY's Changes in Net Position

			Increase (Decrease)	
Governmental Activities	June 30, 2016	June 30, 2015	Amount	%
Program revenues:				
Charges for services	$ 117,263,679	$ 113,150,325	$ 4,113,354	3.6%
Operating grants and contributions	12,165,015	11,410,019	754,996	6.6%
Capital grants and contributions	3,331,088	9,182,195	(5,851,107)	-63.7%
Total program revenues	132,759,782	133,742,539	(982,757)	-0.7%
General revenues:				
Property taxes	219,840,417	205,141,237	14,699,180	7.2 %
Investment income	1,654,065	839,864	814,201	96.9%
Gain on sale of capital assets	6,000	63,953	(57,953)	-90.6%
Miscellaneous	2,823,503	1,235,004	1,588,499	128.6%
Total general revenues	224,323,985	207,280,058	17,043,927	8.2%
Total revenues	357,083,767	341,022,597	16,061,170	4.7%
Public safety expenses:				
Salaries and benefits	316,292,785	335,419,737	(19,126,952)	-5.7%
Services and supplies	35,127,573	46,073,201	(10,945,628)	-23.8%
Depreciation and amortization	9,267,982	9,050,195	217,787	2.4%
Interest on long-term debt	917,320	582,565	334,755	57.5%
Total expenses	361,605,660	391,125,698	(29,520,038)	-7.5%
Change in net position	(4,521,893)	(50,103,101)	45,581,208	
Net position, beginning of year	(169,124,373)	243,754,615	(412,878,988)	
Prior period adjustment	12,982,348	(362,775,887)	375,758,235	
Net position, end of year	$(160,663,918)	$(169,124,373)	$8,460,455	5.0%



Program revenues, which totaled $132,759,782 for Fiscal Year 2015/16 and accounted for 37.1% of total revenues, decreased by $982,757 (0.7%) from the prior fiscal year. Following is a description of each program revenue type, followed by an explanation of what contributed to the net increase or decrease from the prior fiscal year.

- Charges for services include amounts received from those who purchase, use, or directly benefit from or are affected by a program. These revenues increased by $4,113,354 (3.6%) over the prior fiscal year.

Amount	Reason for Increase / Decrease
+$2,870,000	Fire service contracts increased for cash contract city charges per terms of the Joint Powers Agreement (+$2.53 million); OCFA's contract with California Department of Forestry (CALFIRE) for the protection of State Responsibility Area (SRA) lands (+$210,000); and the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport, per terms of an amended contract that went into effect in December 2012 (+$130,000). The increase in cash contract city contract revenues includes accrual-based adjustments for revenues from the City of Santa Ana to reimburse OCFA for usage of employee general leave balances.
+$2,205,000	Reimbursements for state and federal incidents vary each year depending on fire and emergency response activity. State assistance by hire services performed for CALFIRE and the California Emergency Management Agency (CAL EMA) increased by $2.5 million. Reimbursements for state incidents were higher in the current fiscal year due to major Fiscal Year 2015/16 incidents such as the Butte Fire in September 2015. Federal assistance by hire services performed for Cleveland National Forest decreased by $315,000 primarily due to the Fiscal Year 2014/15 Silverado Fire in September 2014. Federal responses to national incidents increased by $20,000 due to responses in Fiscal Year 2015/16 for Hurricane Joaquin in October 2015 and Tropical Cyclone Amos in April 2016 .
-$435,000	Fee-based fire prevention revenues decreased primarily due to permit activity for residential site reviews; a reduction in the fire sprinkler system plan review fee effective September 2015; and a delay in the number of assembly inspections completed in the current fiscal year.
-$420,000	Revenues for ambulance transport and supplies reimbursement were lower in Fiscal Year 2015/16 due to a decline in transport activity.
-$105,000	Road maintenance, fuel reduction, and other contract revenues generated by the hand crew decreased due to a decline in the amount of work performed for Southern California Edison.
+$4,115,000	**Program Revenues: Charges for Services – Net Increase**

- Operating grants and contributions include grants, contributions, donations, and similar items that are restricted to one or more specific program. These revenues increased by $754,996 (6.6%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
+$390,000	Tax increment passed through from member cities decreased by $270,000, but one-time tax increment passed through from the County of Orange increased by $660,000. In Fiscal Year 2011/12, the State of California dissolved its sixty year-old redevelopment program, and city redevelopment agencies were replaced with successor agencies to manage the wind-down of the program. Property tax increment that was formerly passed through to OCFA by various member cities has now been deposited into the newly formed Redevelopment Property Tax Trust Fund, from which the County of Orange Auditor/Controller makes disbursements.
+$480,000	Federal and state operating grants and other reimbursable revenues increased primarily due to three one-time revenue sources that were new in Fiscal Year 2015/16: • $160,000 federal grants passed through the Orange County Sherriff's Department and the City of Santa Ana for development of wildland urban interface pre-fire plans; • $100,000 reimbursement from the California Fire and Rescue Training Authority Task Force for costs incurred during a task force deployment exercise conducted in May 2016; and • $40,000 state grant from CAL FIRE via the State Responsibility Fire Prevention Fund for the development of a county-wide wildfire protection plan. In addition, annual federal grants that increased in Fiscal Year 2015/16 included the Homeland Security Grant Program passed through the Orange County Sheriff's Department for regional training costs ($25,000), and the Urban Search and Rescue (USAR) Cooperative Agreement via the Federal Emergency Management Agency to fund operations of California Task Force 5 ($155,000).
-$115,000	Other miscellaneous operating revenues decreased, primarily due to a decline in the number of reimbursable instructional hours per a contract with Santa Ana College, as well as a decline in the number of projects submitted for reimbursement from the California Joint Apprenticeship Committee.
+$755,000	**Program Revenues: Operating Grants and Contributions – Net Increase**

- Capital grants and contributions include grants, contributions, donations, and similar items that are restricted to one or more specific capital-related programs. These revenues decreased by $5,851,107 (63.7%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
-$5,075,000	Revenues from developers decreased per the terms of various Secured Fire Protection Agreements. During Fiscal Year 2014/15, OCFA received over $4.5 million from various developers as reimbursement for construction of new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo, as well as a new type 1 engine to be placed into service at the station. Contributions varied between the prior and current fiscal years based on construction projects in the cities of Irvine, Aliso Viejo, Mission Viejo, Lake Forest, and Yorba Linda, resulting in a net $575,000 increase.
-$795,000	Revenues from federal capital grants decreased by $795,000. A Community Development Block Grant project for improvements at four fire stations in the City of Santa Ana was completed in April 2015, resulting in an $825,000 decrease to capital-related federal grant reimbursements. During Fiscal Year 2014/15, OCFA also received a $10,000 Homeland Security Grant passed through the Orange County Sheriff's Department for the purchase of gas monitors. During Fiscal Year 2015/16, OCFA received a $40,000 Assistance to Firefighters grant for the purchase of vehicle extrication gloves.
+$20,000	Capital assets contributed to OCFA increased primarily due to various equipment items purchased by other government agencies via the federal Urban Area Security Initiative (UASI) grant. During Fiscal Year 2015/16, the City of Anaheim and the City of Santa Ana acquired and contributed to OCFA two search cameras and three mobile radios valued at $45,000. During Fiscal Year 2014/15, the City of Santa acquired and contributed two chemical agent detection kits valued at $35,000. In addition, during Fiscal Year 2015/16 the Orange County Fire Authority Foundation acquired and contributed to OCFA the Pulsepoint software system that had been purchased for $10,000 with a grant from Hoag Hospital.
-$5,850,000	**Program Revenues: Capital Grants and Contributions – Net Decrease**

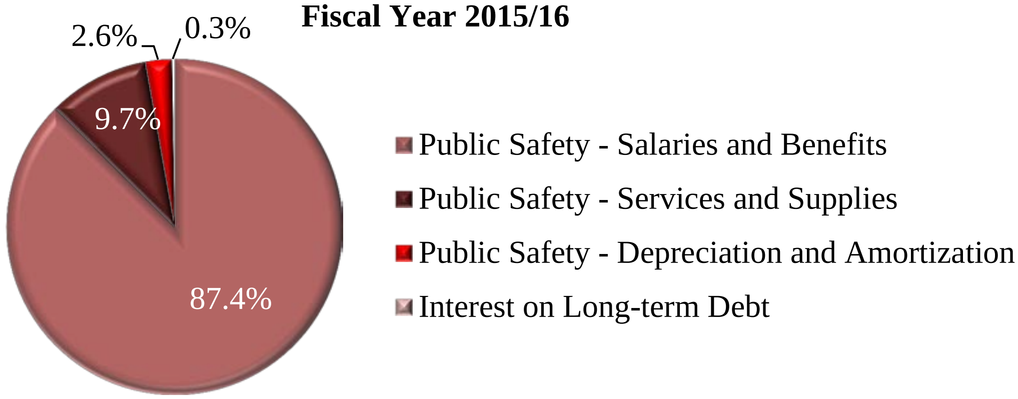
General revenues, which totaled $224,323,985 for Fiscal Year 2015/16 and accounted for 62.9% of total revenues, increased by $17,043,927 (8.2%) over the prior fiscal year. Following is a description of each general revenue type and an explanation of what contributed to the net increase or decrease from the prior fiscal year.

Amount	Reason for Increase / Decrease
+$14,700,000	The largest general revenue, property taxes, increased by $14,699,180 (7.2%) over the prior fiscal year, primarily due to increases in secured property taxes.
+$1,590,000	Miscellaneous revenues increased by $1,588,499 (128.6%), primarily relating to amounts received in Fiscal Year 2015/16 from the Orange County Professional firefighters Association IAFF Local 3631 in connection with the contract governing OCFA's contributions to the firefighter medical trust, which pays monthly health care premiums for employees in the firefighter unit. Other Fiscal Year 2015/16 increases pertained to SB90 claims reimbursed from the State of California and bankruptcy proceeds from the County of Orange. These revenue sources vary from year to year.
+$810,000	Investment income increased by $814,201 (96.9%). OCFA's year-to-date effective rate of return on its investment portfolio was 0.47% as of June 30, 2016, as compared to 0.27% as of June 30, 2015. This 74.0% increase in the annual rate of return attributed to approximately $390,000 of the increase in overall interest earnings. In addition, OCFA adjusts its investments to market value as of June 30 each year. This resulted in an overall investment gain in Fiscal Year 2015/16, and attributed to approximately $50,000 of the increase in total investment income as compared to the prior fiscal year's market value gain. The market value adjustment is a "paper only" transaction, and no actual investment gains or losses have been recognized since OCFA typically holds its investments to maturity. Finally, during Fiscal Year 2015/16 OCFA issued short-term debt in the form of Tax and Revenue Anticipation Notes (TRAN), which generated a premium that was approximately $330,000 higher than the prior fiscal year's TRAN premium. These components of investment income are summarized below:

	FY 2015/16	FY 2014/15	Increase (Decrease)
Portfolio earnings	$ 843,479	$450,815	$392,664
Market value gain (loss)	125,018	74,731	50,287
TRAN premium	612,431	275,880	336,551
Interest on property taxes	73,137	38,438	34,699
Total investment income	$1,654,065	$839,864	$814,201

Amount	Reason for Increase / Decrease
-$60,000	Gain on sale of capital assets decreased by $57,953 (90.6%), primarily due to a decline in the number of vehicles and equipment items sold at public auction. During Fiscal Year 2014/15, twelve vehicles and fifteen equipment items were sold, including a fully-depreciated dozer and loader that sold for a combined $53,000. During Fiscal Year 2015/16, only six vehicles were sold for a combined $10,000.
+$17,040,000	**General Revenues – Net Increase**

Expenses of Governmental Activities - by Type
Fiscal Year 2015/16



Total expenses decreased by $29,520,038 (7.5%) from the prior fiscal year. Following is an explanation of what contributed to the net increase or decrease of each expense type from the prior fiscal year.

- Salaries and benefits decreased by $19,126,952 (5.7%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
-$32,640,000	Retirement costs for contributions remitted to the Orange County Employees Retirement System (OCERS) decreased by $4,840,000. Reasons for the decrease in actual plan contributions are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis. In addition, under the requirements of GASB Statement No. 68, the amount of pension expense recognized during Fiscal Year 2015/16 in order to fully capture OCFA's share of the net pension liability and related pension expense in its governmental activities, was $27.8 million less than the prior fiscal year.
+$13,290,000	Reasons for increases and decreases to the following categories of salaries and benefits are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis: overtime costs (+6,340,000); regular pay (+2,840,000); employee health insurance and other benefits (+$2,680,000); other pay (+$1,720,000); and vacation and sick leave payouts (-$315,000). In addition, salaries and benefits reported in the governmental activities were reduced by $25,000 in Fiscal Year 2014/15 to reflect employee labor costs that were capitalized as part of the Computer Aided Dispatch (CAD) system that went into service in September 2014.
+$600,000	The net change in long-term liabilities for various employee leave balances increased by $600,000 as compared to the prior fiscal year, and is recognized as an expense in the governmental activities. The net increase is primarily related to a decline in the use of sick leave balances by employees.
-$375,000	Other post-employment benefit (OPEB) cost for the defined benefit Retiree Medical Plan decreased by $375,000. Annual OPEB cost is equal to an annual required contribution, as determined by an actuarial valuation, plus adjustments for cumulative interest and actual contributions to the plan. An updated actuarial study is completed every other year.
-$19,125,000	**Salaries and Benefits – Net Decrease**

- Services and supplies decreased by $10,945,628 (23.8%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
-$7,005,000	In September 2013, the Board of Directors approved issuance of equity payments from unrestricted revenue sources to qualifying Structural Fire Fund member agencies, based on a calculation of average Structural Fire Fund Tax rate. Equity payments totaling $7,005,000 were paid or accrued in the prior fiscal year in accordance with the 2nd Amendment to the Joint Powers Agreement. However, no equity payments were paid or accrued in Fiscal Year 2015/16 because the 2nd Amendment to the Joint Powers Agreement was nullified by the court.
-$5,330,000	OCFA's long-term liability for workers' compensation reflects the present value of estimated outstanding losses, as determined by an actuarial valuation and the "confidence level" set by the Board of Directors. The change in the actuarial liability estimate, plus actual cash claims paid, is recognized as an expense. Workers' compensation expense decreased as follows:

	FY 2015/16	FY 2014/15	Increase (Decrease)
Actual claims paid	$ 7,890,000	$ 6,450,000	$ 1,440,000
Change in actuarial estimate	(1,165,000)	5,605,000	(6,770,000)
Total fiscal year expense	$6,725,000	$12,055,000	$(5,330,000)

(Continued on next page)

Amount	Reason for Increase / Decrease
(Continued) +$955,000	Equipment and vehicle maintenance expense includes all costs necessary to support, maintain and repair OCFA's communications and information systems; its fleet of frontline and support vehicles and four helicopters; and various other equipment utilized throughout the organization. Expenses increased during Fiscal Year 2015/16 primarily due to support for the new Computer Aided Dispatch (CAD) system that went live in September 2014. OCFA was not required to begin paying annual support costs to the third party software provider until September 2015. Additional reasons for the increase to equipment and vehicle maintenance are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis.
+$705,000	Clothing and personal supply expense includes all costs necessary to outfit frontline and support personnel, and includes items such as uniforms, boots, helmets, gloves, turnouts, brush pants and coats, goggles, fire hoods, and specialty personal protective equipment. Expenses increased during Fiscal Year 2015/16 due to a high volume of uniform orders submitted by field personnel, as well as an increase in the number of new firefighter recruits as compared to the prior fiscal year. A more detailed explanation is included in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis.
-$500,000	OCFA's facilities include seventy-two fire stations, a new Urban Search and Rescue warehouse, and the Regional Fire Operations and Training Center (RFOTC). The total cost to keep these facilities repaired and in efficient operating condition decreased, primarily due to a significant grant-funded project to remodel four city-owned fire stations in the City of Santa Ana during Fiscal Year 2014/15. In the absence of that one-time project, building maintenance expenses actually increased by approximately $325,000. Maintenance costs varied by location, but overall OCFA's expenses increased due to repairs of flooring, doors and gates, roofing, and landscaping. In addition, during Fiscal Year 2015/16 there was an increase in non-capitalized costs needed to make new Fire Station No. 56 (Village of Sendero) ready for operations.
+$230,000	Reasons for increases and decreases to the following categories of services and supplies are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis: transportation (-$350,000); special department expenses (+235,000); employee travel, training, and meetings (+$205,000); medical, dental, and lab supplies (+$190,000); insurance (-$80,000); food (+$75,000); and utilities and communications (-$45,000).
-$10,945,000	**Services and supplies – Net Decrease**

- Depreciation and amortization expense, which had no impact on OCFA's cash balances, increased by $217,787 (2.4%), and pertained primarily to depreciation on buildings. Fiscal Year 2015/16 was the first full year of depreciation expense for two significant building additions – the Urban Search and Rescue warehouse acquired in April 2015 and Fire Station No. 56 (Village of Sendero) placed into service in July 2015.

- Interest on long-term debt increased by $334,755 (57.5%) from the prior fiscal year. Interest expense on the 2008 helicopter lease purchase agreement decreased by approximately $60,000 as principal was paid down per the debt-to-maturity schedule. This was offset by an increase totaling approximately $400,000 for interest on Tax and Revenue Anticipation Notes (TRAN) issued during Fiscal Year 2015/16.

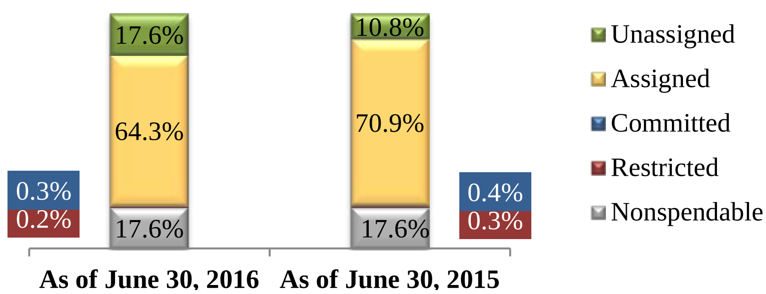
Financial Analysis of OCFA's Funds

Governmental Funds: As noted earlier, the OCFA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the OCFA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the OCFA's financing requirements. Fund balance is divided into the following five categories:

Category	Description
Nonspendable	Not in a spendable form, or legally or contractually required to remain intact
Restricted	Subject to externally enforceable legal restrictions
Committed	Use is constrained by specific limitations that the Board of Directors imposes upon itself
Assigned	Intended to be used by the government for specific purposes, as established by the governing body itself
Unassigned	Residual amounts in the General Fund available for any purpose (may serve as a useful measure of a government's net resources available for funding future operational needs)

At the end of Fiscal Year 2015/16, OCFA's governmental funds reported combined ending fund balances of $209,370,885, an increase of $32,481,099 in comparison with the prior fiscal year. Approximately 17.6% constitutes unassigned fund balance, which is available for spending for any purpose. The remaining 82.4% of fund balance is not available for spending on any new purpose, because it has already been restricted, committed, or assigned for specific purposes, or it is in a nonspendable form.

Fund Balances of Governmental Funds



Major Governmental Funds: If the assets, liabilities, revenues, or expenditures of a governmental fund exceed 10% of the total of all governmental funds, that fund is reported as a major governmental fund in the fund financial statements. Because OCFA has elected to classify all of its governmental funds as major, regardless of the calculation, four major funds are reported during the current fiscal year. Following is a description of the changes in each fund's revenues, expenditures, and transfers from the prior to the current fiscal year, and how those changes impacted net fund balance. Increases to revenues and transfers impact fund balance positively, while increases to expenditures and transfers out impact fund balance negatively.

The ***General Fund*** is the chief operating fund of the OCFA. At the end of Fiscal Year 2015/16, the General Fund's fund balance totaled $153,057,705. Unassigned fund balance totaling $36,756,804 (24.0%) is available for future spending. The remaining $116,300,901 (76.0%) is not available for spending on any new purpose, because it has already been restricted, committed or assigned for specific purposes, or is in a nonspendable form.

Total fund balance of the OCFA's General Fund increased by $19,802,100 during the current fiscal year. The prior fiscal year's fund balance increased by $4,768,968, a difference of $15,033,132.

Impact on Fund Balance	Description
+$14,700,000	Revenue from property taxes increased primarily due to secured property taxes.
+$2,410,000	The most significant increase in intergovernmental revenue was state assistance by hire revenues for increased emergency response activity, including the Butte Fire in September 2015. Other increases included SB90 claims reimbursed from the State of California; contract revenues for the protection of State Responsibility Area (SRA); miscellaneous state and federal revenues; and tax increment passed through from member cities and the County of Orange. These increases totaled $3.2 million, but were offset by $800,000 in decreases relating to Fiscal Year 2014/15 federal assistance by hire emergency response activity and federal grants, including a Community Development Block Grant to remodel various Santa Ana fire station kitchens and bathrooms.
+$1,790,000	The most significant increases in charges for services were for operating and facilities charges to cash contract cities per terms of the Joint Powers Agreement and the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport. These increases totaled nearly $2.8 million, but were offset by nearly $1 million in decreased revenues for ambulance transport and supplies reimbursements; permit and inspection fees; and contract work generated by the hand crew.
+$975,000	The increase in miscellaneous revenue was primarily due to amounts received from the Orange County Professional Firefighters Association IAFF Local 3631 in connection with OCFA's contract governing contributions to the firefighter medical trust, which pays monthly health care premiums for employees in the firefighter unit.
+$700,000	The most significant increases in use of money and property pertained to the premium for the Fiscal Year 2015/16 TRAN issuance (+$335,000). Other increases included investment portfolio earnings and the increase in market value investment gain allocated to the fund (+$330,000), as well as interest earnings related to property taxes (+$35,000).
+$20,575,000	***Subtotal – Impact of Revenues***
-$6,340,000	Overtime costs increased by over $6.3 million, which included non-discretionary backfill for open/vacant suppression positions; overtime and backfill for suppression personnel responding to emergency incidents; and backfill for suppression personnel on workers' compensation or those utilizing leave balances. The overall increase in overtime was attributed to a new Memorandum of Understanding (MOU) with the firefighter unit that went into effect in November 2014, which changed the way in which sick and vacation hours count toward hours work when calculating overtime. In addition, the number of emergency response hours increased by nearly 30,000 hours due to a higher volume of out-of-county incidents in Fiscal Year 2015/16.
+$4,840,000	Retirement costs had a net decrease due to one-time employer contributions made toward the net unfunded pension liability (-$5.9 million); pension contributions based on changes to employee compensation negotiated during Fiscal Year 2014/15, net of a decline in the annual savings achieved by pre-paying a portion of the subsequent fiscal year's contributions to OCERS (+$1.1 million); and additional payments made toward the unfunded pension liability during Fiscal Year 2014/15, which was achieved by carrying forward the higher safety member retirement rates from Fiscal Year 2012/13 (-$100,000). OCFA made one-time employer contributions toward the net unfunded pension liability totaling $21.3 million in Fiscal Year 2014/15, as compared to $15.4 million in Fiscal Year 2015/16.
-$2,840,000	An increase in regular pay was due primarily to labor contracts negotiated with the firefighter unit and the general and supervisory management unit during Fiscal Year 2014/15, which resulted in 2.0% and 2.75% base salary increases, respectively.
-$2,680,000	Employee health insurance and other benefits increased primarily due to firefighter health insurance premiums. Monthly rates per employee increased from $1,742 to $1,900 effective January 1, 2016.
-$1,720,000	Other pay – which includes pay to employees on workers' compensation, educational incentives, paramedic/EMT bonuses, bilingual pay, and other specialty pay – increased in the following areas: ***(Continued on next page)***

Impact on Fund Balance	Description
(Continued)	➢ Workers' compensation pay +$490,000 ➢ Paramedic specialty pay +$440,000 ➢ Special assignment pay for training officers +$225,000 ➢ Education incentives +$180,000 ➢ Bilingual pay +$115,000 ➢ Special assignment pay for hazmat specialists and technical rescue trucks +$100,000 ➢ Miscellaneous taxable pay +$90,000 ➢ Special assignment "on call" pay +$80,000 The number of employees on workers' compensation for all or a portion of the year increased from 179 in Fiscal Year 2014/15 to 206 in Fiscal Year 2015/16, attributing nearly $500,000 to the overall increase in other pay. Paramedic specialty pay, which is calculated at 15% of regular pay, was another significant contributor to the overall increase. This specialty pay increased by over $400,000 because of increases in employee compensation that were negotiated during Fiscal Year 2014/15, as well as various unit reconfigurations in 2015 and 2016 that increased the number of paramedic post positions.
+$315,000	Vacation and sick leave payouts decreased primarily due to the retirement of several long-term personnel during Fiscal Year 2014/15.
-$8,425,000	***Subtotal – Impact of Salaries and Benefits***
+$6,990,000	The decrease in miscellaneous expenditures relates primarily to equity payments due to the County of Orange and the cities of Irvine, Rancho Santa Margarita, Laguna Woods, and Lake Forest in Fiscal Year 2014/15 (+$7,005,000). These payments were made in the prior fiscal year in accordance with the 2nd Amendment to the Joint Powers Agreement, which was nullified by the appellate court during Fiscal Year 2015/16. No equity payments were paid or accrued in Fiscal Year 2015/16. In addition, the General Fund temporarily borrowed $10 million and $5 million during Fiscal Year 2015/16 and Fiscal Year 2014/15, respectively, resulting in an increase in interfund interest expenditures (-$15,000).
-$1,470,000	The most significant increase in professional services pertained to workers compensation claims paid, which increased by over $1.4 million in Fiscal Year 2015/16. Other increases related to the development of thirty-two wildland urban interface pre-fire plans, and the annual partnership costs paid for the 800 MHz Countywide-Coordinated Communications System (CCCS) replacement. These increases totaled approximately $1.7 million, but were partially offset by decreases for support and maintenance of the intranet/internet calendaring project that was completed in the prior fiscal year.
-$955,000	Equipment and vehicle maintenance was higher in Fiscal Year 2015/16 primarily due to support for the Computer Aided Dispatch (CAD) system. The new OCFA-wide CAD system went live in September 2014; however, annual support and maintenance costs were not required to be paid to the third party software provider for the first full year while in the initial warranty period. Other costs that were higher in Fiscal Year 2015/16 included outsourcing of various repairs for vehicles that were in accidents; replacement of vehicle tires; various equipment system repairs at the Regional Fire Operations and Training Center (RFOTC), including the HVAC system, fire sprinkler system, generator, and fuel pumps; and ongoing maintenance and upgrade support for the Banner financial system and database.
-$705,000	Clothing and personal supply costs increased primarily due to purchases of new uniforms and boots. In the prior fiscal year, many suppression personnel delayed replacing their uniforms in anticipation of a new uniform contract that was awarded in June 2015. Thus, a high volume of uniform orders were placed and filled in Fiscal Year 2015/16. In addition, new uniforms were purchased for firefighters in two academies held during Fiscal Year 2015/16, as opposed to only one academy held in the prior fiscal year. ***(Continued on next page)***

Impact on Fund Balance	Description
(Continued)	
+$515,000	Decreases in building maintenance were attributed primarily to certain significant Fiscal Year 2014/15 projects, including a grant-funded kitchen and bathroom remodel at four fire stations in the City of Santa Ana and a hardscape remodel project at Fire Station No. 8 (Skyline). These decreases totaled approximately $880,000, but were offset by increases in other maintenance costs at fire stations and the RFOTC for flooring; doors and gates; roofing; and landscaping.
+350,000	Transportation costs decreased due to an overall drop in fuel prices (+$350,000). Fiscal Year 2014/15 fuel prices averaged $2.84 and $2.93 per gallon for diesel and regular, respectively. Fiscal Year 2015/16 fuel prices were 15-28% lower with an average price of $2.04 and $2.48 per gallon for diesel and regular, respectively. The average price per gallon for jet fuel to replenish the helicopter fuel tank also decreased 15% from $3.09 per gallon in Fiscal Year 2014/15 to $2.64 per gallon in Fiscal Year 2015/16.
-$235,000	Increases in special department expenditures pertained primarily to the purchase of forty-three portable VHF radios, twelve mobile VHF radios, and related accessories during Fiscal Year 2015/16. Other significant costs in the current fiscal year included employee tuition reimbursements, supplies for the WEFIT health and wellness program, incident management team cache items, support of the drowning prevention task force, and various miscellaneous purchases made throughout the organization.
-$205,000	The cost of employee travel, training, and meetings increased primarily due to the new OCFA-wide “Crucial Conversations” program which began in Fiscal Year 2015/16. Other significant in-county costs included an S420 training class sponsored by the Urban Search and Rescue (USAR) task force, as well as on-site Banner financial system training for employees in Finance, Purchasing, Budget, and Human Resources. There was also an increase in the number of out-of-county trips completed by the Training & Safety Services section and those in the USAR program.
-$190,000	More medical, dental, and lab supplies were purchased in Fiscal Year 2015/16, including pharmaceuticals, catheters, defibrillator supplies, and needles. Purchases of these supplies vary each year as stock is replenished and expiring pharmaceuticals are replaced.
+$80,000	The cost of insurance premiums for excess workers’ compensation and general liability coverage decreased during Fiscal Year 2015/16.
-$75,000	Food costs were higher in Fiscal Year 2015/16 due to the purchase of box lunches for significant in-county fire incidents, including the Laguna Fire in June 2016; replenishment of MRE stock (“meals-ready-to-eat”); new drip-drop hydration mix placed on all fire apparatus; and various food costs needed to conduct two firefighter academies as opposed to only one academy in the prior fiscal year.
+$45,000	A net decrease in utilities and communications charges was primarily due to declining electricity rates, offset by an increase in the monthly communications charges to operate all fax machines, phones, alarms, 911 boxes, and data circuits throughout OCFA.
+$4,145,000	***Subtotal – Impact of Services and Supplies***
+$80,000	Capital outlay varies each fiscal year based on organizational needs for new and replacement equipment. Significant equipment purchases in Fiscal Year 2014/15 included two servers, a helicopter hoist, seven extrication tools, a portable restroom facility, and twelve portable 800 MHz radios. The most significant purchases in Fiscal Year 2015/16 included three servers, thirteen mobile radios, six mobile vehicle lift systems, a compressor, three network switches, and four routers. In addition, the purchase and installation of various Code 3 equipment onto type 1 engines and Battalion Chief vehicles increased during Fiscal Year 2015/16.
-$400,000	Interest and fiscal charges increased due to the issuance of Tax and Revenue Anticipation Notes (TRAN). The coupon rate on the Fiscal Year 2015/16 TRAN issuance was 2.00%, as compared to 0.75% for the Fiscal Year 2014/15 TRAN. ***(Continued on next page)***
-$4,600,000	***Subtotal – Impact of Expenditures***

Impact on Fund Balance	Description
(Continued) **-$920,000**	Net interfund transfers increased and decreased as follows: ➢ Transfers are made from the General Fund to the capital projects funds to fund current and future projects in the Capital Improvement Program. Transfers from the General Fund to the Communications and Information Systems Fund decreased during Fiscal Year 2015/16 (+$2,925,000). ➢ When the *Capital Projects Fund Policy* was implemented in Fiscal Year 2014/15, certain projects within the Capital Improvement Program were moved from the Communications and Information Systems Fund and the Facilities Maintenance and Improvement Fund (now closed) to the General Fund, resulting in one-time transfers in to the General Fund during Fiscal Year 2014/15 (-$1,135,000 and -$2,710,000, respectively).
-$110,000	There was a decrease in the proceeds from sale of capital and other assets, primarily due to the sale of a dozer, a loader, a fire command bus, and a type 1 engine during Fiscal Year 2014/15.
+$90,000	Insurance recoveries increased in Fiscal Year 2015/16 due to property damage incurred at Fire Station No. 22 (Laguna Hills/Laguna Woods) and Fire Station No. 75 (Santa Ana), as well as an increase in the number of accidents involving OCFA vehicles.
-$940,000	***Subtotal – Impact of Other Financing Sources and Uses***
+$15,035,000	**General Fund – Net Impact on Fund Balance**

The ***Communications and Information Systems Fund*** had total fund balance of $19,002,272 at the end of Fiscal Year 2015/16. Fund balance was assigned to the Capital Improvement Program ($18,977,557) and communications and information technologies projects ($24,715). Total fund balance increased by $346,417 during the current fiscal year. The prior fiscal year's fund balance increased by $604,103, a difference of $257,686.

Impact on Fund Balance	Description
+$50,000	Revenues for use of money and property increased due to portfolio earnings and the market value investment gain allocated to the fund.
+$60,000	Miscellaneous revenues pertaining to bankruptcy proceeds increased during Fiscal Year 2015/16.
+$1,420,000	Expenditures for services and supplies and capital outlay had a net decrease primarily due to four significant, multi-year capital improvement projects as follows: ➢ The development of a new Computer Aided Dispatch (CAD) system began in Fiscal Year 2011/12 and was placed in service September 2014. Fiscal Year 2014/15 project costs included the final project milestones necessary to place the new system into service, including the acquisition of hardware and related warranty costs; system design; coding; data development (-$810,000). ➢ The Fire Station Alerting System project was a component of the overall CAD public safety system project. The project began in Fiscal Year 2013/14 and was placed in service July 2015. Fiscal Year 2014/15 project costs were higher than the current fiscal year since a significant number of project milestones were completed and costs were incurred at the peak of the project's activity, including hardware and software installation at various fire stations; a radio interface controller; installation of turnout timers; and system integration (-$625,000). ***(Continued on next page)***

Impact on Fund Balance	Description
(Continued)	➢ The Regional Fire Operations and Training Center (RFOTC) Audio Visual Upgrade project consists of the upgrade and replacement of various audio visual equipment used in the RFOTC board room and classroom one (Phase 1) and classrooms two through five (Phase 2). The project includes the purchase and installation of mixing boards, microphones, projectors, computers, controllers, and cabling; the addition of video teleconferencing capabilities; and an automated voting system for the board room. Phase 1 began in Fiscal Year 2015/16 and is expected to be completed during Fiscal Year 2016/17. Costs incurred thus far have included hardware acquisition and system design (+100,000). ➢ The MDC and Mobile Data Network Upgrade project consisted of the purchase of approximately 350 modems and their subsequent installation onto fire apparatus over the course of three fiscal years. Fiscal Year 2014/15 project costs included professional installation costs incurred for the final completion of the project (-$85,000).
-$1,790,000	Net transfers in and out of the General Fund funds decreased as follows: ➢ Transfers in from the General Fund for current and future projects in the Capital Improvement Program decreased by $2,925,000 over the amount transferred in the prior fiscal year. ➢ When a new *Capital Projects Fund Policy* was implemented in Fiscal Year 2014/15, certain projects within the Capital Improvement Program were moved from the Communications and Information Systems Fund to the General Fund, resulting in a corresponding increase in transfers out and a negative impact to balance in Fiscal Year 2014/15 totaling $1,135,000.
-$260,000	**Communications and Information Systems Fund – Net Impact on Fund Balance**

The ***Fire Apparatus Fund*** had total fund balance of $21,452,261 at the end of Fiscal Year 2015/16. Fund balance was assigned to the Capital Improvement Program ($14,788,654) and purchase of fire apparatus and vehicles ($6,663,607). Total fund balance decreased by $3,988,171 during the current fiscal year. The prior fiscal year's fund balance decreased by $4,056,449, a difference of $68,278.

Impact on Fund Balance	Description
+$40,000	Charges for services were for vehicle charges to cash contract cities, which increased in accordance with the terms of the Joint Powers Agreement.
+$40,000	Revenues for use of money and property increased due to portfolio earnings and the market value investment gain allocated to the fund.
+$40,000	Miscellaneous revenues pertaining to bankruptcy proceeds increased during Fiscal Year 2015/16.
-$525,000	Developer contribution revenue decreased due to a Fiscal Year 2014/15 reimbursement from Rancho Mission Viejo Community Development for the type 1 engine to be placed into service at new Fire Station No. 56 (Village of Sendero).
+$475,000	Capital outlay expenditures to purchase and outfit vehicles vary each fiscal year based on organizational needs for new and replacement vehicles. Expenditures were higher in Fiscal Year 2014/15 due to the purchase of five type 1 engines, nineteen sport utility vehicles (Tahoes and Suburbans), four mail delivery box trucks, and a compact track loader. Significant purchases in Fiscal Year 2015/16 have included four type 1 engines, six sport utility vehicles (Executive Management), seventeen pickup trucks (Colorados), and one brush chipper.
+$70,000	**Fire Apparatus Fund – Net Impact on Fund Balance**

The ***Fire Stations and Facilities Fund*** had total fund balance of $15,858,647 at the end of Fiscal Year 2015/16. Amounts pertaining to CALFIRE revenues received for future fire station construction ($533,232) were classified as restricted. Remaining amounts were assigned to the Capital Improvement Program ($15,312,280) and construction projects ($13,135).

Total fund balance increased by $3,338,405 during the current fiscal year. The prior fiscal year's fund balance decreased by $2,889,645, a difference of $6,228,050.

Impact on Fund Balance	Description
+$30,000	Revenues for use of money and property increased due to portfolio earnings and the market value investment gain allocated to the fund (+$15,000). In addition, the General Fund temporarily borrowed $10 million and $5 million during Fiscal Year 2015/16 and Fiscal Year 2014/15, respectively, resulting in an increase in interfund interest earnings (+$15,000).
+$30,000	Miscellaneous revenues pertaining to bankruptcy proceeds increased during Fiscal Year 2015/16.
-$4,550,000	Developer contribution revenue generated by Secured Fire Protection Agreements with developers vary each fiscal year based on housing development projects being completed throughout the county. During Fiscal Year 2014/15, OCFA received over $4 million from various developers as reimbursement for construction of new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo. In addition, $3.1 million was received from Heritage Fields El Toro LLC related to development at the Great Park in the City of Irvine, as compared to nearly $1.1 million received for the same project in Fiscal Year 2015/16. Other Fiscal Year 2015/16 developer contributions included over $1.4 million for projects at Baker Ranch, Elements Site 1 Apartments, and Gateway Apartments in the City of Irvine.
+$10,720,000	Capital outlay expenditures increased primarily due to the purchase of a centralized Urban Search and Rescue (USAR) warehouse during Fiscal Year 2014/15 at a cost of over $6.2 million, as well as approximately $4.6 million toward the multi-year construction project to build new Fire Station No. 56 (Village of Sendero). During Fiscal Year 2015/16, approximately $100,000 was spent on various tenant improvement projects necessary to convert the warehouse into a fully-functioning USAR facility.
+$6,230,000	**Fire Stations and Facilities Fund – Net Impact on Fund Balance**

General Fund Budgetary Highlights

The following table summarizes the changes in General Fund appropriations, as well as the variance between the final budget and actual amounts for Fiscal Year 2015/16.

	Original Budget	Increase (Decrease)	Final Budget	Variance Positive (Negative)	Actual Amounts
Salaries and benefits	$277,424,610	$19,523,220	$296,947,830	$ 2,533,746	$294,414,084
Services and supplies	43,999,102	(4,353,564)	39,645,538	3,480,446	36,165,092
Capital outlay	4,276,504	378,236	4,654,740	4,031,834	622,906
Interest and fiscal charges	318,050	436,386	754,436	13,999	740,437
Transfers out	2,127,821	(2,049,634)	78,187	-	78,187
	$328,146,087	$13,934,644	$342,080,731	$10,060,025	$332,020,706

Adjustments to Appropriations: Budgeted General Fund appropriations increased by $13,934,644 from the time the original budget was adopted until the end of the fiscal year. Adjustments typically pertained to activities that occurred throughout the year but were either unknown or for which reliable estimates could not be determined at the time of the original budget adoption. Significant adjustments are listed below:

Reason for Adjustment to Original Budget	Increase (Decrease)
One-time contribution toward unfunded pension liability	$12,610,000
Jurisdictional equity adjustment payments	(7,880,000)
Overtime and backfill for response to out-of-county incidents	5,550,000
Grant activities	2,545,000
Transfers to Capital Improvement Program (CIP)	(2,050,000)
Operations Department salary savings	(1,000,000)
Staffing changes, reconfigurations, and service enhancements	750,000
Information Technology Division maintenance and support	615,000
Facilities maintenance	540,000
Interest on Tax and Revenue Anticipation Notes (TRAN) and interfund borrowing	435,000
Donations received	410,000
Various professional services	395,000
New hazmat specialist and tech rescue truck bonus pays	330,000
Outfitting four type one engines and four 100’ tractor drawn aerials	300,000
Structural fire entitlement projects	85,000
Service Center equipment	80,000
Information Technology Division CIP projects	70,000
El Niño sand and other supplies	60,000
Urban Search and Rescue warehouse operating costs	40,000
Various other appropriations	50,000
Total adjustments	**$13,935,000**

Variance Between Final Budget and Actual Amounts: Final budgeted General Fund expenditures exceeded actual amounts, resulting in a positive budget variance totaling $10,060,025.

- The $2.5 million positive variance in salaries and benefits is attributed primarily to staff vacancies throughout the organization as follows:

Department	Amount
Operations	$ 970,000
Support Services	435,000
Business Services	390,000
Community Risk Reduction	390,000
Organizational Planning	235,000
Executive Management	115,000
Total variance	**$2,535,000**

- The $3.5 million net positive variance in services and supplies is primarily attributed to the following:

  - Approximately $3.7 million in various operating costs, projects, and other purchases of services and supplies were budgeted but not completed during Fiscal Year 2015/16. These uncompleted projects are typically delayed due to project complexity or time requirements and will be re-budgeted, if needed, to

Fiscal Year 2016/17. The majority of savings from Fiscal Year 2015/16 were created by uncompleted Information Technology Division (IT) operating costs and projects from the Capital Improvement Program (CIP), including projects that involved the installation of communications equipment on fire apparatus and other professional programming services.

- The amount budgeted for workers' compensation is based on an actuarially-determined estimate. Actual expenditures for workers' compensation cases typically occur over multiple years, which often attributes to a difference between budgeted costs and actual expenditures during any given fiscal year. During Fiscal Year 2015/16, actual claims paid from the General Fund were $200,000 more than the actuarial estimate, creating a negative budget variance.

- The $4.0 million positive variance in capital outlay is primarily attributed to the following:

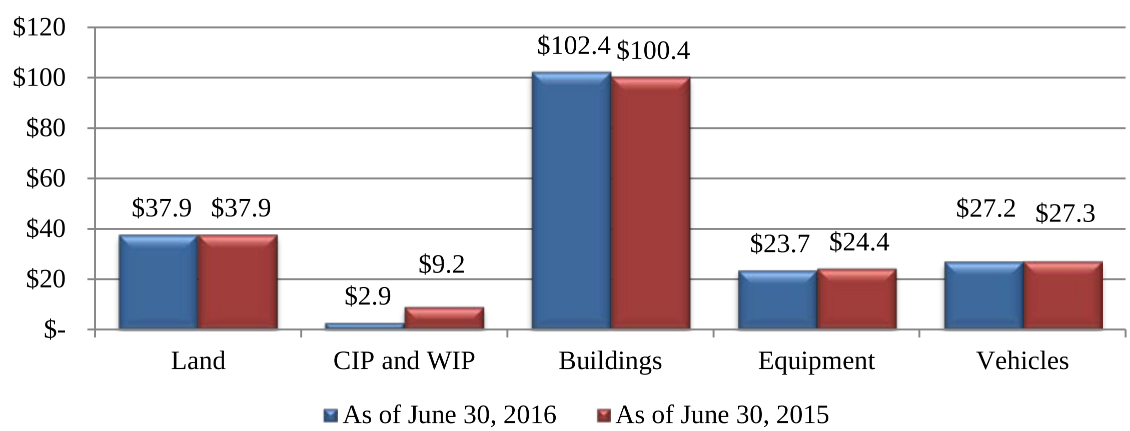
  - A project to replace approximately 120 frontline cardiac monitors and 150 defibrillators was budgeted during Fiscal Year 2015/16 for $3.8 million. OCFA was in the bid process at the close of the fiscal year and, once completed, a contract is expected to be awarded and the purchase completed during Fiscal Year 2016/17. It is anticipated that these expenditure savings will be re-budgeted, as needed, to Fiscal Year 2016/17.

  - Approximately $200,000 in Urban Search and Rescue (USAR) equipment items were budgeted but not purchased during Fiscal Year 2015/16, including defibrillators and monitors, a box truck modification, and a database management program. These grant-funded projects will either be modified via the grant approval process or re-budgeted, as needed, to Fiscal Year 2016/17.

Capital Assets and Debt Administration

Capital Assets: OCFA's investment in capital assets for its government activities at the end of Fiscal Year 2015/16 totaled $187,910,677 (net of accumulated depreciation and amortization and related outstanding debt). This investment in capital assets includes land, buildings, equipment, vehicles, work in progress and construction in progress. Net capital assets decreased from the prior fiscal year by $2,889,439 (1.5%). Following is a summary of net capital assets by type for the current and prior fiscal years.

Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2016 and 2015
(In Millions)



Major capital asset additions during Fiscal Year 2015/16 included the following:

- Construction in progress (CIP) and work in progress (WIP) accounted for forty-eight projects during Fiscal Year 2015/16, twenty of which were placed into service and twenty-eight of which were still in progress at year-end.

    - Construction projects completed over the span of multiple fiscal years are classified as CIP at year-end if they are not yet completed and placed into service. Additions totaling $100,000 included various tenant improvements at the Urban Search and Rescue warehouse in Foothill Ranch; permits for a dormitory remodel project at Fire Station No. 41 (Fullerton Airport); and permits for a generator upgrade project at the Regional Fire Operations and Training Center (RFOTC). Those three projects were still in progress at fiscal year-end, with work expected to be completed during Fiscal Year 2016/17.

    - Fire engines, trucks, and other vehicles, are classified as WIP at year-end if they are in the process of being outfitted for operation and will be completed over the span of multiple fiscal years. WIP also includes multi-year communications and information systems projects. WIP additions totaled over $2.7 million during Fiscal Year 2015/16, including costs pertaining to eight type one engines ($2.2 million); fifteen Chevrolet Colorado pickup trucks ($300,000); six front-line Chevrolet Suburban sport utility vehicles ($100,000); thirteen front-line Chevrolet Tahoe sport utility vehicles ($100,000); the Fire Station Alerting System ($40,000); and a winch installed on Heavy Rescue 6 ($10,000). Four type one engines, thirteen Chevrolet Tahoes, the Fire Station Alerting System, and the heavy rescue winch were all placed into service during the fiscal year, while the remaining projects were still in process as of June 30, 2016.

- Fiscal Year 2015/16 building additions consisted of $5.1 million for new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo, which was transferred from CIP and placed into service in July 2015.

- Equipment additions during Fiscal Year 2015/16 totaling $1.9 million consisted of $600,000 in new purchases, plus $1.3 million of completed, multi-year projects transferred in from WIP. The most individually significant additions included the Fire Station Alerting System (cumulative $1.3 million); three servers ($200,000); sixteen mobile radios ($85,000); and six mobile vehicle lift systems ($60,000).

- Vehicle additions during Fiscal Year 2015/16 totaling $3.3 million consisted of $600,000 in new purchases, plus $2.7 million of completed vehicles transferred in from WIP. The most individually significant additions included four type one engines ($2.1 million); thirteen front-line sport utility vehicles ($600,000); six sport utility vehicles utilized by Executive Management ($300,000); ten pickup trucks assigned to Community Risk Reduction and Fleet Services ($250,000); and one brush chipper ($70,000).

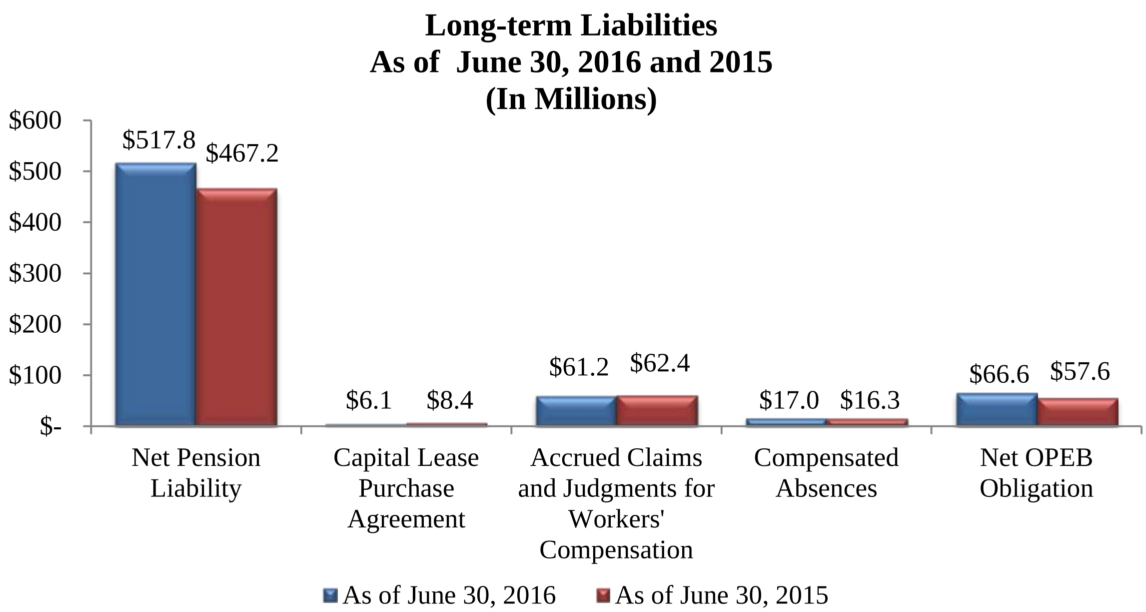
Major capital asset deletions during Fiscal Year 2015/16 included the following:

- Thirteen capital equipment items were sold, scrapped, or written off during Fiscal Year 2015/16, including seven thermal imaging cameras ($70,000); one compressor ($30,000); two mobile radios ($15,000); one laptop ($5,000); one portable radio ($5,000); and one software license ($5,000). The net book value of all equipment disposals was approximately $10,000, as most items had reached the end of their useful service lives and were either fully or mostly depreciated. Most equipment was written off as obsolete during the annual physical inventory process. Other items were traded in to a vendor upon purchase of a replacement item, converted into training props, or accidentally damaged beyond repair.

- Seven vehicles were removed from OCFA's fleet during Fiscal Year 2015/16 as part of OCFA's ongoing vehicle replacement plan. The net book value of all vehicle disposals was $0, as all items had reached the end of their useful service lives and were fully depreciated. Four sport utility vehicles ($150,000) and two sedans ($50,000) were sold at public auction. One sport utility vehicle ($20,000) was written off as a total loss due to a vehicle accident that occurred during the fiscal year.

Additional information pertaining to the OCFA's capital assets can be found in Note 15 of the accompanying Notes to the Financial Statements.

Long-term Debt: Total long-term liabilities increased by net $56,925,869 (9.3%) during Fiscal Year 2015/16.



The most significant increases and decreases to long-term liabilities pertained to the net pension liability for the Orange County Employees Retirement System (OCERS) pension plan, which is being reported in the financial statements as a long-term liability for the first time in conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68. During Fiscal Year 2015/16, OCFA's share of the plan's net pension liability, as determined by an actuarial valuation for the plan as a whole, increased by $133.4 million. This addition was offset by $82.7 million in actual employer and employee contributions remitted by OCFA to the plan. The increases and decreases reported for the long-term pension liability are reported using an "accounting-based approach" in order to fully capture OCFA's net liability and related pension expense incurred during each fiscal year. This differs from the "funding-based approach" used to calculate annual retirement rates and the amount of required employer and employee contributions due from OCFA to OCERS.

Additional information on the OCFA's long-term liabilities can be found in Note 16 of the accompanying Notes to the Financial Statements.

Next Year's Budget

The Fiscal Year 2016/17 General Operating Fund adopted expenditure budget is approximately $323.2 million, which is a net increase of $5.8 million (1.8%) from the final Fiscal Year 2015/16 General Operating Fund budget totaling $317.4 million. (These amounts exclude one-time and grant-related items, as well as unspent, encumbered appropriations from the prior fiscal year that are effectually re-appropriated in the ensuing year's budget). Highlights of the Fiscal Year 2016/17 General Operating Fund Budget are as follow:

- Budgeted salaries and benefits increased by $3.7 million. The budget reflects annual costs in accordance with approved Memorandums of Understanding with each labor group. The retirement budget for Fiscal Year 2016/17 is based on rates provided by the Orange County Employees Retirement System (OCERS). For Fiscal Year 2016/17, those rates are approximately 1.1% higher for safety personnel and 3.8% lower for non-safety personnel.

- Budgeted services and supplies, capital outlay, and debt service increased by $1.3 million. Overall, budgets were held flat as compared to Fiscal Year 2015/16, unless specific increases were identified by OCFA management or one-time grant proceeds were received. In general, the base Fiscal Year 2016/17 budget excluded one-time, grant-related, and assistance by hire expenditures at the time of adoption, as these projects will be budgeted as-needed throughout the upcoming fiscal year.

- The total number of authorized positions in the Fiscal Year 2016/17 budget is 1,363, which is the same as the final, authorized position list as of June 30, 2016. However, the budget reflects funding for only 1,284 of those authorized positions, since frozen vacancies, grant-funded, and limited term positions are not included at the time the original budget is adopted. Changes in authorized positions by unit are summarized as follows:

Unit	FY 2016/17 Budget	FY 2015/16 Final	Increase (Decrease)
Firefighter Unit	1,023	1,023	-
Fire Management Unit	45	45	-
General Unit	213	213	-
Supervisory Management Unit	27	27	-
Supported Employment Unit	4	4	-
Administrative Management	43	43	-
Executive Management	8	8	-
Total authorized positions	**1,363**	**1,363**	**-**

Requests for Information

This financial report is designed to provide a general overview of OCFA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager/Auditor, Orange County Fire Authority, 1 Fire Authority Road, Irvine, California 92602.

Orange County Fire Authority Safety Message

ABC's of Water Safety
(Part 1 of 4)

Children and adults drown without a sound. Drowning is the leading cause of accidental death for children under the age of five and can happen in less than two inches of water. Prevent drowning. Never swim alone.

A – Active Adult Supervision

- ✓ Keep infants and toddlers within an arm's reach when near water.
- ✓ Never swim alone, even adults.
- ✓ Never rely on water wings, rafts, or other swimming aids in place of U.S. Coast Guard-approved personal flotation devices (life jackets).
- ✓ If a child or adult is missing, every second counts. Check the water FIRST!

(Continued on Page 27)

Government-wide Financial Statements

Open House - October 2015

Orange County Fire Authority Safety Message

ABC's of Water Safety
(Part 2 of 4)

(Continued from Page 26)

Children and adults drown without a sound. Drowning is the leading cause of accidental death for children under the age of five and can happen in less than two inches of water. Prevent drowning. Never swim alone.

B - Barriers

- ✓ Install and maintain proper fencing around the pool and spa to isolate swimming areas from the home and play areas.
- ✓ Use multiple layers of protection, such as fences, gate/door alarms, and safety covers, to keep children away from pools and spas.
- ✓ Use self-closing, self-latching gates that open outward, away from the pool.
- ✓ Remove items such as chairs or tables that a child could use to climb over a fence.

(Continued on Page 32)

ORANGE COUNTY FIRE AUTHORITY
Statement of Net Position
June 30, 2016
(With Comparative Data for Prior Year)

	Primary Government	
	Governmental Activities	
	2016	**2015**
Assets:		
Cash and investments (Note 4)	$ 177,729,367	$ 164,787,506
Receivables:		
Accounts, net (Note 5)	2,566,770	3,976,952
Accrued interest	224,075	96,621
Prepaid costs and other assets	36,789,256	31,160,094
Due from other governments, net (Note 6)	11,671,971	8,702,777
Capital assets (Note 15):		
Land	37,887,850	37,887,850
Construction in progress	102,341	5,092,288
Work in progress	2,795,704	4,121,289
Capital assets, net of accumulated depreciation/amortization	153,235,229	152,145,415
Total assets	**423,002,563**	**407,970,792**
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions (Note 16b)	139,040,544	85,763,924
Total deferred outflows of resources	**139,040,544**	**85,763,924**
Liabilities:		
Accounts payable	3,008,616	3,602,338
Accrued liabilities	14,824,059	12,828,886
Accrued interest	3,427	4,737
Unearned revenue (Note 8)	33,116	3,278,818
Due to other governments (Note 7)	123,047	10,072,547
Long-term liabilities (Note 16a):		
Other due within one year	13,377,381	12,512,349
Other due in more than one year	70,948,919	74,603,168
Proportionate share net pension liability	517,833,497	467,208,681
Net OPEB obligation	66,643,396	57,553,126
Total liabilities	**686,795,458**	**641,664,650**
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions (Note 16b)	35,911,567	21,194,439
Total deferred outflows of resources	**35,911,567**	**21,194,439**
Net position:		
Net investment in capital assets (Note 15b)	187,910,677	190,800,116
Restricted for (Note 10):		
Capital projects	533,232	533,232
Other purposes	13,867	55,538
Unrestricted	(349,121,694)	(360,513,259)
Total net position	**$ (160,663,918)**	**$ (169,124,373)**

See Notes to the Financial Statements

Component Unit	
OCFA Foundation	
2016	**2015**
$ 108,718	$ 108,720
90	-
-	-
7,015	723
-	-
-	-
-	-
-	-
-	-
115,823	**109,443**
-	-
-	-
142	4,529
-	-
-	-
6,000	-
-	-
-	-
-	-
-	-
-	-
6,142	**4,529**
-	-
-	-
-	-
-	-
47,448	52,583
62,233	52,331
$ 109,681	**$ 104,914**

ORANGE COUNTY FIRE AUTHORITY
Statement of Activities
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	Primary Government	
	Governmental Activities	
	2016	**2015**
Expenses:		
Public safety:		
Salaries and benefits	$ 316,292,785	$ 335,419,737
Services and supplies	35,127,573	46,073,201
Depreciation and amortization (Note 15d)	9,267,982	9,050,195
Interest on long-term debt	917,320	582,565
Total program expenses	**361,605,660**	**391,125,698**
Program revenues:		
Public safety:		
Charges for services	117,263,679	113,150,325
Operating grants and contributions	12,165,015	11,410,019
Capital grants and contributions	3,331,088	9,182,195
Total program revenues	**132,759,782**	**133,742,539**
Net program (expenses) revenues	(228,845,878)	(257,383,159)
General revenues:		
Property taxes	219,840,417	205,141,237
Investment income	1,654,065	839,864
Gain on sale of capital assets	6,000	63,953
Miscellaneous	2,823,503	1,235,004
Total general revenues	**224,323,985**	**207,280,058**
Change in net position	(4,521,893)	(50,103,101)
Net position at beginning of year, as restated (Note 3)	(156,142,025)	(119,021,272)
Net position at end of year	**$ (160,663,918)**	**$ (169,124,373)**

See Notes to the Financial Statements

Component Unit	
OCFA Foundation	
2016	**2015**
$ -	$ -
65,230	61,633
-	-
-	-
65,230	**61,633**
-	-
69,997	62,038
-	-
69,997	**62,038**
4,767	405
-	-
-	-
-	-
-	-
-	**-**
4,767	405
104,914	104,509
$ 109,681	**$ 104,914**

Orange County Fire Authority Safety Message

ABC's of Water Safety
(Part 3 of 4)

(Continued from Page 27)

Children and adults drown without a sound. Drowning is the leading cause of accidental death for children under the age of five and can happen in less than two inches of water. Prevent drowning. Never swim alone.

C - Classes

- ✓ Learn to swim. Do not rely on swimming aids such as water wings, rafts, or noodles.
- ✓ Learn first aid and CPR. Always keep a phone nearby to call 9-1-1.
- ✓ Teach children that running, jumping, and pushing others on pool decks is dangerous and can cause injuries.

(Continued on Page 33)

Fund Financial Statments




Firefighter Academy 41 Graduation - December 2015

Orange County Fire Authority Safety Message

ABC's of Water Safety
(Part 4 of 4)

(Continued from Page 32)

Children and adults drown without a sound. Drowning is the leading cause of accidental death for children under the age of five and can happen in less than two inches of water. Prevent drowning. Never swim alone.

D – Drain Safety

- ✓ Keep children away from pool/spa drains to avoid entrapment and entanglements.
- ✓ Keep long hair tied back and remove dangling items like jewelry and bathing suit ties.
- ✓ Install compliant safety drain covers and automatic shut-off pump systems (Safety Vacuum Release Systems).
- ✓ Identify and mark the location of the electrical cut-off switch for the pool or spa pump.
- ✓ Know where the pool/spa pump switch is and how to turn it off.

ORANGE COUNTY FIRE AUTHORITY
Governmental Funds
Balance Sheet
June 30, 2016
(With Comparative Data for Prior Year)

		Capital
	General Fund	**Communications and Information Systems**
Assets:		
Cash and investments (Note 4)	$ 121,350,414	$ 19,105,606
Receivables:		
Accounts, net (Note 5)	2,442,570	-
Accrued interest	125,706	21,253
Prepaid costs and other assets	36,789,256	-
Due from other governments, net (Note 6)	10,050,255	-
Total assets	**$ 170,758,201**	**$ 19,126,859**
Liabilities:		
Accounts payable	$ 2,720,274	$ 124,587
Accrued liabilities	14,824,059	-
Unearned revenue (Note 8)	33,116	-
Due to other governments (Note 7)	123,047	-
Total liabilities	**17,700,496**	**124,587**
Deferred Inflows of Resources:		
Unavailable revenue	-	-
Total deferred inflows of resources	-	-
Fund balances:		
Nonspendable - prepaid costs (Note 9)	36,779,845	-
Restricted for (Note 10):		
Capital improvement program	-	-
Operations Department	13,867	-
Committed to - SFF cities enhancements (Note 11)	584,464	-
Assigned to (Note 12):		
Capital improvement program	4,668,314	18,977,557
Workers' compensation	73,720,054	-
Executive Management	36,690	-
Operations Department	51,484	-
Community Risk Reduction Department	15,845	-
Business Services Department	162,699	-
Support Services Department	119,743	-
Organizational Planning Department	21,000	-
Facilities projects	69,987	-
Communications and IT projects	56,909	24,715
Fire apparatus and other vehicles	-	-
Construction projects	-	-
Unassigned (Note 13)	36,756,804	-
Total fund balances	**153,057,705**	**19,002,272**
Total liabilities, deferred inflows of resources, and fund balances	**$ 170,758,201**	**$ 19,126,859**

See Notes to the Financial Statements

Projects Funds		Total Governmental Funds	
Fire Apparatus	**Fire Stations and Facilities**	**2016**	**2015**
$ 21,518,136	$ 15,755,211	$ 177,729,367	$ 164,787,506
-	124,200	2,566,770	3,976,952
14,835	62,281	224,075	96,621
-	-	36,789,256	31,160,094
-	-	10,050,255	6,967,289
$ 21,532,971	**$ 15,941,692**	**$ 227,359,723**	**$ 206,988,462**
$ 80,710	$ 83,045	$ 3,008,616	$ 3,602,338
-	-	14,824,059	12,828,886
-	-	33,116	3,278,818
-	-	123,047	10,072,547
80,710	**83,045**	**17,988,838**	**29,782,589**
-	-	-	316,087
-	**-**	**-**	**316,087**
-	-	36,779,845	31,160,094
-	533,232	533,232	533,232
-	-	13,867	55,538
-	-	584,464	691,265
14,788,654	15,312,280	53,746,805	48,158,215
-	-	73,720,054	68,494,796
-	-	36,690	98,415
-	-	51,484	46,859
-	-	15,845	354
-	-	162,699	66,963
-	-	119,743	207,784
-	-	21,000	33,890
-	-	69,987	52,061
-	-	81,624	143,061
6,663,607	-	6,663,607	8,030,783
-	13,135	13,135	-
-	-	36,756,804	19,116,476
21,452,261	**15,858,647**	**209,370,885**	**176,889,786**
$ 21,532,971	**$ 15,941,692**	**$ 227,359,723**	**$ 206,988,462**

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016
(With Comparative Data for Prior Year)

	2016	2015
Fund balances of governmental funds	**$ 209,370,885**	**$ 176,889,786**
Capital Assets		
When capital assets that are to be used in governmental activities are purchased or constructed, their costs are recorded as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the OCFA as a whole, net of accumulated depreciation/amortization.		
Capital assets	318,064,366	314,353,552
Accumulated depreciation/amortization	(124,043,242)	(115,106,710)
Long-term Liabilities and Receivables		
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. A portion of OCFA's long-term liability for compensated absences is reimbursable by the City of Santa Ana, and therefore offset by a long-term receivable. Long-term receivables are not available to fund the activities of the current period, and are likewise not reported as governmental fund assets. All assets and liabilities, both current and long-term, are reported in the Statement of Net Position.		
OCERS pension plan:		
Net pension liability	(517,669,806)	(466,968,323)
Deferred outflows of resources	139,005,504	85,761,443
Deferred inflows of resources	(35,819,433)	(21,185,872)
Extra Help pension plan:		
Net pension liability	(163,691)	(240,358)
Deferred outflows of resources	35,040	2,481
Deferred inflows of resources	(92,134)	(8,567)

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
(Continued)

	2016	2015
Long-term Liabilities and Receivables, (Continued)		
Capital lease purchase agreements	(6,110,447)	(8,446,726)
Accrued claims and judgments	(61,196,645)	(62,372,690)
Compensated absences	(17,019,208)	(16,296,101)
Long-term receivable for compensated absences	1,621,716	1,735,488
Net OPEB obligation	(66,643,396)	(57,553,126)
Accrued Interest		
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds. Accrued interest was calculated and reported in the Statement of Net Position.	(3,427)	(4,737)
Unavailable Revenues		
Unavailable revenues are reported in the governmental funds if not collected or expected to be collected within the OCFA's availability period. However, amounts relating to unavailable revenues are not reported in the Statement of Net Position since revenue recognition is not based upon measurable and available criteria.		
Due from other governments - Santa Ana start-up costs	-	316,087
Net position of governmental activities	**$ (160,663,918)**	**$ (169,124,373)**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2016
(With Comparative Data for Prior Year)

		Capital
	General Fund	**Communications and Information Systems**
Revenues:		
Taxes	$ 219,840,417	$ -
Intergovernmental	25,978,081	-
Charges for services	102,408,896	-
Use of money and property	1,353,083	111,865
Miscellaneous	2,096,571	312,605
Developer contributions	-	-
Total revenues	**351,677,048**	**424,470**
Expenditures:		
Current - public safety:		
Salaries and benefits	294,414,084	-
Services and supplies	36,165,092	84,845
Capital outlay	622,906	71,395
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	740,437	-
Total expenditures	**331,942,519**	**156,240**
Excess (deficiency) of revenues over (under) expenditures	19,734,529	268,230
Other financing sources (uses):		
Transfers in (Note 14)	-	78,187
Transfers out (Note 14)	(78,187)	-
Sale of capital and other assets	24,470	-
Insurance recoveries	121,288	-
Total other financing sources (uses)	**67,571**	**78,187**
Net change in fund balances	19,802,100	346,417
Fund balances, beginning of year, as restated (Note 3)	133,255,605	18,655,855
Fund balances, end of year	**$ 153,057,705**	**$ 19,002,272**

See Notes to the Financial Statements

Projects Funds		Total Governmental Funds	
Fire Apparatus	**Fire Stations and Facilities**	**2016**	**2015**
$ -	$ -	$ 219,840,417	$ 205,141,237
-	-	25,978,081	23,565,214
1,421,540	-	103,830,436	102,000,677
131,954	74,414	1,671,316	841,522
191,832	185,165	2,786,173	1,679,976
-	3,233,082	3,233,082	8,307,207
1,745,326	**3,492,661**	**357,339,505**	**341,535,833**
-	-	294,414,084	285,988,997
248	53,433	36,303,618	40,490,370
3,201,526	100,823	3,996,650	16,644,798
2,336,279	-	2,336,279	2,276,963
195,444	-	935,881	585,501
5,733,497	**154,256**	**337,986,512**	**345,986,629**
(3,988,171)	3,338,405	19,352,993	(4,450,796)
-	-	78,187	6,845,320
-	-	(78,187)	(6,845,320)
-	-	24,470	134,123
-	-	121,288	32,948
-	**-**	**145,758**	**167,071**
(3,988,171)	3,338,405	19,498,751	(4,283,725)
25,440,432	12,520,242	189,872,134	181,173,511
$ 21,452,261	**$ 15,858,647**	**$ 209,370,885**	**$ 176,889,786**

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	2016	2015
Net change in fund balances - total governmental funds	**$ 19,498,751**	**$ (4,283,725)**
Capital Assets		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.		
Capital outlay	3,996,650	16,644,798
Capitalized labor, included in salaries and benefits	-	23,975
Depreciation/amortization expense	(9,267,982)	(9,050,195)
Capital assets received through grant or donation are recognized as revenue in the Statement of Activities at their estimated fair value at time of receipt.		
From OCFA Foundation	10,000	-
From other grantors and donors	44,984	37,736
Governmental funds report the proceeds from sale of capital and other assets as other financing sources. In the Statement of Activities, those proceeds are offset by the net book value of the asset, resulting in a gain or loss on the sale.		
Capital asset disposals	(340,820)	(3,856,195)
Accumulated depreciation/amortization on disposals	331,450	3,805,380
Long-term Liabilities and Receivables		
Repayment of long-term debt principal on the capital lease purchase agreements is reported as an expenditure in governmental funds. Principal payments reduce the long-term liability in the Statement of Net Position and do not result in an expense in the Statement of Activities.	2,336,279	2,276,963
Other long-term liabilities are reported in the Statement of Net Position. The net annual change in the liability is recognized as an expense in the Statement of Activities. Long-term liabilities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.		
OCERS pension plan	(12,090,983)	(39,860,404)
Extra Help pension plan	25,659	(2,905)
Accrued claims and judgments - workers' compensation	1,176,045	(5,582,831)

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
(Continued)

	2016	2015
Compensated absences - Santa Ana general leave	113,772	(18,482)
Compensated absences - other leave balances	(836,879)	(105,115)
A long-term receivable has been established in the Statement of Net Position for the portion of compensated absences reimbursable by the City of Santa Ana. The receivable balance is reduced over time as leave balances are used by employees and subsequently reimbursed by the city. Those reimbursements are reported as revenue in the governmental funds.	(113,772)	18,482
Contributions to the defined benefit retiree medical plan are made on a pay-as-you-go basis in the governmental fund financial statements. If actual contributions are less than the actuarially-determined required amount, the difference is reported as an expense in the Statement of Activities.	(9,090,270)	(9,467,809)
Accrued Interest		
Interest expenditures are reported when paid in the governmental funds, while the net change in accrued interest incurred for the period is recognized as interest expense in the Statement of Activities.	1,310	1,278
Unavailable Revenues		
Certain receivables and grants that have been accrued but not collected are reflected as unavailable revenue in the governmental funds. All earned revenue is recognized in the Statement of Activities regardless of when collected.		
Intergovernmental revenue - property tax increment	-	(367,964)
Charges for services - Santa Ana start-up costs	(316,087)	(316,088)
Interfund Transactions		
Transactions between governmental funds are eliminated for presentation in the government-wide financial statements.		
Transfers in	(78,187)	(6,845,320)
Transfers out	78,187	6,845,320
Use of money and property	(17,251)	(1,658)
Interest and fiscal charges	17,251	1,658
Change in net position of governmental activities	**$ (4,521,893)**	**$ (50,103,101)**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
General Fund
Budgetary Comparison Statement
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	2016				2015
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1, as restated	**$ 133,255,605**	**$ 133,255,605**	**$ 133,255,605**	**$ -**	**$ 115,504,289**
Resources (inflows):					
Taxes	214,445,545	218,156,295	219,840,417	1,684,122	205,141,237
Intergovernmental	14,942,177	23,926,860	25,978,081	2,051,221	23,565,214
Charges for services	101,969,304	101,173,891	102,408,896	1,235,005	100,619,516
Use of money and property	1,558,531	1,008,421	1,353,083	344,662	651,975
Miscellaneous	1,008,733	2,203,027	2,096,571	(106,456)	1,120,697
Transfers in	-	-	-	-	3,844,414
Sale of capital and other assets	50,000	50,480	24,470	(26,010)	134,123
Insurance recoveries	-	79,433	121,288	41,855	32,948
Total resources (inflows)	**333,974,290**	**346,598,407**	**351,822,806**	**5,224,399**	**335,110,124**
Amounts available for appropriations	**467,229,895**	**479,854,012**	**485,078,411**	**5,224,399**	**450,614,413**
Charges to appropriation (outflows):					
Salaries and benefits	277,424,610	296,947,830	294,414,084	2,533,746	285,988,997
Services and supplies	43,999,102	39,645,538	36,165,092	3,480,446	40,317,142
Capital outlay	4,276,504	4,654,740	622,906	4,031,834	703,370
Interest and fiscal charges	318,050	754,436	740,437	13,999	330,741
Transfers out	2,127,821	78,187	78,187	-	3,000,906
Total charges to appropriations	**328,146,087**	**342,080,731**	**332,020,706**	**10,060,025**	**330,341,156**
Budgetary fund balance, June 30	**$ 139,083,808**	**$ 137,773,281**	**$ 153,057,705**	**$ 15,284,424**	**$ 120,273,257**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016
(With Comparative Data for Prior Year)

	Pension Trust Funds	Total Pension Trust Funds	
	Extra Help Retirement	**2016**	**2015**
Assets:			
Cash and investments (Note 4):			
Local Agency Investment Fund -			
Domestic fixed income securities	$ 74,798	$ 74,798	$ 73,031
Total assets	**74,798**	**74,798**	**73,031**
Net position restricted for pensions	**$ 74,798**	**$ 74,798**	**$ 73,031**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	Pension Trust Funds	Total Pension Trust Funds	
	Extra Help Retirement	2016	2015
Additions:			
Contributions:			
Employer	$ 2,267	$ 2,267	$ 2,481
Plan members	8,923	8,923	11,831
Total contributions	11,190	11,190	14,312
Net investment income:			
Interest	1,219	1,219	714
Total net investment income	1,219	1,219	714
Total additions	**12,409**	**12,409**	**15,026**
Deductions:			
Benefits and refunds paid to plan members and beneficiaries	10,642	10,642	6,459
Total deductions	**10,642**	**10,642**	**6,459**
Change in net position	1,767	1,767	8,567
Net position, beginning of year	73,031	73,031	64,464
Net position, end of year	**$ 74,798**	**$ 74,798**	**$ 73,031**

See Notes to the Financial Statements

Notes to the Financial Statements

Best and Bravest Award Dinner -
February 2016

ORANGE COUNTY FIRE AUTHORITY

Index to Notes to the Financial Statements

Year ended June 30, 2016

Orange County Fire Authority Safety Message

Smoke Alarms
(Part 1 of 3)

Almost two-thirds of all home fire deaths occur in homes with no working smoke alarm. Protect your family by installing smoke alarms, inspecting them regularly, and practicing home fire drills.

Install

- ✓ Install smoke alarms inside and outside each bedroom and sleeping area and on every level of the home.
- ✓ Install smoke alarms on the ceiling or high on a wall. Keep them at least 10 feet from the stove to reduce false alarms.
- ✓ Check the back for the manufacturer's date. Replace all alarms when they're 10 years old.
- ✓ Use interconnected smoke alarms. When one sounds, they all sound.
- ✓ It's safest to use both ionization and photoelectric smoke alarms. Ionization alarms are quicker to warn about flaming fires. Photoelectric smoke alarms are quicker to warn about smoldering fires (fires that burn slowly with little smoke, then burst into flames).
- ✓ Special alarms with strobe lights and bed shakers are available for people who are deaf or hard of hearing.

(Continued on Page 94)

ORANGE COUNTY FIRE AUTHORITY

Notes to the Financial Statements

Year ended June 30, 2016

(1) Summary of Significant Accounting Policies

(a) Description of the Reporting Entity

Effective March 1, 1995, the County of Orange (County) and the cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda entered into a joint powers agreement to create the Orange County Fire Authority (OCFA). Since the creation of the OCFA, the cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita, Santa Ana, and Westminster have also joined as members.

The purpose of OCFA is to provide fire suppression, protection, prevention, and related and incidental services including, but not limited to, emergency medical and transport services and hazardous materials regulation, as well as providing facilities and personnel for such services. The OCFA's governing board consists of one representative from each member city and two from the County.

The operations of the OCFA are funded with a portion of property taxes collected by the County (Structural Fire Fund) for the unincorporated area and on behalf of all member cities except for the cities of Buena Park, Placentia, San Clemente, Santa Ana, Seal Beach, Stanton, Tustin, and Westminster, which are considered to be cash contract cities. The County pays all Structural Fire Fund taxes it collects to the OCFA. The cash contract cities make cash contributions based on OCFA's annual budget. Upon dissolution, all surplus money and property of the OCFA will be conveyed or distributed to each member in proportion to all funds provided to the OCFA by that member or by the County on behalf of that member during its membership. Each member must execute any instruments of conveyance necessary to effectuate such distribution or transfer.

As required by generally accepted accounting principles, these financial statements present both the OCFA as the primary government, as well as any of its component units. A component unit is an entity for which a primary government entity is considered to be financially accountable.

- The primary government is considered to be financially accountable for an organization if it appoints a voting majority of that organization's governing body, and (1) if the primary government is able to impose its will on that organization or (2) there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

- The primary government may also be considered financially accountable for an organization if that organization is fiscally dependent on the primary government (i.e., the organization is unable to approve or modify its budget, levy taxes or set rates/charges, or issue bonded debt without approval from the primary government).

- In certain cases, other organizations are included as component units if the nature and significance of their relationship with the primary government are such that their exclusion would cause the primary government's financial statements to be misleading or incomplete, even though the primary government is not considered financially accountable for that organization under the criteria previously described. A legally separate, tax exempt organization is reported as a component unit if (1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its constituents; (2) the primary government is entitled to or has the ability otherwise access a majority of the economic resources received or held by the organization; and (3) the economic resources received or held by the organization are significant to the primary government.

Component units must be classified as either "blended" or "discrete" in the primary government's financial statements. A component unit is "blended" if the governing boards of the two organizations are substantially the same, or if the component unit provides services entirely or almost entirely to the primary government. Because of the closeness of its relationship with the primary government, a "blended" component unit is presented as though it is part of the primary government and, therefore, is included in both the government-wide and fund financial statements. Component units that do not meet either of these two criteria are considered "discrete" and are reported only in the government-wide financial statements.

A brief description of OCFA's component unit is as follows:

- The **OCFA Foundation** ("Foundation") was established by the OCFA Board of Directors in July 2010, and qualifies as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The purpose of the Foundation is to support the OCFA with the additional resources needed to provide an enhanced level of fire prevention, suppression, and emergency medical services to the citizens of Orange County. The Foundation assists the OCFA by conducting fundraising activities and securing non-government grant funds, services, materials, and contributions that support OCFA's mission. OCFA provided $50,000 from the General Fund as start-up funding for the Foundation. The tax exempt status of the Foundation was approved by the Internal Revenue Service on February 23, 2011, and the inaugural meeting of the Foundation Board was April 28, 2011.

  The Foundation's Board of Directors consists of no less than three and no more than seven members, the exact number determined by resolution of the Foundation Board. Foundation Board members must have been active in or had significant prior experience in governmental or community organizations, or the fire service. The Foundation Board may consist of any combination of members of the public, OCFA employees, and/or past or current OCFA Board members. Initially, the Chair of OCFA's Board appointed the first three Foundation Directors. As of June 30, 2016, there were five non-OCFA Board members on the Foundation's Board. Additional members may be appointed by the Foundation Board at a future date via a simple majority vote.

The Foundation is considered a component unit of OCFA, because the nature and significance of its relationship with OCFA is such that its exclusion would cause OCFA's financial statements to be misleading or incomplete. Within these financial statements, the Foundation is reported as a discrete component unit in the government-wide financial statements. The Foundation also issues separate, component unit financial statements that may be obtained through written request from the OCFA Finance Division at 1 Fire Authority Road, Irvine, California 92602.

(b) Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities), report information about the OCFA as a whole, excluding its fiduciary activities. For the most part, the effect of the interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of the given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. OCFA considers revenues to be available if they are typically collected within 180 days of the end of the current fiscal period, with the exception of property taxes, which are considered available if they are typically collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by OCFA.

Fiduciary fund financial statements are reported using the same *economic resources measurement focus* and the *accrual basis of accounting* described for the government-wide financial statements.

(c) Major Funds and Other Fund Types

Major Governmental Funds

Major funds are those whose revenues, expenditures, assets, or liabilities are at least 10% of corresponding totals for all governmental funds. The General Fund is always a major fund. OCFA has elected to report all of its governmental funds as major funds.

- The **General Fund** is the primary operating fund of the OCFA and is used to account for all financial resources not accounted for and reported in another fund. The General Fund accounts for the financial activities of providing fire suppression, protection, prevention, and related services to OCFA's member cities and unincorporated areas. The primary sources of revenue are property taxes for fire protection (Structural Fire Fund), cash contracts, intergovernmental reimbursements, and various user fees.

- The **Communications and Information Systems Fund** is a capital projects fund used to account for the significant acquisition, improvement, or replacement of specialized communications and information technology systems and/or equipment.

- The **Fire Apparatus Fund** is a capital projects fund used to account for the significant acquisition, improvement, or replacement of fire apparatus, including vehicles, trailers, and helicopters.

- The **Fire Stations and Facilities Fund** is a capital projects fund used to account for the significant acquisition, improvement, replacement, or construction of fire stations and facilities.

Fiduciary Fund Types

- **Pension Trust Funds** are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. OCFA's pension trust fund accounts for the cost of the extra help post-employment defined benefit retirement plan.

(d) Cash and Investments

OCFA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments.

Investments are stated at fair value (the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants), in accordance with GASB Statement No. 72. OCFA's policy is generally to hold investments until maturity. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

(e) Receivables

All accounts receivable are shown net of an allowance for uncollectible amounts.

Under California law, counties assess and collect property taxes up to 1% of assessed value and can increase the property tax rate no more than 2% per year. The property taxes go into a pool and are then allocated to the cities and local government entities based on complex formulas. The County bills and collects the property taxes and distributes them to OCFA in installments during the year. Accordingly, OCFA accrues only those taxes which are received from the County within 60 days after year-end. A summary of the property tax calendar is as follows:

Lien date	January 1
Levy date	Fourth Monday of September
Due dates	November 1 and February 1
Delinquent dates	December 10 and April 10

(f) Prepaid Costs and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both the government-wide and fund financial statements. OCFA accounts for all prepaid items (i.e., warranties, annual maintenance fees, and professional memberships) under the "consumption method." This means that expenditures are recognized proportionately over the period that the services are provided. Nonspendable fund balance in an amount equal to prepaid costs is reported in the governmental fund types, since these amounts are not in a spendable form.

OCFA accounts for all supplies inventories (i.e., office supplies, automotive parts, vehicle and jet fuel, etc.) under the "purchase method." This means that expenditures are recognized at the time they are purchased, rather than when they are consumed or used.

(g) Capital Assets

Capital assets of governmental activities, which include property, plant, and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by OCFA as assets with an estimated useful life in excess of one year and with an initial, individual cost of $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or developer-contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not materially add to the value of the asset or materially extend the asset's useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. OCFA's capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	45 years
Equipment	3 – 40 years
Vehicles	4 – 20 years

(h) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position of governmental activities and the Balance Sheet of governmental funds may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position or fund balance that apply to future period(s) and so will not be recognized as outflows of resources (expenses or expenditures) during the current fiscal year. OCFA currently reports deferred outflows pertaining to pensions on the Statement of Net Position of governmental activities.

In addition to liabilities, the Statement of Net Position of governmental activities and the Balance Sheet of governmental funds may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position or fund balance that apply to future period(s) and so will not be recognized as inflows of resources (revenues) during the current fiscal year. Unavailable revenue in the governmental funds, which arises under the modified accrual basis of accounting, is currently the only item that qualifies for reporting as a deferred inflow. OCFA's governmental funds typically report unavailable revenues from two sources – intergovernmental and charges for services. These amounts will be recognized as an inflow of resources in the period that the amounts become available. OCFA also currently reports deferred inflows pertaining to pensions on the Statement of Net Position of governmental activities.

(i) Compensated Absences

OCFA's policy permits employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and unpaid sick leave to which employees are entitled under their respective Memorandums of Understanding (MOU's) has been accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if it has matured (for example, as a result of employee resignations or retirements).

(j) Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities of governmental activities in the government-wide Statement of Net Position, and issuance costs are recognized as an expense in the Statement of Activities in the period incurred. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(k) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Orange County Employees Retirement System (OCERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by OCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(l) Fund Equity

The components of the fund balances of governmental funds reflect the component classifications described below.

- **Nonspendable** fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

- **Restricted** fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

- **Committed** fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as OCFA's highest level of decision-making authority and has the authority to establish, modify, or rescind a fund balance commitment via a minutes order, which may or may not be documented by a written Board resolution.

- **Assigned** fund balance includes amounts intended to be used by OCFA for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors. OCFA's Board of Directors has established a *Fund Balance Assignment Policy* which establishes the authority by which OCFA may set aside cumulative resources in fund balance for an intended future use. The Board of Directors has the authority to assign fund balance, and has delegated its authority to assign amounts for workers' compensation and the capital improvement program to the Assistant Chief of Business Services, or her designee, in accordance with the parameters outlined in the policy and subject to annual review and concurrence by the Budget and Finance Committee.

- **Unassigned** fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the OCFA's *Flow Assumptions Policy* specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, OCFA's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

(m) Operating Contingency

In June 1998, OCFA established a General Fund Contingency Reserve ("operating contingency") at 15% of budgeted operating revenues, which was subsequently revised to 10% of budgeted non-grant operating expenditures. OCFA's policy states that the operating contingency be used only for operating contingencies, emergencies caused by calamitous events, and economic uncertainty. The operating contingency's balance is included within the unassigned fund balance category of the General Fund.

(n) Prior Year Data

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

(o) Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

(2) Compliance and Accountability

(a) Budgetary Information

OCFA establishes accounting control through formal adoption of an annual operating budget for its governmental funds. The operating budgets are prepared on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all of OCFA's governmental funds.

Perspective differences occur when the framework used for budgeting differs from the fund structure used for financial reporting. OCFA's General Fund consists of four separately-budgeted funds that have been combined and consolidated for financial statement presentation. The table below reconciles fund balance for the General Fund as reported on the budgetary basis to the presentation in the financial statements. The Supplementary Schedules section of this report includes additional General Fund combining schedules for balance sheet, budgetary data, and actual operating data for the year ended June 30, 2016.

	Fund Balance as of June 30, 2016
Budgetary basis:	
General Operating Fund	$ 73,992,052
General Fund Capital Improvement Program (CIP)	4,761,135
Structural Fire Entitlement	584,464
Self Insurance	73,720,054
General Fund for financial statement presentation	$153,057,705

The adopted budget can be amended by the Board to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds require the Board's approval; however, division and section managers, Assistant Chiefs, and Directors may authorize changes within funds and/or their respective authorized budgets. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of OCFA to review the budgets mid-year and, if necessary, recommend changes to the Board. The following is a summary of the originally adopted expenditure budget (including carryovers of unexpended prior year encumbrances and transfers out) compared to the final budget by budgeted fund:

Fund	Original Budget	Increase/ (Decrease)	Final Budget
General Fund	$328,146,087	$13,934,644	$342,080,731
Communications and Information Systems	6,625,685	(4,831,152)	1,794,533
Fire Apparatus	18,042,177	1,532,139	19,574,316
Fire Stations and Facilities	854,248	51,829	906,077
Total budgeted governmental funds	$353,668,197	$10,687,460	$364,355,657

(b) Emergency Appropriations Policy

In September 2008, the Board adopted the Emergency Appropriations Policy to provide a means of increasing budgeted appropriations in the event that extraordinary fire or emergency incident activity occurs after the last Board meeting of the fiscal year, which may cause expenditures to exceed the authorized General Fund budget. The contingency appropriation, which may not exceed $3,000,000 each fiscal year, is established for unforeseen requirements, primarily salary and employee benefits for extraordinary fire or emergency response. No expenditures may be made directly against the contingency appropriations; however, OCFA management may recommend a transfer from the contingency appropriations to a specific purpose appropriation. The Chair of the Board of Directors or the Vice Chair, in the absence of the Chair, must pre-approve any such transfers. Upon approval by the Chair or Vice Chair, notice of this transfer must be provided immediately to the full Board in writing. There were no transfers made from the contingency appropriations during the year ended June 30, 2016; therefore, the budgetary comparison statements and schedules included in the financial statements do not reflect any increase to the final budgeted expenditures.

(c) Encumbrance Accounting

Encumbrance accounting is employed in governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in OCFA's funds. Encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balance, depending on the type of revenue source associated with the encumbrance, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. All appropriations lapse at year-end with the exception of encumbered appropriations, which are effectually re-appropriated in the ensuing year's budget.

(3) Prior Period Adjustment

In response to concerns from OCFA's member agencies about the relationship of financial contributions to level of service received, an Equity Working Group was established to identify methods for mitigating these equity concerns. In September 2013, the Board of Directors approved a solution presented by the Equity Working Group, which required OCFA to issue equity payments from unrestricted revenue sources to qualifying Structural Fire Fund member agencies, based on a calculation of average Structural Fire Fund Tax rate. The solution also required that the City of Irvine, OCFA's largest Structural Fire Fund member in terms of property tax revenue, remain a member of OCFA until the year 2030. By November 2013, two thirds of the OCFA member agencies had approved the 2nd Amendment to the Joint Powers Agreement (2nd Amendment), and OCFA began to implement the new required equity measures.

The Board of Directors also approved requesting a judicial review of the 2nd Amendment to seek court validation. The validation process, which was initiated in December 2013, would affirm the ability to use unrestricted revenue sources for purposes of issuing equity payments to qualifying agencies, and would preclude any future challenges to the legality of the 2nd Amendment. In August 2014, an Orange County Superior Court judge ruled against the OCFA in a validation hearing, stating that the 2nd Amendment was invalid and unenforceable as a matter of law. OCFA appealed the decision, but in March 2016 the appellate court issued an opinion affirming the invalidation of the 2nd Amendment.

As of June 30, 2015, OCFA had either paid or accrued as a liability all jurisdictional equity adjustment payments, plus interest, due to Structural Fire Fund members under the provisions of the 2nd Amendment as follows:

Government Agency	Amounts Paid	Unpaid, Accrued Equity Payments	Accrued Interest	Total
City of Irvine	$2,988,081	$9,501,321	$15,861	$12,505,263
City of Laguna Woods	-	5,616	5	5,621
City of Lake Forest	-	155	-	155
City of Rancho Santa Margarita	-	135,571	128	135,699
County of Orange	-	335,293	317	335,610
Total	$2,988,081	$9,977,956	$16,311	$12,982,348

The appellate court's opinion had the effect of nullifying the 2nd Amendment and, consequently, all amounts previously paid and/or accrued totaling $12,982,348 were considered invalid. As a result, during the year ended June 30, 2016, OCFA restated the beginning net position of its governmental activities and the beginning fund balance of its General Fund as follows:

	Governmental Activities	Governmental Funds
	Net Position	General Fund Fund Balance
As previously reported	$(169,124,373)	$120,273,257
Prior period adjustment	12,982,348	12,982,348
As restated	$(156,142,025)	$133,255,605

(4) Cash and Investments

(a) Financial Statement Presentation

OCFA maintains a cash and investment pool that is available for use for all funds. Each fund's position in the pool is reported on the combined balance sheet as cash and investments.

Cash and investments as of June 30, 2016, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Governmental activities	$177,729,367
Discretely presented component unit – OCFA Foundation	108,718
Statement of Fiduciary Net Position:	
Fiduciary funds	74,798
Total cash and investments	$177,912,883

Cash and investments consist of the following as of June 30, 2016:

Petty cash / cash on hand	$ 13,445
Demand deposits	(861,686)
Investments	178,761,124
Total cash and investments	$177,912,883

(b) Demand Deposits

At June 30, 2016, the carrying amount of the OCFA's demand deposits was $(861,686) and the bank balance was $1,137,419. The $1,999,105 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "agent of depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government. The OCFA Treasurer may waive the collateral requirement for deposits that are fully insured up to $250,000 by the FDIC.

(c) Investments Authorized by Government Code and OCFA Investment Policy

The table below identifies investment types that are authorized by OCFA's investment policy and by California Government Code Section 53600 et seq. and Section 5922(d). The table also identifies provisions of the California Government Code (or OCFA's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The table, however, does not cover investments of debt proceeds, if any, held by fiscal agent, which are governed by the provisions of debt agreements of OCFA rather than the general provisions of OCFA's investment policy. In addition, this table does not include other investment types that are allowable under the California Government Code but are not specifically authorized by OCFA's investment policy.

Investment Types	Maximum Maturity	Maximum % of Portfolio in Investment Type	Maximum % of Portfolio in Single Issuer
U.S. Treasury obligations	5 years	100%	100%
Federal agency securities	5 years	75%(1)	75%(1)
Bankers' acceptances	180 days	25%(1)	25%(1)
Commercial paper	270 days	15%(1)	15%(1)
Negotiable certificates of deposit	5 years	25%(1)	25%(1)
Repurchase agreements	14 days(1)	15%(1)	15%(1)
Money market mutual funds	n/a	15%(1,2)	15%(1,2)
Local Agency Investment Fund	n/a	75%(1)	75%(1)

(1) Based on OCFA investment policy requirement, which is more restrictive than state law
(2) No limit on automatic overnight sweep

(d) Investments Authorized by Debt Agreements

Proceeds of bonds or other indebtedness and any moneys set aside and pledged to secure payment of bonds may be invested in accordance with the resolution, indenture, or statutory provisions governing the issuance of the indebtedness. OCFA did not have any investments held by fiscal agent during Fiscal Year 2015/16.

(e) Investments in State Investment Pool

OCFA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

(f) GASB Statement No. 72

OCFA adopted GASB Statement No. 72, *Fair Value Measurement and Application*, as of July 1, 2015. GASB Statement No. 72 establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. OCFA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

OCFA has the following fair value measurements for its investments as of June 30, 2016:

	Fair Value Hierarchy Level			
	Level 1	Level 2	Level 3	Fair Value
Federal agency securities	$ -	$108,052,480	$ -	$108,052,480
Money market mutual funds	-	6,560,578	-	6,560,578
LAIF	-	64,148,066	-	64,148,066
Total	$ -	$178,761,124	$ -	$178,761,124

All of OCFA's investments are valued using Level 2 inputs. Federal agency securities are valued using institutional bond quotes. Money market investments that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools, and investments held by 2a7-like external investment pools, are measured at amortized cost as provided in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The fair value of LAIF is measured using a Net Asset Value (NAV) calculation determined by the pool.

(g) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the California Government Code, OCFA's investment policy, or debt agreements, as well as the actual rating as of year-end for each investment type.

	Minimum Rating Required	Rating at Year-End Aaa/ AA+/ AAA	Unrated	Fair Value
Federal agency securities	N/A	$108,052,480	$ -	$108,052,480
Money market mutual funds	Aaa/AAA	-	6,560,578	6,560,578
LAIF	N/A	-	64,148,066	64,148,066
Total		$108,052,480	$70,708,644	$178,761,124

(h) Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. OCFA's investment policy requires that collateral be held by an independent third party with whom OCFA has a current custodial agreement. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. OCFA's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of OCFA's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. As of June 30, 2016, none of the OCFA's deposits or investments was exposed to disclosable custodial credit risk.

(i) Concentration of Credit Risk

OCFA's investment policy imposes restrictions for certain types of investments with any one issuer to 15% of the total investment pool with the following exceptions: U.S. Treasury obligations (100%), LAIF (75%), federal agency securities (75%), bankers' acceptances (25%), and negotiable certificates of deposit (25%). With respect to concentration risk as of June 30, 2016, the OCFA is in compliance with the investment policy's restrictions. In addition, GASB Statement No. 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value (exclusive of amounts held by fiscal agent). Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement. Investments with issuers exceeding 5% of the total investment portfolio at June 30, 2016, are summarized below.

Issuer	Fair Value	% of Portfolio
Federal Home Loan Bank (FHLB)	$52,988,280	29.6%
Freddie Mac	28,056,700	15.7%
Federal Farm Credit Bank (FFCB)	27,007,500	15.1%

(j) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. OCFA's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. OCFA's investment policy states that at least 50% of the portfolio must mature in one year or less, and unless matched to a specific requirement and approved by the Executive Committee and the Board of Directors, no portion of the portfolio may exceed five years. OCFA has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2016, the OCFA had the following investments and maturities:

	Investment Maturities in Months			
	6 or Less	7 to 12	13 to 60	Fair Value
Federal agency securities	$ 55,978,650	$ -	$52,073,830	$108,052,480
Money market mutual funds	6,560,578	-	-	6,560,578
LAIF	64,148,066	-	-	64,148,066
Total	$126,687,294	$ -	$52,073,830	$178,761,124

As of June 30, 2016, OCFA's investments included the following callable investments, which are considered to be exposed to interest rate risk:

Issuer	Call Date(s)	Yield to Call	Maturity Date	Fair Value
Freddie Mac	8/28/2016	0.827%	11/28/2017	$10,008,100
Federal Farm Credit Bank (FFCB)	Anytime	0.559%	10/15/2018	10,000,200
Federal Farm Credit Bank (FFCB)	9/6/2016	0.816%	9/6/2018	8,007,120
Federal Home Loan Bank (FHLB)	8/10/2016	0.662%	8/10/2018	6,003,780

(5) Accounts Receivable

Accounts receivable, net of an allowance for doubtful accounts, consists of the following as of June 30, 2016:

	Governmental Funds			Component Unit
	General Fund	Fire Apparatus	Total	OCFA Foundation
Fire prevention/late fees	$ 644,252	$ -	$ 644,252	$ -
Ambulance/other reimbursements	1,959,330	-	1,959,330	-
Due from developers	-	124,200	124,200	-
Other/miscellaneous	33,204	-	33,204	90
Accounts receivable	2,636,786	124,200	2,760,986	90
Allowance for doubtful accounts	(194,216)	-	(194,216)	-
Accounts receivable, net	$2,442,570	$124,200	$2,566,770	$90

(6) Due from Other Governments

Amounts due from other governments, net of an allowance for doubtful accounts, consist of the following as of June 30, 2016:

	Governmental Funds	Primary Government
	General Fund	Governmental Activities
Fire protection and other services:		
Cash contract cities – leave balances and other contract costs	$ 182,553	$ 1,804,269
State responsibility area	1,465,902	1,465,902
Airport rescue firefighting	745,391	745,391
Other services	136,489	136,489
Subtotal	2,530,335	4,152,051
Assistance by hire/activation	4,096,172	4,096,172
Grants	392,284	392,284
Property tax/tax increment	3,054,319	3,054,319
Other/miscellaneous	100,000	100,000
Due from other governments	10,173,110	11,794,826
Allowance for doubtful accounts	(122,855)	(122,855)
Due from other governments, net	$10,050,255	$11,671,971

(7) Due to Other Governments

As of June 30, 2016, due to other governments totaling $123,047, as reported in both the governmental activities and the governmental funds (General Fund), consists of amounts payable to the County of Orange in conjunction with bankruptcy proceeds.

(8) Unearned and Unavailable Revenue

Unavailable revenue in the governmental funds consists of amounts that are considered *unavailable* to finance the expenditures of the current fiscal period. Only the amounts that are *unearned* are reported as liabilities of governmental activities. Unearned revenues consist of the following as of June 30, 2016:

	Governmental Funds	Primary Government	Component Unit
	General Fund	Governmental Activities	OCFA Foundation
Unearned revenue:			
Helicopter hangar rental deposits	$16,612	$16,612	$ -
Helicopter hangar rent – July 2016	10,699	10,699	-
Cell tower rent – July 2016	3,605	3,605	-
Miscellaneous cash advances	2,200	2,200	6,000
Total	$33,116	$33,116	$6,000

(9) Fund Balance of Governmental Funds – Nonspendable

Prepaid costs are reported as an asset until the expenditures are recognized proportionately over the future period in which the services are to be provided. An amount equal to the asset is reported as nonspendable fund balance in the governmental funds, since these amounts are not in a spendable form.

Nonspendable fund balance consists of the following as of June 30, 2016:

	General Fund
Retirement contributions:	
Fiscal Year 2016/17	$35,000,000
Fiscal Year 2015/16	1,136,149
Maintenance and support	513,268
Warranties	25,540
Subscriptions and memberships	39,840
Other	65,048
Total	$36,779,845

In January 2015, OCFA prepaid a portion of its Fiscal Year 2015/16 retirement contributions to the Orange County Employees Retirement System (OCERS) totaling $29,539,884. In October 2015 and January 2016, OCFA prepaid a portion of its Fiscal Year 2016/17 retirement contributions to OCERS totaling a combined $35,000,000. The prepayments produced savings of over $1.7 million in Fiscal Year 2015/16, and are expected to produce savings of over $2.0 million in Fiscal Year 2016/17. Due to the timing of the pay period calendar, the unamortized balance of the January 2015 prepayment totaled $1,136,149 as of June 30, 2016. The entire amount of the October 2015 and January 2016 prepayments was unamortized as of June 30, 2016. Other prepaid items as of June 30, 2016, included various equipment warranties on mobile data computers, laptops, computers, pagers, tablets, and monitors; and other amounts such as annual maintenance and support fees, subscriptions, and professional memberships.

(10) Fund Balance of Governmental Funds – Restricted

Restricted fund balance in the General Fund includes grant-funded or other restricted, unexpended encumbrances outstanding at year-end, as well as donations received for specific programs. Restricted fund balance in the Fire Stations and Facilities Fund includes CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations. Restricted fund balance consists of the following as of June 30, 2016:

	General Fund	Fire Stations and Facilities	
	Operations Department	Capital Improvement Program	Total
Purpose of encumbrances:			
Urban Search and Rescue grant program	$ 5,777	$ -	$ 5,777
California Joint Apprenticeship Committee	5,511	-	5,511
	11,288	-	11,288
Donations – disaster preparation academy	2,579	-	2,579
CALFIRE station(s)	-	533,232	533,232
Total	$13,867	$533,232	$547,099

(11) Fund Balance of Governmental Funds – Committed

In July 1999, the Board of Directors authorized that $4,405,086 be set aside to fund OCFA-related service or resource enhancement projects in certain structural fire fund cities. In January 2012, the Board of Directors authorized an additional $622,106 to be set aside for the same purpose. As of June 30, 2016, the remaining unspent amount totaling $584,464 was reported as a fund balance commitment in the General Fund. The funds are committed for projects in the following cities:

City	General Fund
Aliso Viejo	$ 281
Irvine	530,971
Laguna Niguel	53,212
Total	$584,464

(12) Fund Balance of Governmental Funds – Assigned

Assigned fund balance includes the following as of June 30, 2016:

Capital Improvement Program	$ 53,746,805
Workers' compensation	73,720,054
Assigned, unexpended encumbrances	7,235,814
Total	$134,702,673

The Board of Directors has established a *Fund Balance Assignment Policy* authorizing the assignment of fund balance to the Capital Improvement Program and self-insured workers' compensation claims.

- The assignment to the Capital Improvement Program reflects cumulative amounts transferred from the General Fund to the capital projects funds, net of actual cumulative project expenditures and other revenue sources accounted for in those funds. The assignment may also include net resources accumulated within the General Fund itself in order to fund purchases and projects that are capital in nature but do not necessarily meet the criteria to be reported in one of OCFA's capital projects funds. The assignment may not exceed the net cost of future identifiable projects. Fund balance assigned for the Capital Improvement Program totaled $53,746,805 as of June 30, 2016, and is reported in the General Fund ($4,668,314), Communications and Information Systems Fund ($18,977,557), Fire Apparatus Fund ($14,788,654) and Fire Stations and Facilities Fund ($15,312,280).

- The assignment to workers' compensation reflects the cumulative difference between actual workers' compensation expenditures incurred and budgeted costs, which are based on an annual actuarial valuation prepared by an external actuary and a confidence level set by the Board of Directors. The assignment for workers' compensation is reported in the General Fund and totaled $73,720,054 as of June 30, 2016.

Assigned fund balance pertaining to unexpended encumbrances outstanding as of June 30, 2016, totaled $7,235,814 and is summarized below for each governmental fund:

	Communications and Information Systems	Fire Apparatus	Fire Stations and Facilities
Purpose of Encumbrance	Communications and IT Projects	Fire Apparatus and Other Vehicles	Construction Projects
100' tractor drawn aerials	$ -	$5,227,858	$ -
Paramedic squads and Type 6 brush patrols	-	1,203,215	-
Pickup trucks	-	232,534	-
RFOTC audio visual upgrade design	24,715	-	-
Structural design and documents for Urban Search and Rescue warehouse improvements	-	-	13,135
Total	$24,715	$6,663,607	$13,135

	General Fund								
Purpose of Encumbrance	Executive Management	Operations Department	Community Risk Reduction Department	Business Services	Support Services Department	Organizational Planning Department	Facilities Projects	Communications and IT Projects	Total
Wildland clothing	$ -	$ -	$ -	$63,724	$ -	$ -	$ -	$ -	$ 63,724
Electric reach truck	-	-	-	41,056	-	-	-	-	41,056
Honor guard uniforms	25,682	-	-	-	-	-	-	-	25,682
Swift water clothing	-	25,202	-	-	-	-	-	-	25,202
Laptops	-	-	-	-	-	-	-	24,172	24,172
Computers, monitors, and speakers	-	-	-	-	-	-	-	22,680	22,680
Auto data updater license	-	-	-	-	-	21,000	-	-	21,000
Sharepoint support	-	-	-	-	19,350	-	-	-	19,350
E-mail security and support	-	-	-	-	17,200	-	-	-	17,200
Vehicle repairs	-	-	-	-	16,077	-	-	-	16,077
Code books	-	-	15,845	-	-	-	-	-	15,845
Galvanized guardrails	-	-	-	-	-	-	15,585	-	15,585
Other	11,008	26,282	-	57,919	67,116	-	54,402	10,057	226,784
Total	$36,690	$51,484	$15,845	$162,699	$119,743	$21,000	$69,987	$56,909	$534,357

(13) Fund Balance of Governmental Funds – Unassigned

Unassigned fund balance in the General Fund consists of the following as of June 30, 2016:

10% Operating Contingency	$28,778,587
All other residual amounts available for any purpose	7,978,217
Total	$36,756,804

(14) Interfund Transfers

Interfund transfers are used to move revenues from the fund required by statue or budget to collect them to the fund required by statute or budget to expend them. Interfund transfers for the year ended June 30, 2016, are as follows:

Fund	Transfers In	Transfers Out
General Fund	$ -	$78,187
Communications and Information Systems	78,187	-
Total	$78,187	$78,187

Transfers were made from the General Fund to the Communications and Information Systems Fund for current and future capital improvement projects identified in the Capital Improvement Plan.

(15) Capital Assets

(a) Changes in Capital Asset Balances by Asset Class

Capital asset activity of the OCFA Foundation for the year ended June 30, 2016, was as follows:

Component Unit/ OCFA Foundation	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets depreciated/amortized:					
Equipment	$ -	$ 10,000	$ (10,000)	$ -	$ -
Capital assets, net	$ -	$ 10,000	$ (10,000)	$ -	$ -

Capital asset activity of OCFA's governmental activities for the year ended June 30, 2016, was as follows:

Primary Government/ Governmental Activities	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not depreciated/amortized:					
Land	$ 37,887,850	$ -	$ -	$ -	$ 37,887,850
Construction in progress	5,092,288	101,752	-	(5,091,699)	102,341
Work in progress	4,121,289	2,718,052	-	(4,043,637)	2,795,704
Total capital assets not depreciated/amortized	47,101,427	2,819,804	-	(9,135,336)	40,785,895
Capital assets depreciated/amortized:					
Buildings	137,772,434	-	-	5,091,699	142,864,133
Equipment	58,076,611	624,898	(131,555)	1,304,613	59,874,567
Vehicles	71,403,080	606,932	(209,265)	2,739,024	74,539,771
Subtotal	267,252,125	1,231,830	(340,820)	9,135,336	277,278,471
Less accumulated depreciation/amortization:					
Buildings	(37,322,693)	(3,166,163)	-	-	(40,488,856)
Equipment	(33,700,818)	(2,636,367)	122,185	-	(36,215,000)
Vehicles	(44,083,199)	(3,465,452)	209,265	-	(47,339,386)
Subtotal	(115,106,710)	(9,267,982)	331,450	-	(124,043,242)
Total capital assets depreciated/amortized, net	152,145,415	(8,036,152)	(9,370)	9,135,336	153,235,229
Capital assets, net	$199,246,842	$(5,216,348)	$ (9,370)	$ -	$194,021,124

(b) Net Investment in Capital Assets

The portion of the governmental activities net position that is invested in capital assets, net of related debt, is calculated as follows:

Capital assets, net of accumulated depreciation/amortization	$194,021,124
Capital-related debt – 2011 aircraft lease refinance	(6,110,447)
Net investment in capital assets	$187,910,677

(c) Capital Assets Acquired Under Capital Lease

The above amounts include assets acquired by capital lease, classified as follows by major asset class:

Equipment	$22,074,284
Vehicles	15,605,764
Total capital assets acquired under capital lease	$37,680,048

(d) Depreciation/Amortization Expense

Depreciation/amortization expense of $9,267,982 was charged to public safety in the Statement of Activities.

(16) Long-term Liabilities

(a) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016, is summarized in the table below.

Governmental Activities	Beginning Balances	Additions	Deletions	Ending Balances	Due Within One Year
Net pension liability:					
OCERS pension plan	$466,968,323	$133,428,399	$ (82,726,916)	$517,669,806	$ -
Extra Help pension plan	240,358	-	(76,667)	163,691	-
	467,208,681	133,428,399	(82,803,583)	517,833,497	-
Capital lease purchase agreement:					
Aircraft Lease Refinance-2011	8,446,726	-	(2,336,279)	6,110,447	2,379,140
Accrued claims and judgments:					
Workers' compensation	62,372,690	6,716,066	(7,892,111)	61,196,645	7,743,304
Compensated absences	16,296,101	12,938,324	(12,215,217)	17,019,208	3,254,937
Net OPEB obligation	57,553,126	13,550,385	(4,460,115)	66,643,396	-
Total	$611,877,324	$166,633,174	$(109,707,305)	$668,803,193	$13,377,381

The capital lease purchase agreement is liquidated by the Fire Apparatus Fund. The extra help pension plan is liquidated by the Extra Help Retirement Fund. All other long-term liabilities are normally liquidated by the General Fund.

(b) Pension Plans

OCFA participates in two defined benefit pension plans that are administered through a trust or equivalent arrangement. Additional information is provided for these plans within these notes as

Note 21 and Note 22. Following is a summary of plan activities as of and for the year ended June 30, 2016:

Description	OCERS Pension Plan	Extra Help Pension Plan	Total
Net pension liability	$517,669,806	$163,691	$517,833,497
Deferred outflows of resources related to pensions	139,005,504	35,040	139,040,544
Deferred inflows of resources related to pensions	(35,819,433)	(92,134)	(35,911,567)
Pension expenditures associated with net pension liabilities (as reported in the fund financial statements)	82,726,916	10,642	82,737,558
Pension expense associated with net pension liabilities (as reported in the government-wide financial statements)	94,784,899	(15,017)	94,769,882

(c) Capital Lease Purchase Agreement – Aircraft Lease Refinance (2011)

On December 22, 2008, OCFA entered into a Master Aircraft Lease Agreement (Agreement) with SunTrust Equipment Finance & Leasing Corp. (SunTrust). Under the terms of the Agreement, $21,515,238 was deposited into an escrow account with SunTrust Bank, Inc. (SunTrust Bank) to be used by OCFA for the acquisition of certain aircraft equipment. OCFA purchased two helicopters and related equipment for a total amount of $21,538,675, using the original proceeds of the lease and $23,437 of accrued interest. The helicopters and related equipment have been capitalized as equipment in the government-wide financial statements. Title to the equipment vests with OCFA during the term of the Agreement; accordingly, the lease has been recorded as a capital lease liability of OCFA.

On November 16, 2011, the terms of the Agreement were amended to reflect a reduction in the annual interest rate from 3.7609% to 2.58%. A 1.75% prepayment premium totaling $286,599, plus accrued interest for the period September 22, 2011, through November 16, 2011, totaling $92,386, were added to the outstanding principal balance to be repaid over the remaining life of the lease. Rental payments are payable quarterly commencing March 22, 2009, and terminating on December 22, 2018. During the year ended June 30, 2016, OCFA made principal and interest payments totaling $2,336,279 and $195,444, respectively. The outstanding balance of the capital lease liability was $6,110,447 as of June 30, 2016. Future annual lease payment requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2017	$2,397,140	$134,583	$2,531,723
2018	2,459,589	72,134	2,531,723
2019	1,253,718	12,144	1,265,862
Total	$6,110,447	$218,861	$6,329,308

(d) Compensated Absences

OCFA is obligated to its employees for the following accumulated earned but unused leave benefits as of June 30, 2016:

	Vacation	Comp/Other	Sick Leave	Santa Ana General Leave	Total
Safety Members	$ 9,970,950	$169,704	$1,511,630	$1,597,640	$13,249,924
General Members	1,883,853	367,893	1,493,462	24,076	3,769,284
Total	$11,854,803	$537,597	$3,005,092	$1,621,716	$17,019,208

Sick leave includes only those amounts that OCFA is obligated to reimburse employees at the end of their active service life. On March 5, 2012, OCFA and the City of Santa Ana entered into an agreement to establish a general leave bank for transitioning personnel from the Santa Ana Fire Management Association and the Santa Ana Fire Benevolent Association with more than ten years of service. Under the terms of the agreement, transitioning employees are required to exhaust their respective OCFA accrued leave banks before utilizing general leave transferred from the city. OCFA will pay amounts due to transitioning employees who use time from the general leave bank, and the City of Santa Ana will then reimburse those amounts to OCFA. General leave is not eligible to be cashed out by employees in lieu of using the time, and is available for use through April 13, 2017. Any amounts remaining at that time will no longer be available for use by transitioning employees. The portion of OCFA's compensated absences long-term liability that is reimbursable by the City of Santa Ana is offset by a long-term receivable of an equal amount on the Statement of Net Position.

(17) Commitments and Contingencies

(a) Outstanding Encumbrances / Commitments with Vendors

As of June 30, 2016, commitments for outstanding encumbrances (unperformed purchase orders and contracts for goods and services) by major governmental fund are as follows:

General Fund	$ 545,645
Communications and Information Systems	24,715
Fire Apparatus	6,663,607
Fire Stations and Facilities	13,135
Total outstanding encumbrances	$7,247,102

Significant individual commitments with vendors as of June 30, 2016 are identified below.

Fund / Vendor	Description	Original Commitment	Spent-to-Date	Remaining Commitment
General Fund:				
Linegear Fire & Rescue	Wildland clothing	$ 63,724	$ -	$ 63,724
Southwest Material Handling, Inc.	Electric reach truck	41,056	-	41,056
Keystone Uniforms	Honor guard uniforms	25,682	-	25,682
The Rescue Source	Swift water clothing	21,573	-	21,573
Deccan, Inc.	Auto data updater license	21,000	-	21,000
Communications and Information Systems:				
TK1SC, Inc.	RFOTC audio visual upgrade design	79,750	55,035	24,715
Fire Stations and Facilities:				
KME Fire Apparatus	(4) 100' tractor drawn aerials	5,227,858	-	5,227,858
Boise Mobile Equipment	(5) paramedic squads; (1) type 6 brush patrol	1,203,215	-	1,203,215
Lake Chevrolet	(6) Chevy Colorado pickup trucks	179,333	-	179,333
DDL Traffic, Inc.	Right-of-way preemption equipment for Chevy Colorado pickup trucks	34,642	-	34,642
Lewis/Schoeplein Architects	Structural design and documents for Urban Search and Rescue warehouse improvements	60,280	47,145	13,135

(b) Pending Litigation

OCFA is currently in the discovery phase of an employee discrimination case. OCFA's legal counsel believes that it is unlikely OCFA will obtain a favorable outcome in this case, based on the results of two related internal investigations and resulting employee discipline. However, the degree of likelihood and amount of any potential legal liability could not be determined at this time. Because the plaintiff is still fully-employed by OCFA, any damages awarded would most likely be based on emotional distress claims.

(18) Lessor in Operating Lease Agreements

(a) Aircraft Hangar Leases

OCFA has entered into Aircraft Hangar Lease agreements to provide spaces to tenants in the western portion of the OCFA-owned aircraft hangar at Fullerton Municipal Airport. The original cost of the aircraft hangar's western was $2,201,950, and the net book value was $2,055,154 as of June 30, 2016. Fiscal Year 2015/16 depreciation expense totaled $48,932. The terms of the agreements are as follows:

Lessee/Tenant	Agreement Date	Term	Initial Monthly Rent	Automatic Annual Rent Increase
Ladera Aircraft, LLC	October 30, 2013	Five Years	$4,924	2.5%
Lidar America, LLC	June 1, 2015	Five Years	$5,391	2.5%
Hangar 21 Helicopters	January 1, 2016; Amended June 1, 2016	Three Years	$5,750	0.0%

Rental revenue totaled $152,117 for Fiscal Year 2015/16. Future potential rental revenue under the terms of the leases is as follows:

Fiscal Year	Ladera Aircraft, LLC	Lidar America, LLC	Hangar 21 Helicopters	Total
2016/17	$ 63,108	$ 66,450	$ 69,000	$198,558
2017/18	64,688	68,110	69,000	201,798
2018/19	21,740	69,817	63,250	154,807
2019/20	-	65,461	-	65,461
2020/21	-	-	-	-
Total	$149,536	$269,838	$201,250	$620,624

(b) Wireless Communications Facilities Site Lease

On March 24, 2011, OCFA entered into a Wireless Communications Facilities Site Lease with Vista Towers, LLC (Vista), to provide space at the OCFA-owned Regional Fire Operations and Training Center to install and operate a digital mobile radio communications site consisting of up to two wireless communication towers, equipment shelters, and cabinets, for up to six cell phone carriers. In July 2015, the Board of Directors approved Vista's request to assign its interest in the lease to

SBA Towers VI, LLC (SBA). SBA has assumed the payment terms of the original agreement, and is responsible for the installation, construction, maintenance, repairs, replacement, and operations of the towers and, if applicable, the removal of the towers upon termination of the lease.

The lease term commenced on the earlier of the pulling of all permits necessary for construction, or September 24, 2012, and continues for five years from that date. The lease may be renewed for up to four consecutive five-year increments, for a total of twenty-five years. Rent is due the first of each month and is determined based on the number of carriers being occupied by each of the towers. SBA pays $1,250 for each month in which there is one or no carrier on one of the towers, and $1,000 per month for each additional carrier occupied on each tower beyond the first carrier. Base rent automatically increases by 3% annually.

OCFA began collecting base rent in July 2012, with rent for a second and third carrier commencing in June and October 2013, respectively. Rental revenue totaled $40,955 for Fiscal Year 2015/16. Future potential rental revenue, assuming rent for the three additional carriers may commence January 1, 2017, is as follows:

Fiscal Year(s)	Carriers 1-3	Carriers 4-6	Total
2016/17	$ 43,458	$ 19,674	$ 63,132
2017/18	44,765	40,485	85,250
2018/19	46,108	41,709	87,817
2019/20	47,497	42,966	90,463
2020/21	48,924	44,262	93,186
2021/22 - 2025/26	267,480	242,022	509,502
2026/27 - 2030/31	310,051	280,566	590,617
2031/32 - 2035/36	359,514	325,296	684,810
2036/37 - 2040/41	81,793	74,013	155,806
Total	$1,249,590	$1,110,993	$2,360,583

(19) Lessee in Operating Lease Agreements

OCFA is obligated under operating lease agreements for the rental of various fire stations, including a land lease at Fullerton Municipal Airport:

- Twenty-six city-owned stations are leased for $1 per year through June 30, 2030. In addition, OCFA leases land from three cities for three OCFA-owned stations. The station land leases are for $1 per year and extend through June 30, 2030 (Station 6); November 26, 2057 (Station 17); and April 30, 2045 (Station 36).

- On June 14, 2010**,** OCFA entered into a land lease agreement with the City of Fullerton for a new space at Fullerton Municipal Airport. Monthly lease payments of $2,886 for the eastern half of the building commenced January 2011. An additional monthly lease payment of $2,070 for the western half of the building commenced July 2013. Total monthly rent will increase annually by an amount equal to the change in the consumer price index, from a minimum of 3% to a maximum of 5%. The term of the agreement extends forty years through July 2050, with a fifteen year extension option through July 2065.

- On August 25, 2011, the OCFA Executive Committee approved the execution of a Lease Agreement with FW Aviation, LLC for a training tower at Fire Station No. 41 Air Operations and Maintenance Facility at Fullerton Airport, which includes a helicopter training prop, an additional restroom, and approximately 600 square feet of classroom/storage area. The lease term is for ten years commencing September 2011, with an optional ten-year extension. Initial monthly rent of $1,575 will increase by $18 each year.

Future minimum lease payments for the OCFA's operating lease obligations are as follows:

Fiscal Year(s)	City-Owned Stations/ Land Leases	Airport Land Lease	Airport Training Tower	Total
2016/17	$ 29	$ 71,016	$ 19,944	$ 90,989
2017/18	29	73,140	20,160	93,329
2018/19	29	75,324	20,376	95,729
2019/20	29	77,592	20,592	98,213
2020/21	29	79,920	20,808	100,757
2021/22 - 2025/26	145	436,992	3,474	440,611
2026/27 - 2030/31	118	506,652	-	506,770
2031/32 - 2035/36	10	587,376	-	587,386
2036/37 - 2040/41	10	680,928	-	680,938
2041/42 - 2045/46	9	789,348	-	789,357
2046/47 - 2050/51	5	818,100	-	818,105
2051/52 - 2055/56	5	-	-	5
2056/57 - 2060/61	1	-	-	1
Total	$448	$4,196,388	$105,354	$4,302,190

(20) Insurance

(a) Coverage Limits

OCFA has purchased commercial insurance coverage for general, auto, property, volunteer accident, aviation, and pollution liabilities; public official and auto verifier bonds; and excess coverage for the self-insured workers compensation. Coverage limits include the following:

Type of Coverage	Limit	Deductible
General and Auto Liability:		
Each Occurrence or Wrongful Act	$1,000,000	
General Annual Aggregate	$2,000,000	
Management Liability	$1,000,000	$5,000
Cyber Liability	$1,000,000	
Auto Liability	$1,000,000 combined single limit	$1,000 - $3,000
Garage Keepers Legal Liability	$250,000	$250 - $500
Umbrella Liability	$10,000,000	

Type of Coverage	Limit	Deductible
Property Liability:		
Buildings and Contents	Scheduled replacement cost	$5,000
Crime/Employee Dishonesty	$1,000,000	$5,000
Volunteer Accident:		
Accidental Death and Dismemberment	$25,000 each occurrence; $250,000 aggregate per accident	
Accident Medical Expense	$100,000 per occurrence	
Dental	$250 per tooth	
Aircraft Hull and Liability	$50,000,000 per occurrence	$15,000 - $50,000
Pollution Liability	$1,000,000 per condition	$25,000
Public Official Bonds	$1,000,000 each	
Auto Verifier Bonds	$5,000 each	
Excess Workers Compensation	Statutory limits	

At June 30, 2016, OCFA had no outstanding claims which exceed insurance coverage. There have been no significant changes in insurance coverage as compared to last year, and settlements have not exceeded coverage in each of the past three fiscal years.

(b) Self-Insurance

OCFA transitioned its program for workers' compensation insurance from Guaranteed Cost to Self-Insurance effective March 1, 2002. OCFA's self-insurance program covers workers' compensation claims up to $50,000,000, subject to a $2,000,000 self-insured retention (SIR) per incident. Workers' compensation claims in excess of the self-insured level are insured by the California State Association of Counties Excess Insurance Authority (CSAC-EIA) at statutory limits. OCFA utilizes the services of a third-party claims administrator for administration of workers' compensation claims.

As of June 30, 2016, accrued claims and judgments for workers' compensation totaled $61,196,645 and were recorded as a long-term liability in the government-wide financial statements. This liability reflects the present value of estimated outstanding losses at the 50% confidence level, as determined by an actuarial valuation dated December 31, 2015, and includes claims that have been incurred but not yet reported (IBNR's). A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, a 50% confidence level means that the actuary believes funding will be sufficient in five years out of ten. On May 27, 2010, the Board of Directors authorized to change the OCFA's confidence level from 80% to 50%.

Following is a summary of changes in workers' compensation claims payable for the years ended June 30, 2016 and 2015, including the current and long-term portions at year-end.

	Fiscal Year Ended	
	June 30, 2016	June 30, 2015
Unpaid claims at beginning of fiscal year	$62,372,690	$56,789,859
Incurred claims (including IBNR's)	6,716,066	12,026,082
Claim payments	(7,892,111)	(6,443,251)
Unpaid claims at end of fiscal year	$61,196,645	$62,372,690
Current portion	$ 7,743,304	$ 7,076,667
Long-term portion	53,453,341	55,296,023
Unpaid claims at end of fiscal year	$61,196,645	$62,372,690
Confidence level at end of fiscal year	50%	50%

Because of the long-term nature of this liability, it is excluded from the OCFA's governmental fund financial statements under the modified accrual basis of accounting. However, OCFA has established a fund balance assignment for workers' compensation in the General Fund in the amount of $73,720,054. This assignment reflects the cumulative difference for multiple years between actual expenditures and budgeted costs, which are based on the annual actuarial valuation. Actual expenditures for workers' compensation cases often occur over multiple years, attributing to the cumulative difference between budgeted costs and expenditures.

(21) Retirement Plan for Full-Time Employees

(a) General Information about the Plan

Plan Description and Administration

OCFA participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer, defined benefit pension plan for the County of Orange, the City of San Juan Capistrano, and thirteen other agencies – Orange County Cemetery District; Orange County Children and Families Commission; Orange County Department of Education; Orange County Employees Retirement System; Orange County Fire Authority (OCFA); Orange County In-Home Supportive Services Public Authority; Orange County Local Agency Formation Commission; Orange County Public Law Library; Orange County Sanitation District; Superior Court of California; Orange County Transportation Authority; Transportation Corridor Agencies; and the University of California, Irvine Medical Center and Campus. The Orange County Department of Education and the University of California, Irvine Medical Center and Campus are closed to new member participation and only the latter has remaining active employees. Capistrano Beach, Cypress Recreation & Parks District, Orange County Vector Control District, and the City of Rancho Santa Margarita are no longer active plan sponsors, but retired members and their beneficiaries, as well as deferred members, remain in the OCERS system. OCERS is legally and fiscally independent of the County of Orange.

OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937. OCERS is governed by a ten-member Board of Retirement, including nine voting members and one alternate member. Board membership consists of four members appointed by the County of Orange Board of Supervisors and five members elected by the members of the pension system – two by the general members, two by the safety members (one voting and one alternate), and one by the retired members. The County of Orange Treasurer-Tax Collector, who is elected by the voters registered in the county, serves as an ex-officio member.

OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by OCERS. The report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

Benefits Provided

OCERS provides retirement, disability, and death benefits to general and safety members. Safety membership includes those members serving in active law enforcement, fire suppression, and as probation officers. General membership applies to all other occupations. Plan retirement benefits are tiered based upon date of OCERS membership. Tier I members were hired prior to September 21, 1979, and use their highest one-year average salary to determine their retirement allowance. Tier II members were hired after September 21, 1979, and use their highest three-year average salary to determine their retirement allowance. Member rate groups are determined by employer, bargaining unit, and benefit plan. The benefit plan represents the benefit formula and tier that will be used in calculating a retirement benefit. All regular employees scheduled to work twenty hours or more per week become members of the plan upon commencing employment with one of OCERS' plan sponsors, with the exception of a provision adopted in 2014 that allows new members over the age of 65 to opt out of the plan. Active members are vested in OCERS upon accumulating five years of accredited service or attaining the age of 70.

On September 12, 2012, California Governor Brown signed Assembly Bill 340, which created the California Public Employees' Pension Reform Act of 2012 (PEPRA) and amended sections of the 1937 Act under which OCERS operates. The law created a benefit tier for new employees entering public agency employment and public retirement system membership, effective January 1, 2013. One of the many changes brought about by PEPRA involved new retirement formulas for newly hired employees who do not establish reciprocity with OCERS. Another change brought about by PEPRA requires employees who do not establish reciprocity to pay 50% of the normal retirement costs from the beginning of their employment.

In general, the retirement benefits received by members are determined by plan formula, age at retirement, years of service, and final average salary. Members are entitled to receive a retirement allowance upon reaching the following years of service and age criteria:

Years of Service Credit	Eligible Age
10 or more	Age 50
5 or more (PEPRA Members)	Age 52
30 or more (General Members)	Any age
20 or more (Safety Members)	Any age
5 or more, and at least 10 years of active employment with a sponsoring agency covered by OCERS (Part-time Members)	Age 55
Any	Age 70

The provisions and benefits provided by OCFA to its safety and general members as of June 30, 2016 are summarized below:

Benefits Provided to Safety Members					
			Representation / Bargaining Unit / Employee Hire Date		
			Orange County Professional Firefighters Association	Orange County Fire Authority Chief Officers Association	Unrepresented
Plan	Tier	Benefit Formula	Firefighter Unit	Fire Management Unit	Executive Management in Safety Positions
E	I	3.0% at 50	Prior to 7/1/2012	Prior to 7/1/2012	Prior to 7/1/2011
F	II	3.0% at 50	Prior to 7/1/2012	Prior to 7/1/2012	Prior to 7/1/2011
R	II	3.0% at 55	On or After 7/1/2012 (with reciprocity)	On or After 7/1/2012 (with reciprocity)	On or After 7/1/2011 (with reciprocity)
V	II	2.7% at 57 (PEPRA)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)

Benefits Provided to General Members					
			Representation / Bargaining Unit / Employee Hire Date		
			Orange County Employees Association	Orange County Fire Authority Management Association	Unrepresented
Plan	Tier	Benefit Formula	General and Supervisory Management	Administrative Management	Executive Management in General Positions
I	I	2.7% at 55	Prior to 7/1/2011	Prior to 12/1/2012	Prior to 12/1/2012
J	II	2.7% at 55	Prior to 7/1/2011	Prior to 12/1/2012	Prior to 12/1/2012
N	II	2.0% at 55	On or After 7/1/2011 (with reciprocity)	On or After 12/1/2012 (with reciprocity)	On or After 12/1/2012 (with reciprocity)
U	II	2.5% at 67 (PEPRA)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)

<u>*Contributions*</u>

Each year, an actuarial valuation is performed for OCERS to determine funding contributions for each agency member within their assigned rate group and plan on an actuarial basis. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability (UAAL). The table below summarizes OCFA's required employer contribution rates and employee rates (paid by OCFA) for the year ended June 30, 2016:

				Employer Contribution Rates			Employee Contribution Rates (See Below)
Category	Plan	Tier	Benefit Formula	Normal Cost	UAAL	Total	
Safety	E	I	3.0% at 50	25.86%	24.14%	50.00%	9.70% - 13.74%
Safety	F	II	3.0% at 50	25.86%	24.14%	50.00%	13.32% - 19.75%
Safety	R	II	3.0% at 55	21.70%	24.14%	45.84%	12.72% - 18.86%
Safety	V	II	2.7% at 57 (PEPRA)	16.85%	24.14%	40.99%	13.22% - 21.71%
General	I	I	2.7% at 55	14.06%	23.34%	37.40%	10.46% - 16.32%
General	J	II	2.7% at 55	14.06%	23.34%	37.40%	9.99% - 16.32%
General	N	II	2.0% at 55	14.15%	23.34%	37.49%	7.59% - 13.32%
General	U	II	2.5% at 67 (PEPRA)	9.71%	23.34%	33.05%	7.73% - 13.10%

Employees in each unit have agreed through their respective Memorandums of Understanding or Personnel and Salary Resolution to pay their full employee share of retirement costs, with those employee payments being phased in over three to four years. The retirement payment is deducted from the employee's compensation earnable and continues throughout the employee's entire term of employment with OCFA.

Employee contribution rates vary depending on the individual employee's hire date and unit, and are summarized below for the year ended June 30, 2016.

Employee Hire Date	Benefit Formula	Employee Contribution Rate
Safety – Firefighter Unit		
Prior to 1/1/2011	3.0% at 50	11.0% as of 11/14/2014*
1/1/2011 - 6/30/2012	3.0% at 50	11.0% as of 11/14/2014
On or After 7/1/2012 (with reciprocity)	3.0% at 55	
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
Safety – Firefighter Management Unit		
Prior to 1/1/2011	3.0% at 50	9.0% as of 2/7/2014**
1/1/2011 - 6/30/2012	3.0% at 50	9.0% as of 1/1/2011
On or After 7/1/2012 (with reciprocity)	3.0% at 55	9.0% as of 7/1/2012
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
Safety – Executive Management		
Prior to 7/1/2011	3.0% at 50	11.0% as of 3/6/2015** 13.5% as of 3/4/2016**
On or After 7/1/2011 (with reciprocity)	3.0% at 55	
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
General – General and Supervisory Management		
Prior to 7/1/2011	2.7% at 55	9.0% as of 7/1/2014 11.0% as of 3/7/2015** 13.5% as of 3/6/2016**
On or After 7/1/2011 (with reciprocity)	2.0% at 55	
On or After 1/1/2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost
General – Administrative Management		
Prior to 12/1/2012	2.7% at 55	9.0% as of 2/6/2015 12.25% as of 7/10/2015** 14.25% as of 1/8/2016**
On or After 12/1/2012 (with reciprocity)	2.0% at 55	9.0% as of 12/1/2012 12.25% as of 7/10/2015** 14.25% as of 1/8/2016**
On or After 1/1/2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost
General – Executive Management		
Prior to 12/1/2012	2.7% at 55	11.0% as of 3/6/2015** 13.5% as of 3/4/2016**
On or After 12/1/2012 (with reciprocity)	2.0% at 55	
On or After 1/1//2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost

* *Consists of a 9.0% employee payroll deduction and a 2.0% Healthcare Converted Retirement Contribution credit for savings obtained as a result of modifications to the OCPFA Health Plan Agreement.*

*** Capped at maximum employee contribution*

For the year ended June 30, 2016, employer and employee contributions remitted to OCERS were as follows:

	Employer Contributions	Employee Contributions	Total Contributions
Contributions paid by OCFA	$78,708,605	$ 4,018,311	$82,726,916
Contributions paid by employees	-	12,867,971	12,867,971
Contributions remitted to OCERS	$78,708,605	$16,886,282	$95,594,887

(b) Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

OCFA's net pension liability with OCERS is measured as the proportionate share of the net pension liability. The net pension liability of each member agency is measured as of December 31, 2015, and the total pension liability for each member agency used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, rolled forward to December 31, 2015, using standard update procedures. OCFA's proportion of the net pension liability was based on a projection of OCFA's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. OCFA's proportionate share of the total OCERS net pension liability as of June 30, 2015 and 2016 was as follows:

	OCFA's Proportionate Share of the Total OCERS Net Pension Liability					
	At June 30, 2015		Increase (Decrease)		At June 30, 2016	
Member Type	Amount	%	Amount	%	Amount	%
Safety	$404,329,372	8.0%	$45,142,651	(0.1%)	$449,472,023	7.9%
General	62,638,951	1.2%	5,558,832	0.0%	68,197,783	1.2%
Total	$466,968,323	9.2%	$50,701,483	(0.1%)	$517,669,806	9.1%

For the year ended June 30 2016, OCFA recognized pension expense of $94,784,899. At June 30, 2016, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience in the Total Pension Liability	$ -	$ (32,777,639)
Changes in assumptions	24,322,360	(3,041,794)
Net differences between projected and actual earnings on plan investments	83,874,144	-
	108,196,504	(35,819,433)
Employer contributions subsequent to measurement date	30,809,000	-
Total	$139,005,504	$(35,819,433)

Deferred outflows of resources related to contributions subsequent to the measurement date totaling $30,809,000 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will also be recognized as an adjustment to pension expense as follows:

Year Ended June 30	Amount
2017	$20,387,946
2018	20,387,946
2019	20,387,943
2020	14,824,361
2021	(3,389,107)
2022	(222,018)
Total	$72,377,071

(c) Actuarial Assumptions

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

	Safety	General
Valuation Date	December 31, 2014	
Measurement Date	December 31, 2015, rolled forward on an actuarial basis	
Actuarial Cost Method	Entry age normal	
Actuarial Assumptions:		
• Discount rate	7.25%	
• Inflation	3.00%	
• Investment rate of return	7.25%, net of pension plan investment expense, including inflation	
• Salary increases	"Across the board" real salary increases of 0.50% per year	

	Safety	General
• Mortality:		
o Healthy	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.
o Disabled	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set forward six years for males and set forward three years for females.
o Beneficiaries	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement.	
o Employee Contribution Rates	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years weighted 80% male and 20% female.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 40% male and 60% female.

The mortality tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience by OCERS, as of December 31, 2015.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25% as of December 31, 2015, and December 31, 2014. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both December 31, 2015, and December 31, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation (approved by the OCERS Retirement Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	14.90%	5.92%
Small/Mid Cap U.S. Equity	2.73%	6.49%
Developed International Equity	10.88%	6.90%
Emerging International Equity	6.49%	8.34%
Core Bonds	10.00%	0.73%
Global Bonds	2.00%	0.30%
Emerging Market Debt	3.00%	4.00%
Real Estate	10.00%	4.96%
Diversified Credit (U.S. Credit)	8.00%	4.97%
Diversified Credit (Non-U.S. Credit)	2.00%	6.76%
Hedge Funds	7.00%	4.13%
GTAA	7.00%	4.22%
Real Return	10.00%	5.86%
Private Equity	6.00%	9.60%
Total	100.00%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents OCFA's proportionate share of the net pension liability with OCERS, calculated using the discount rate of 7.25%, as well as what OCFA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Total proportionate share of net pension liability	$749,396,258	$517,669,806	$326,999,958

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OCERS financial report.

(22) Retirement Plan for Part-Time Employees

(a) General Information about the Plan

Plan Description and Administration

OCFA administers the Extra Help Retirement Plan (Plan), a single-employer defined benefit pension plan that provides retirement benefits for its less than half-time and extra help employees. The Plan was established on January 1, 1997, and is accounted for in the Extra Help Retirement Plan fiduciary fund. The Board establishes and amends all Plan provisions, and has the authority to change contribution rates and investment types. A separate, audited pension plan report is not available.

Benefits Provided

The Plan provides retirement benefits in the form of a lifetime annuity. Retirement benefits for Plan members are calculated at the rate of 2% of career earnings during the first thirty years of credited service. Upon retirement, participants are eligible to receive their benefit either as a lump sum payment or as a monthly payment. If employment with OCFA is terminated prior to retirement and the value of the employee's contributions with interest is $3,500 or less, the employee may receive an immediate lump sum distribution in lieu of any future benefits payable under the Plan. If the value of the terminated employee's contributions with interest exceeds $3,500, the employee may elect to receive a lump sum distribution or leave the contributions on deposit until he or she reaches retirement age.

During the year ended June 30, 2016, lump sum distributions totaling $10,642 were made to thirty-three participants. Currently, there are no participants collecting retirement benefits.

Plan Membership

As of June 30, 2016, Plan membership consisted of the following:

	Balance as of June 30, 2016		
Plan Members (or Beneficiaries)	$3,500 or Less	More than $3,500	Total
Inactive; currently receiving benefits	-	-	-
Inactive; entitled to but not yet receiving benefits	43	4	47
Active	17	-	17
Total plan members	60	4	64

Contributions

All eligible half-time and extra help employees hired on or after January 1, 1997, are required to contribute a percentage of compensation corresponding to an age-based table included in the Plan. Age is determined as attained age on every January 1. Employee contributions rates range from 2.5% to 7.5% based on age. After 30 years of credited service, OCFA is responsible for the employee's Plan contributions.

Employee contributions are credited with 5% interest compounded semi-annually. Any interest earnings credited to the Plan in excess of actual investment earnings are reported as employer contributions.

During the year ended June 30, 2016, employee and employer contributions totaled $8,923 and $2,267, respectively.

(b) Investments

Method Used to Value Investments

Investments are reported at fair value.

Investment Policy

Contributions are deposited into the OCFA's Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is functionally equivalent to a non-SEC regulated government mutual fund invested in fixed income debt securities. LAIF is overseen by the Local Agency Investment Advisory Board which consists of five members, in accordance with State statute.

Concentrations

All Plan assets are invested in the Local Agency Investment Fund, which is reported at fair value of the pool shares.

(c) Net Pension Liability

Net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The Plan's net pension liability is measured as of June 30, 2016, using an actuarial valuation as of January 1, 2016, rolled forward to June 30, 2016 using standard update procedures. A summary of components of the Plan's net pension liability as of June 30, 2016, is shown below, followed by principal assumptions and methods used to determine the net pension liability.

Total pension liability	$238,489
Plan fiduciary net position	(74,798)
Net pension liability	$163,691
Plan fiduciary net position as a % of total pension liability	31.4%

Actuarial Assumptions

Actuarial calculations reflect a long-term perspective. Calculations are based on the benefits provided under the terms of the Plan in effect at the time of each valuation and on the pattern of sharing of costs between the OCFA and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	January 1, 2016
Measurement Date	June 30, 2016, rolled forward on an actuarial basis
Actuarial Cost Method	Entry age normal
Actuarial Assumptions: • Discount rate • Inflation • Salary increases • Investment rate of return • Mortality	 2.90%, net of pension investment expense, including inflation 2.75% 3.00%, including merit, seniority, and inflation Annual salary for the current year is assumed to be equal to the average annual salary over the last 3 years. 2.90% RP-2000 mortality table for combined healthy participants to 2016 for mortality according to Scale BB
Experience study	Given the size of the plan, there was not enough data available to conduct a credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions.
Form of payment	Participants who have 5 years or less of credited service or have a contribution balance less than or equal to $3,500 are assumed to take an immediate lump sum upon termination or retirement. Participants who have worked more than 5 years or have attained age 55 are assumed to commence a modified cash refund annuity starting at age 65.
Retirement	100% retirement at age 65
Termination	Service — Rate 0 years — 30% 1-3 years — 50% 4 years — 25% 5+ years — 5%
Plan Assets	The employee contributions are deposited into the Authority's LAIF account. The LAIF account is managed by the State Treasurer's Office and is invested in fixed income securities. Quoted market value was used as the fair value of assets.

<u>*Discount Rate*</u>

The discount rate used to measure the total pension liability was 2.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(d) Changes in the Net Pension Liability

Changes in the Plan's net pension liability for the year were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
Balance at June 30, 2015	$313,389	$73,031	$240,358
Changes in the year:			
Service cost	8,331	-	8,331
Interest	11,865	-	11,865
Difference between actual and expected experience	(131,777)	-	(131,777)
Changes of assumptions	47,323	-	47,323
Contributions – employer	-	2,267	(2,267)
Contributions – plan members	-	8,923	(8,923)
Net investment income	-	1,219	(1,219)
Benefit payments, including refunds of employee contributions	(10,642)	(10,642)	-
Net changes	(74,900)	1,767	(76,667)
Balance at June 30, 2016	$238,489	$74,798	$163,691

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 2.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.90%) or one percentage point higher (3.90%) than the current rate:

	1% Decrease (1.90%)	Current Discount Rate (2.90%)	1% Increase (3.90%)
Net pension liability	$233,522	$163,691	$112,652

Pension Plan Fiduciary Net Position

As previously mentioned, the Plan does not issue a separate stand-alone financial report. More detailed information on the Plan's fiduciary net position is presented on pages 43 and 44 of this report.

(e) Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30 2016, OCFA recognized pension expense of $(15,017). At June 30, 2016, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience in the Total Pension Liability	$ -	$(92,134)
Changes in assumptions	31,549	-
Net differences between projected and actual earnings on plan investments	1,224	-
	32,773	(92,134)
Employer contributions subsequent to measurement date	2,267	-
Total	$35,040	$(92,134)

Deferred outflows of resources related to contributions subsequent to the measurement date totaling $2,267 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will also be recognized as an adjustment to pension expense as follows:

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Amount
2017	$16,080	$(48,209)	$(32,129)
2018	16,081	(43,925)	(27,844)
2019	306	-	306
2020	306	-	306
Total	$32,773	$(92,134)	$(59,361)

(23) Defined Benefit Retiree Medical Plan – Other Post-Employment Benefits (OPEB)

(a) Plan Description

OCFA provides a post-employment Retiree Medical Plan (Plan), a single-employer defined benefit plan, for its full-time employees hired prior to January 1, 2007. The Plan, which was established on January 1, 1997, and amended on September 28, 2006, provides a monthly grant toward the cost of retirees' health insurance coverage. The Board establishes and amends all Plan provisions through negotiations with labor bargaining units.

The Plan's assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are administered by the Orange County Employees Retirement System (OCERS). Funds are held in a trust account established pursuant to Section 401(h) of the Internal Revenue Code and are held separate from the assets of the OCERS retirement system, except for investment purposes. A publicly available financial report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

Prior to the amendment on September 28, 2006, all Plan activity was accounted for in OCFA's Retiree Medical Fund. Thereafter, plan assets were remitted to OCERS and are no longer reported in the OCFA's financial statements.

All retirees and full-time employees hired prior to January 1, 2007, are eligible to participate in the Plan. Following is a schedule of active Plan participants (excluding any terminated/declined participants) as of June 30 for the current and previous two fiscal years.

As of June 30	Active Employees	Current Retirees and Surviving Spouses	Current Deferred Retirees	Active Plan Participants
2014	697	574	3	1,274
2015	642	624	3	1,269
2016	602	654	3	1,259

(b) Funding Policy

Current, active employees are required to contribute 4% of their pay through payroll deductions to the OCFA. (Prior to September 28, 2006, the required contribution rate was 1% of pay.) OCFA may also periodically remit Plan contributions to the trust administered by OCERS in amounts authorized to be contributed by the Board of Directors.

(c) Benefits

Participating employees who are credited with at least one year of service are eligible to receive Plan benefits upon retirement. A participating employee who terminates employment with the OCFA for reasons other than retirement is eligible to begin receiving Plan benefits at age 55. Participants must be covered under a qualified health plan, Medicare, or a recognized health insurance plan.

The amount of the monthly grant is based on years of credited service and is applied as a credit towards the cost of the retiree's monthly medical insurance premium. For the year ended June 30, 2016, there were 654 eligible retirees and surviving spouses who received monthly benefits aggregating to an annual total of $4,307,015. In addition, there were four deferred retirees who received benefits directly from the OCFA during Fiscal Year 2015/16 totaling $6,790.

(d) Annual OPEB Cost and Net OPEB Obligation/Asset

OCFA's Annual OPEB Cost is equal to the annual required contribution to the Plan, plus an adjustment for the cumulative difference between the Annual OPEB Cost and the OCFA's actual contributions for the year. The cumulative difference is called the Net OPEB Obligation (NOPEBO) (or a Net OPEB Asset if annual required contributions are over-funded). For the year ended June 30, 2016, OCFA's annual OPEB cost was $13,550,385, as determined by an actuarial valuation with a measurement date as of July 1, 2014, and was calculated as follows:

Annual Required Contribution (ARC)	$15,161,649
Interest on the Net OPEB Obligation (NOPEBO)	2,877,656
Actuary's adjustment on the ARC	(4,488,920)
Annual OPEB Cost	$13,550,385

During the year ended June 30, 2016, actual contributions totaled $4,460,115 resulting in an increase to the NOPEBO of $9,090,270 (the difference between the Annual OPEB Cost and actual contributions). The outstanding balance of the NOPEBO as of June 30, 2016, was $66,643,396. Following is a schedule of employer contributions, as well as a calculation of OCFA's Net OPEB Asset (Obligation) for the current and previous two fiscal years.

FYE June 30	Annual OPEB Cost	Actual Contributions	% of Annual OPEB Cost Contributed	Net Increase to Net OPEB Obligation	Cumulative Net OPEB Obligation at June 30
2014	$14,461,381	$4,693,202	32.45%	$9,768,179	$48,085,317
2015	13,704,972	4,237,163	30.92%	9,467,809	57,553,126
2016	13,550,385	4,460,115	32.92%	9,090,270	66,643,396

The Annual OPEB Cost includes an implicit subsidy for safety members under the age of 65. Accordingly, the Actual Contributions also include implicit insurance for the current and previous two fiscal years:

	2016	2015	2014
Amounts irrevocably transferred to OCERS trust:			
Active employees	$2,454,900	$2,601,233	$2,758,828
Retirees and other plan members	939,826	714,338	723,690
Subtotal	3,394,726	3,315,571	3,482,518
Implicit insurance premiums paid on behalf of retirees	1,058,599	916,573	1,205,520
Amounts paid directly to retirees	6,790	5,019	5,164
Total actual contributions	$4,460,115	$4,237,163	$4,693,202

(e) Funded Status and Funding Progress

The following schedule of funding progress shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. A required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

As of July 1	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/c UAAL as a % of Covered Payroll
2010	$21,549,574	$147,709,326	$126,159,752	14.59%	$81,391,495	155.00%
2012	28,910,090	156,623,184	127,713,094	18.46%	75,432,000	169.31%
2014	36,945,371	179,056,290	142,110,919	20.63%	66,021,000	215.25%

(f) Actuarial Methods and Assumptions

Actuarial calculations reflect a long-term perspective. Calculations are based on the benefits provided under the terms of the Plan in effect at the time of each valuation and on the pattern of sharing of costs between the OCFA and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The funded status of the Plan and the annual required contributions are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The annual required contribution for the year ended June 30, 2016, was determined by an actuarial valuation of the Plan dated July 1, 2014. Unfunded liabilities are amortized over a closed period ending June 30, 2036. The principle assumptions and methods used to determine the annual required contribution were as follows:

Valuation date	July 1, 2014
Actuarial cost method	Entry age normal
Amortization method	30 years beginning July 1, 2006, closed, level dollar
Remaining amortization period	22 years as of July 1, 2014
Asset valuation method	Market value
Actuarial assumptions:	
• Asset rate of return	7.25%
• Discount rate	5.0%, blended using a short-term rate of 4.25% for portion of expected benefits not expected to be paid from contributions and return on assets
• Projected salary increases	N/A
• Wage inflation	3.25%
• Medical trend rates	5.00% - 7.75%
• Increase in retiree medical grant	5.0%
Plan membership:	
• Current retirees and surviving spouses	573
• Current active members	697
• Terminated participants entitled but not yet eligible	13
• Declined	14

(24) Retiree Defined Contribution Healthcare Expense Reimbursement Plan

On September 28, 2006, OCFA created the Orange County Fire Authority Retiree Defined Contribution Healthcare Expense Reimbursement Plan (Plan), an employer-sponsored defined contribution benefit plan. The Plan, which became effective January 1, 2007, provides for the reimbursement of medical, dental, and other healthcare expenses of retirees. The Board establishes and amends all Plan provisions in conjunction with its negotiated labor contracts and is subject to all applicable requirements of the Myers-Milias-Brown Act and any other applicable law. Plan assets are held in trust and administered by Select Account.

All active, full-time employees who became employed by the OCFA on or after January 1, 2007, are required to contribute 4% of their gross pay through payroll deductions to the OCFA. All contributions, investment income, realized and unrealized gains and losses are credited to individual recordkeeping accounts maintained in the name of each Plan participant. Account assets are invested as directed by the participant from among investment funds selected by the OCFA. Participants are eligible to receive Plan benefits upon reaching retirement age, including those who terminate employment with the OCFA for reasons other than retirement. Required and actual employee contributions totaled $1,957,913 for the year ended June 30, 2016.

(25) Short-term Debt

On July 1, 2015, OCFA issued $36,260,000 of 2015-2016 Tax and Revenue Anticipation Notes (TRAN) at an interest rate of 2.00%, for the purpose of financing seasonal cash flow requirements for General Fund expenditures during the fiscal year ending June 30, 2016. The TRAN, plus accrued interest in the amount of $723,186, was repaid on June 30, 2016. Short-term debt activity pertaining to the TRAN was as follows for the year ended June 30, 2016:

	Beginning Balance	Additions	Payments	Ending Balance
Principal	$ -	$36,260,000	$(36,260,000)	$ -
Accrued interest	-	723,186	(723,186)	-
Total	$ -	$36,983,186	$(36,983,186)	$ -

Required Supplementary Information

Firefighter Academy 42 Graduation - May 2016

Required Supplementary Information

OCERS Retirement Plan
OCFA participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer, defined benefit pension plan that provides retirement, disability, and death benefits to general and safety members.

Extra Help Retirement Plan
OCFA administers a single-employer, defined benefit pension plan that provides retirement benefits for OCFA's less than half-time and extra help employees. Plan assets are accounted for in the Extra Help Retirement fiduciary fund.

Retiree Medical Plan
OCFA provides a single-employer, defined benefit plan for OCFA's full-time employees hired prior to January 1, 2007, which provides a monthly grant toward the cost of retirees' health insurance coverage. Plan assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are administered by the Orange County Employees Retirement System (OCERS).

Orange County Fire Authority Safety Message

Smoke Alarms
(Part 2 of 3)

(Continued from Page 46)

Almost two-thirds of all home fire deaths occur in homes with no working smoke alarm. Protect your family by installing smoke alarms, inspecting them regularly, and practicing home fire drills.

Inspect

- ✓ Test all smoke alarms once a month. Press the test button to be sure the alarm is working.
- ✓ Follow the manufacturer's instructions for cleaning to keep smoke alarms working well.

(Continued on Page 107)

ORANGE COUNTY FIRE AUTHORITY

OCERS Retirement Plan
A Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last Ten Fiscal Years (A)

Schedule of OCFA's Proportionate Share of the Net Pension Liability

	Fiscal Year Ended		
	June 30, 2014	June 30, 2015	June 30, 2016
OCFA's proportion of the net pension liability	8.37%	9.19%	9.06%
OCFA's proportionate share of the net pension liability	$ 442,651,348	$ 466,968,323	$ 517,669,806
OCFA's covered payroll	$ 129,689,221	$ 129,187,729	$ 129,452,647
OCFA's proportionate share of the net pension liability as a percentage of covered payroll	341.32%	361.46%	399.89%
OCFA's proportionate share of plan fiduciary net position as a percentage of proportionate share of the total pension liability	69.66%	70.35%	68.90%
Plan's fiduciary net position	$ 10,821,318,000	$ 11,536,106,000	$ 11,657,318,000
Plan's fiduciary net position as a percentage of the total pension liability	67.16%	69.42%	67.10%

Notes to Schedule:

(A) Fiscal year ended June 30, 2015 was the first year of implementation; therefore only three years of data are available for presentation. Other years will be added as they become available

ORANGE COUNTY FIRE AUTHORITY

OCERS Retirement Plan
A Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last Ten Fiscal Years

Schedule of Contributions

	Fiscal Year Ended			
	June 30, 2007	**June 30, 2008**	**June 30, 2009**	**June 30, 2010**
Required contributions (actuarially determined)	$ 33,753,068	$ 35,709,526	$ 37,183,082	$ 42,331,507
Actual contributions	33,753,068	35,709,526	37,183,082	42,331,507
Contribution excess (deficiency)	$ -	$ -	$ -	$ -
Covered payroll	$ 95,823,423	$ 100,313,038	$ 104,571,731	$ 106,718,627
Actual contributions as a percentage of covered payroll	35.22%	35.60%	35.56%	39.67%
Notes to Schedule:				
Valuation dates (D)	12/31/2004	12/31/2005	12/31/2006	12/31/2007
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Assumed payroll growth	3.50%	3.50%	3.50%	3.50%
Remaining amortization period:				
Closed amortization of balance	30 years	29 years	28 years	27 years
As of	12/31/2004	12/31/2004	12/31/2004	12/31/2004
Asset valuation method	Market value	Market value	Market value	Market value
Investment rate of return	7.75%	7.75%	7.75%	7.75%
Inflation	3.50%	3.50%	3.50%	3.50%
Real salary increases	0.00%	0.00%	0.00%	0.00%
Projected salary increases:				
Safety	3.50%-9.50%	3.50%-9.50%	3.50%-9.50%	4.50%-13.50%
General	4.10%-10.50%	4.10%-10.50%	4.10%-10.50%	4.50%-11.50%
Cost of living adjustments	3.00%	3.00%	3.00%	3.00%
Retirement age	50-70 years	50-70 years	50-70 years	50-70 years
Mortality	(B)	(B)	(B)	(C)

(A) 1983 Group Annuity Table

(B) 1994 Group Annuity Mortality Table

(C) RP-2000 Combined Healthy Mortality Table

(D) Rates are effective 18 months after the valuation date for the fiscal year that begins July 1.

June 30, 2011	**June 30, 2012**	**June 30, 2013**	**June 30, 2014**	**June 30, 2015**	**June 30, 2016**
$ 45,543,856	$ 55,756,764	$ 61,206,670	$ 57,795,043	$ 66,186,858	$ 67,315,414
45,543,856	55,756,764	61,206,670	63,030,796	87,563,156	82,726,916
$ -	$ -	$ -	$ 5,235,753	$ 21,376,298	$ 15,411,502
$ 107,268,263	$ 111,444,130	$ 128,121,447	$ 125,869,628	$ 128,215,528	$ 132,248,620
42.46%	50.03%	47.77%	50.08%	68.29%	62.55%
12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
3.50%	3.50%	3.50%	3.75%	3.75%	3.75%
26 years	25 years	24 years	23 years	22 years	20 years
12/31/2004	12/31/2004	12/31/2004	12/31/2004	12/31/2004	12/31/2012
Market value	Market value	Market value	Market value	Market value	Market value
7.75%	7.75%	7.75%	7.75%	7.25%	7.25%
3.50%	3.50%	3.50%	3.50%	3.25%	3.25%
0.00%	0.00%	0.00%	0.25%	0.50%	0.50%
4.50%-13.50%	4.50%-13.50%	4.50%-13.50%	4.75%-17.75%	4.75%-17.75%	4.75%-17.75%
4.50%-11.50%	4.50%-11.50%	4.50%-11.50%	4.75%-13.75%	4.75%-13.75%	4.75%-13.75%
3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
50-70 years	50-70 years	50-70 years	50-75 years	50-75 years	49-75 years
(C)	(C)	(C)	(C)	(C)	(C)

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2016
For the Last Ten Fiscal Years (A)

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ended		
	June 30, 2014	**June 30, 2015**	**June 30, 2016**
Total pension liability:			
Service cost	$ 8,030	$ -	$ 8,331
Interest	11,484	-	11,865
Differences between expected and actual experience	(3,269)	9,728	(131,777)
Changes of assumptions	-	-	47,323
Benefit payments, including refunds of member contributions	(8,676)	(6,459)	(10,642)
Net change in total pension liability	**7,569**	**3,269**	**(74,900)**
Total pension liability - beginning	302,551	310,120	313,389
Total pension liability - ending (a)	**310,120**	**313,389**	**238,489**
Plan fiduciary net position:			
Contributions - employer	2,117	2,481	2,267
Contributions - plan members	13,542	11,831	8,923
Net investment income	586	714	1,219
Benefit payments, including refunds of member contributions	(8,676)	(6,459)	(10,642)
Net change in plan fiduciary net position	**7,569**	**8,567**	**1,767**
Total pension net position - beginning	56,895	64,464	73,031
Total pension net position - ending (b)	**64,464**	**73,031**	**74,798**
Net pension liability - ending (a - b)	**$ 245,656**	**$ 240,358**	**$ 163,691**
Plan fiduciary net position as a % of the total pension liability	20.79%	23.30%	31.36%
Covered payroll	$ 205,340	$ 205,340	$ 108,526
Net pension liability as a % of covered payroll	119.63%	117.05%	150.83%
Employer contributions:			
Required and actual contributions	$ 2,117	$ 2,481	$ 2,267
Actual contributions as a % of required contributions	100.00%	100.00%	100.00%

Notes to Schedule:

(A) GASB Statements No. 67 and No. 68 were implemented during Fiscal Year 2013/14 and Fiscal Year 2014/15, respectively. Additional years will be added to this schedule as they become available in the future.

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last Three Actuarial Valuations (A)

Schedule of Funding Progress

	Actuarial Valuation Dated January 1, 2014	Actuarial Valuation Dated January 1, 2016
Total pension liability	$ 313,389	$ 238,489
Total pension net position	64,464	74,798
Net pension liability (NPL)	$ 248,925	$ 163,691
Funded ratio	20.57%	31.36%
Covered payroll	$ 205,340	$ 108,526
NPL as a percentage of covered payroll	121.23%	150.83%

Notes to Schedule:

	Actuarial Valuation Dated January 1, 2014	Actuarial Valuation Dated January 1, 2016
Changes in size or composition of plan members:		
Inactive; currently receiving benefits	-	-
Inactive; entitled to but not yet receiving benefits	10	49
Active	53	19
Total plan members	63	68
Change in assumptions:		
Discount rate	3.75%	2.90%
Inflation	3.00%	2.75%

(A) GASB Statements No. 67 and No. 68 were implemented during Fiscal Year 2013/14 and Fiscal Year 2014/15, respectively. The actuarial valuation dated January 1, 2014, was the first actuarial valuation completed for the plan. Additional years will be added to this schedule as they become available in the future.

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2016
For the Last Ten Fiscal Years (A)

Schedule of Investment Returns

	Fiscal Year Ended		
	June 30, 2014	June 30, 2015	June 30, 2016
Annual money-weighted rate of return, net of investment expense	0.97%	1.24%	1.66%

Notes to Schedule:

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during Fiscal Year 2013/14. Additional years will be added as they become available in the future.

(B) OCFA also reports the OCERS Retirement Plan, a cost-sharing, multiple-employer defined benefit pension plan. OCERS issues a publicly available financial report that includes ten-year information regarding that Plan's money-weighted rate of return on pension plan investments. The separate OCERS report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

ORANGE COUNTY FIRE AUTHORITY

Retiree Medical Plan
A Single-Employer Defined Benefit Plan
As of June 30, 2016
Last Three Actuarial Valuations

Schedule of Funding Progress

	Actuarial Valuation Dated		
	July 1, 2010	**July 1, 2012**	**July 1, 2014**
Entry age actuarial accrued liability (AAL)	$147,709,326	$156,623,184	$179,056,290
Actuarial value of assets	21,549,574	28,910,090	36,945,371
Unfunded AAL (UAAL)	$ 126,159,752	$ 127,713,094	$ 142,110,919
Funded ratio	14.59%	18.46%	20.63%
Covered payroll	$ 81,391,495	$ 75,432,000	$ 66,021,000
UAAL as a percentage of covered payroll	155.00%	169.31%	215.25%

Notes to Schedule:

	Actuarial Valuation Dated		
	July 1, 2010	July 1, 2012	July 1, 2014
Changes in size or composition of plan members:			
Current retirees and surviving spouses	388	471	573
Current active members	896	804	697
Terminated participants entitled but not yet eligible	5	9	13
Declined	n/a	13	14
	1,289	1,297	1,297

ORANGE COUNTY FIRE AUTHORITY

Retiree Medical Plan
A Single-Employer Defined Benefit Plan
As of June 30, 2016
Last Three Fiscal Years

Schedule of Contributions from the Employer and Other Contributing Entities

	Fiscal Year Ended		
	June 30, 2014	**June 30, 2015**	**June 30, 2016**
Annual required contribution (ARC)	$14,560,117	$14,953,772	$15,161,649
Interest on Net OPEB Obligation (NOPEBO)	2,135,737	2,404,266	2,877,656
Actuary's adjustment on the ARC	(2,234,473)	(3,653,066)	(4,488,920)
Annual OPEB cost	$14,461,381	$13,704,972	$13,550,385
Actual contributions	4,693,202	4,237,163	4,460,115
Net increase to Net OPEB obligation	$ 9,768,179	$ 9,467,809	$ 9,090,270
Actual contributions as a percentage of ARC	32.23%	28.34%	29.42%

Notes to Schedule:

Changes in assumptions: The discount rate changed per the table below.

	Actuarial Valuation Dated		
	July 1, 2012	July 1, 2014	July 1, 2014
Discount rate	5.50%	5.00%	5.00%

Supplementary Schedules




Waterworks Safety Event - May 2016

Major Governmental Funds

Capital Projects Funds

Communications and Information Systems
This fund is used to account for the significant acquisition, improvement, or replacement of specialized communications and information technology systems and/or equipment.

Fire Apparatus
This fund is used to account for the significant acquisition, improvement, or replacement of fire apparatus, including vehicles, trailers, and helicopters.

Fire Stations and Facilities
This fund is used to account for the significant acquisition, improvement, replacement, or construction of fire stations and facilities.

ORANGE COUNTY FIRE AUTHORITY
Communications and Information Systems
Budgetary Comparison Schedule
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	2016				2015
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 18,655,855**	**$ 18,655,855**	**$ 18,655,855**	**$ -**	**$ 18,051,752**
Resources (inflows):					
Use of money and property	169,956	91,196	111,865	20,669	57,488
Miscellaneous	-	312,605	312,605	-	253,528
Transfers in	2,127,821	78,187	78,187	-	3,000,906
Total resources (inflows)	**2,297,777**	**481,988**	**502,657**	**20,669**	**3,311,922**
Amounts available for appropriations	**20,953,632**	**19,137,843**	**19,158,512**	**20,669**	**21,363,674**
Charges to appropriation (outflows):					
Services and supplies	-	-	84,845	(84,845)	132,460
Capital outlay	6,625,685	1,794,533	71,395	1,723,138	1,441,647
Transfers out	-	-	-	-	1,133,712
Total charges to appropriations	**6,625,685**	**1,794,533**	**156,240**	**1,638,293**	**2,707,819**
Budgetary fund balance, June 30	**$ 14,327,947**	**$ 17,343,310**	**$ 19,002,272**	**$ 1,658,962**	**$ 18,655,855**

ORANGE COUNTY FIRE AUTHORITY
Fire Apparatus
Budgetary Comparison Schedule
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	2016				2015
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 25,440,432**	**$ 25,440,432**	**$ 25,440,432**	**$ -**	**$ 29,496,881**
Resources (inflows):					
Charges for services	1,428,656	1,428,656	1,421,540	(7,116)	1,381,161
Use of money and property	221,456	97,876	131,954	34,078	87,984
Miscellaneous	-	191,832	191,832	-	155,579
Developer contributions	1,576,744	1,576,744	-	(1,576,744)	527,289
Total resources (inflows)	**3,226,856**	**3,295,108**	**1,745,326**	**(1,549,782)**	**2,152,013**
Amounts available for appropriations	**28,667,288**	**28,735,540**	**27,185,758**	**(1,549,782)**	**31,648,894**
Charges to appropriation (outflows):					
Services and supplies	-	-	248	(248)	3,072
Capital outlay	15,510,454	17,042,593	3,201,526	13,841,067	3,673,667
Principal retirement	2,276,963	2,336,279	2,336,279	-	2,276,963
Interest and fiscal charges	254,760	195,444	195,444	-	254,760
Total charges to appropriations	**18,042,177**	**19,574,316**	**5,733,497**	**13,840,819**	**6,208,462**
Budgetary fund balance, June 30	**$ 10,625,111**	**$ 9,161,224**	**$ 21,452,261**	**$ 12,291,037**	**$ 25,440,432**

ORANGE COUNTY FIRE AUTHORITY
Fire Stations and Facilities
Budgetary Comparison Schedule
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	2016				2015
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 12,520,242**	**$ 12,520,242**	**$ 12,520,242**	**$ -**	**$ 15,409,887**
Resources (inflows):					
Use of money and property	220,188	65,619	74,414	8,795	44,075
Miscellaneous	-	185,165	185,165	-	150,172
Developer contributions	-	2,112,282	3,233,082	1,120,800	7,779,918
Total resources (inflows)	**220,188**	**2,363,066**	**3,492,661**	**1,129,595**	**7,974,165**
Amounts available for appropriations	**12,740,430**	**14,883,308**	**16,012,903**	**1,129,595**	**23,384,052**
Charges to appropriation (outflows):					
Services and supplies	854,248	906,077	53,433	852,644	37,696
Capital outlay	-	-	100,823	(100,823)	10,826,114
Total charges to appropriations	**854,248**	**906,077**	**154,256**	**751,821**	**10,863,810**
Budgetary fund balance, June 30	**$ 11,886,182**	**$ 13,977,231**	**$ 15,858,647**	**$ 1,881,416**	**$ 12,520,242**

Orange County Fire Authority Safety Message

Smoke Alarms
(Part 3 of 3)

(Continued from Page 94)

Almost two-thirds of all home fire deaths occur in homes with no working smoke alarm. Protect your family by installing smoke alarms, inspecting them regularly, and practicing home fire drills.

Protect

- ✓ Draw a home escape plan that shows two ways out of every room and an outside meeting place.
- ✓ Teach children what the smoke alarm sounds like and what to do if they hear it.
- ✓ Practice home fire drills at least twice a year.

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Balance Sheet
June 30, 2016
(With Comparative Data for Prior Year)

	General Operating Fund
Assets:	
Cash and investments	$ 41,784,650
Receivables:	
Accounts, net	2,442,570
Accrued interest	84,882
Prepaid costs and other assets	36,753,344
Due from other governments, net	10,050,255
	$ 91,115,701
Liabilities:	
Accounts payable	$ 2,143,427
Accrued liabilities	14,824,059
Unearned revenue	33,116
Due to other governments	123,047
Total liabilities	**17,123,649**
Deferred Inflows of Resources:	
Unavailable revenue	-
Total deferred inflows of resources	**-**
Fund balances:	
Nonspendable - prepaid costs	36,743,933
Restricted for:	
Operations Department	13,867
Committed to - SFF cities enhancements	-
Assigned to:	
Capital improvement program	-
Workers' compensation	-
Executive Management	36,690
Operations Department	51,484
Community Risk Reduction Department	15,845
Business Services Department	162,699
Support Services Department	119,743
Organizational Planning Department	21,000
Facilities projects	69,987
Communications and IT projects	-
Unassigned	36,756,804
Total fund balances	**73,992,052**
Total liabilities, deferred inflows of resources, and fund balances	**$ 91,115,701**

General Fund CIP	Structural Fire Entitlement	Self Insurance	Eliminations	Total General Fund 2016	Total General Fund 2015
$ 4,903,086	$ 608,903	$ 74,053,775	$ -	$ 121,350,414	$ 109,157,641
-	-	-	-	2,442,570	2,552,672
-	348	40,476	-	125,706	27,902
35,912	-	-	-	36,789,256	31,127,148
-	-	-	-	10,050,255	6,967,289
$ 4,938,998	**$ 609,251**	**$ 74,094,251**	**$ -**	**$ 170,758,201**	**$ 149,832,652**
$ 177,863	$ 24,787	$ 374,197	$ -	$ 2,720,274	$ 3,106,977
-	-	-	-	14,824,059	12,828,886
-	-	-	-	33,116	3,234,898
-	-	-	-	123,047	10,072,547
177,863	**24,787**	**374,197**	**-**	**17,700,496**	**29,243,308**
-	-	-	-	-	316,087
-	**-**	**-**	**-**	**-**	**316,087**
35,912	-	-	-	36,779,845	31,127,148
-	-	-	-	13,867	55,538
-	584,464	-	-	584,464	691,265
4,668,314	-	-	-	4,668,314	233,180
-	-	73,720,054	-	73,720,054	68,494,796
-	-	-	-	36,690	98,415
-	-	-	-	51,484	46,859
-	-	-	-	15,845	354
-	-	-	-	162,699	66,963
-	-	-	-	119,743	207,784
-	-	-	-	21,000	33,890
-	-	-	-	69,987	52,061
56,909	-	-	-	56,909	48,528
-	-	-	-	36,756,804	19,116,476
4,761,135	**584,464**	**73,720,054**	**-**	**153,057,705**	**120,273,257**
$ 4,938,998	**$ 609,251**	**$ 74,094,251**	**$ -**	**$ 170,758,201**	**$ 149,832,652**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	General Operating Fund
Revenues:	
Taxes	$ 219,840,417
Intergovernmental	25,978,081
Charges for services	102,408,896
Use of money and property	961,795
Miscellaneous	2,096,571
Total revenues	**351,285,760**
Expenditures:	
Current - public safety:	
Salaries and benefits	307,143,676
Services and supplies	27,411,361
Capital outlay	298,162
Debt service:	
Interest and fiscal charges	740,437
Total expenditures	**335,593,636**
Excess (deficiency) of revenues over (under) expenditures	15,692,124
Other financing sources (uses):	
Transfers in	-
Transfers out	(5,516,980)
Sale of capital and other assets	24,470
Insurance recoveries	121,288
Total other financing sources (uses)	**(5,371,222)**
Net change in fund balances	10,320,902
Fund balances, beginning of year, as restated	63,671,150
Fund balances, end of year	**$ 73,992,052**

General Fund CIP	Structural Fire Entitlement	Self Insurance	Eliminations	Total General Fund	
				2016	**2015**
$ -	$ -	$ -	$ -	$ 219,840,417	$ 205,141,237
-	-	-	-	25,978,081	23,565,214
-	-	12,729,592	(12,729,592)	102,408,896	100,619,516
-	3,511	387,777	-	1,353,083	651,975
-	-	-	-	2,096,571	1,120,697
-	**3,511**	**13,117,369**	**(12,729,592)**	**351,677,048**	**331,098,639**
-	-	-	(12,729,592)	294,414,084	285,988,997
751,308	110,312	7,892,111	-	36,165,092	40,317,142
324,744	-	-	-	622,906	703,370
-	-	-	-	740,437	330,741
1,076,052	**110,312**	**7,892,111**	**(12,729,592)**	**331,942,519**	**327,340,250**
(1,076,052)	(106,801)	5,225,258	-	19,734,529	3,758,389
5,438,793	-	-	(5,438,793)	-	3,844,414
-	-	-	5,438,793	(78,187)	(3,000,906)
-	-	-	-	24,470	134,123
-	-	-	-	121,288	32,948
5,438,793	**-**	**-**	**-**	**67,571**	**1,010,579**
4,362,741	(106,801)	5,225,258	-	19,802,100	4,768,968
398,394	691,265	68,494,796	-	133,255,605	115,504,289
$ 4,761,135	**$ 584,464**	**$ 73,720,054**	**$ -**	**$ 153,057,705**	**$ 120,273,257**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Original Budget
Year ended June 30, 2016

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Budgetary fund balance, July 1	**$ 63,671,150**	**$ 398,394**	**$ 691,265**
Resources (inflows):			
Taxes	214,445,545	-	-
Intergovernmental	14,942,177	-	-
Charges for services	101,969,304	-	-
Use of money and property	658,828	-	11,999
Miscellaneous	1,008,733	-	-
Transfers in	-	5,234,000	-
Sale of capital and other assets	50,000	-	-
Total resources (inflows)	**333,074,587**	**5,234,000**	**11,999**
Amounts available for appropriations	**396,745,737**	**5,632,394**	**703,264**
Charges to appropriation (outflows):			
Salaries and benefits	290,154,202	-	-
Services and supplies	35,053,663	1,242,528	-
Capital outlay	236,504	4,040,000	-
Interest and fiscal charges	318,050	-	-
Transfers out	7,361,821	-	-
Total charges to appropriations	**333,124,240**	**5,282,528**	**-**
Budgetary fund balance, June 30	**$ 63,621,497**	**$ 349,866**	**$ 703,264**

Self Insurance	Eliminations	Total General Fund 2016
$ 68,494,796	**$ -**	**$ 133,255,605**
-	-	214,445,545
-	-	14,942,177
12,729,592	(12,729,592)	101,969,304
887,704	-	1,558,531
-	-	1,008,733
-	(5,234,000)	-
-	-	50,000
13,617,296	**(17,963,592)**	**333,974,290**
82,112,092	**(17,963,592)**	**467,229,895**
-	(12,729,592)	277,424,610
7,702,911	-	43,999,102
-	-	4,276,504
-	-	318,050
-	(5,234,000)	2,127,821
7,702,911	**(17,963,592)**	**328,146,087**
$ 74,409,181	**$ -**	**$ 139,083,808**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Final Budget
Year ended June 30, 2016

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Budgetary fund balance, July 1	**$ 63,671,150**	**$ 398,394**	**$ 691,265**
Resources (inflows):			
Taxes	218,156,295	-	-
Intergovernmental	23,926,860	-	-
Charges for services	101,173,891	-	-
Use of money and property	689,516	-	2,921
Miscellaneous	2,203,027	-	-
Transfers in	-	5,438,793	-
Sale of capital and other assets	50,480	-	-
Insurance recoveries	79,433	-	-
Total resources (inflows)	**346,279,502**	**5,438,793**	**2,921**
Amounts available for appropriations	**409,950,652**	**5,837,187**	**694,186**
Charges to appropriations (outflows):			
Salaries and benefits	309,677,422	-	-
Services and supplies	30,433,960	1,423,143	85,524
Capital outlay	590,562	4,064,178	-
Interest and fiscal charges	754,436	-	-
Transfers out	5,516,980	-	-
Total charges to appropriations	**346,973,360**	**5,487,321**	**85,524**
Budgetary fund balance, June 30	**$ 62,977,292**	**$ 349,866**	**$ 608,662**

Self Insurance	Eliminations	Total General Fund 2016
$ 68,494,796	**$ -**	**$ 133,255,605**
-	-	218,156,295
-	-	23,926,860
12,729,592	(12,729,592)	101,173,891
315,984	-	1,008,421
-	-	2,203,027
-	(5,438,793)	-
-	-	50,480
-	-	79,433
13,045,576	**(18,168,385)**	**346,598,407**
81,540,372	**(18,168,385)**	**479,854,012**
-	(12,729,592)	296,947,830
7,702,911	-	39,645,538
-	-	4,654,740
-	-	754,436
-	(5,438,793)	78,187
7,702,911	**(18,168,385)**	**342,080,731**
$ 73,837,461	**$ -**	**$ 137,773,281**

Orange County Fire Authority Safety Message

Vegetation Management
(Part 1 of 4)

Vegetation management is controlling plant material to prevent wildfire spread. It requires a constant commitment to follow the "four R's" of vegetation management to reduce the threat of wildfire.

Removal

- ✓ Remove all dead and dying plants within 100 feet of your home.
- ✓ Identify and remove plants found on OCFA's "Undesired Plant List." These plants are considered to be undesirable and invasive due to their physical or chemical characteristics.

(Continued on Page 118)

Statistical

Section

ORANGE COUNTY FIRE AUTHORITY

Overview of the Statistical Section

The Statistical Section provides a context for understanding information in the financial statements, note disclosures and required supplementary information and how that information relates to the OCFA's overall financial health. The detailed schedules presented in the Statistical Section are grouped into five sections pertaining to financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information.

Financial Trends Information – These schedules contain trend information to assist the reader in understanding how the OCFA's financial performance and well-being have changed over time.

Revenue Capacity Information – These schedules contain information to assist the reader in assessing property taxes, the OCFA's most significant local revenue source.

Debt Capacity Information **–** These schedules present information to assist the reader in assessing the affordability of the OCFA's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information **–** These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the OCFA's financial activities take place.

Operating Information – These schedules contain data to assist the reader in understanding how the information in the financial report relates to the services provided by and the activities performed by the OCFA.

Orange County Fire Authority Safety Message

Vegetation Management
(Part 2 of 4)

(Continued from Page 116)

Vegetation management is controlling plant material to prevent wildfire spread. It requires a constant commitment to follow the "four R's" of vegetation management to reduce the threat of wildfire.

Reduction

- ✓ Prune and thin plants within 100 feet of your home and your neighbor's home.
- ✓ Provide 4 feet vertical separation between shrub tops and lower tree branches to reduce "fuel ladders."
- ✓ Use horizontal separation guidelines for plants over 2 feet in height.
- ✓ Keep all shrubs within 10 feet of your home trimmed to 2 feet or lower.
- ✓ Prune or remove plants near windows
- ✓ Remove all tree branches or plants within 10 feet of chimney outlets.
- ✓ Move wood piles at least 30 feet from your home or to the property line.
- ✓ Keep annual grasses and weeds cut to 4 inches or less.

(Continued on Page 128)

ORANGE COUNTY FIRE AUTHORITY

Financial Trends Information

Net Position by Component – Presents net position of the OCFA's governmental activities by the three individual components of net position for each of the last ten fiscal years.

Changes in Net Position **–** Presents the changes in net position of governmental activities for each of the last ten fiscal years.

Fund Balances of Governmental Funds – Presents information on the fund balances of the General Fund and the aggregate of all other governmental funds for each of the last ten fiscal years.

Changes in Fund Balances of Governmental Funds – Presents information on the changes in fund balances for total governmental funds for each of the last ten fiscal years, including the ratio of debt service expenditures to noncapital expenditures.

ORANGE COUNTY FIRE AUTHORITY
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year ended June 30			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	$ 138,152,825	$ 163,340,815	$ 172,293,178	$ 183,717,406
Restricted	15,179,905	11,331,122	7,394,371	1,623,121
Unrestricted	93,182,195	120,539,628	129,119,689	115,965,726
Total governmental activities net position	$ 246,514,925	$ 295,211,565	$ 308,807,238	$ 301,306,253
			(1)	

SOURCE: OCFA Comprehensive Annual Financial Reports

NOTES:
(1) Restricted net position as of June 30, 2009, pertained to requirements of the revenue bonds issued to construct the Regional Fire Operations and Training Center. Those revenue bonds were issued in Fiscal Year 2001/02 and repaid in full during Fiscal Year 2009/10.

(2) Restricted net position as of June 30, 2012, included a one-time, $1.5 million unperformed purchase order for self-contained breathing apparatus that was funded by a federal grant.

(3) GASB Statement No. 68 was implemented during Fiscal Year 2014/15, which required a $362 million restatement to beginning net position in order to fully reflect net OCFA's net pension liabilities. This adjustment contributed to an overall negative balance in unrestricted net position as of June 30, 2015 and thereafter.

2011	2012	2013	2014	2015	2016
$ 186,297,543	$ 183,584,385	$ 181,363,364	$ 180,917,654	$ 190,800,116	$ 187,910,677
1,627,233	3,252,969	1,690,858	1,076,322	588,770	547,099
99,704,595	81,450,846	74,510,482	61,760,639	(360,513,259)	(349,121,694)
$ 287,629,371	$ 268,288,200	$ 257,564,704	$ 243,754,615	$ (169,124,373)	$ (160,663,918)
	(2)			(3)	

ORANGE COUNTY FIRE AUTHORITY
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year ended June 30			
Governmental Activities	2007	2008	2009	2010
Expenses - public safety:				
Salaries and benefits	$ 187,129,443	$ 199,095,873	$ 209,092,693	$ 211,729,989
Services and supplies	27,139,113	31,669,603	31,425,592	24,318,065
Depreciation and amortization	7,000,915	7,399,902	7,923,947	8,432,793
Interest on long-term debt	1,871,983	1,410,673	1,718,137	855,577
Total program expenses	223,141,454	239,576,051	250,160,369	245,336,424
Program revenues - public safety:				
Charges for services	61,130,982	69,187,051	67,305,621	63,743,942
Operating grants and contributions	5,537,722	6,835,746	5,981,800	5,784,969
Capital grants and contributions	4,172,358	22,092,218	140,903	1,415,618
Total program revenues	70,841,062	98,115,015	73,428,324	70,944,529
Net program revenues (expenses)	(152,300,392)	(141,461,036)	(176,732,045)	(174,391,895)
General revenues:				
Property taxes	166,639,162	182,536,717	184,696,756	179,001,919
Investment income	7,912,428	6,295,464	3,704,964	1,006,128
Gain on disposal of capital assets	-	-	-	-
Miscellaneous	903,992	730,733	1,925,998	890,127
Total general revenues	175,455,582	189,562,914	190,327,718	180,898,174
Changes in net position	$ 23,155,190	$ 48,101,878	$ 13,595,673	$ 6,506,279
		(1)		

SOURCE: OCFA Comprehensive Annual Financial Reports

NOTES:
(1) During Fiscal Year 2007/08, three fire stations valued at $17.9 million were contributed to OCFA by The Irvine Company and recognized as revenue (capital grants and contributions).

(2) The City of Santa Ana became a member city of OCFA during Fiscal Year 2011/12 (April 2012).

(3) GASB Statement No. 68 was implemented during Fiscal Year 2014/15, which required that pension expense be adjusted annually to fully reflect the accrual-based cost incurred during the year. OCFA recognized an increase to its pension expense totaling $39.9 million during the year ended June 30, 2015. That amount is included within salaries and benefits.

2011	2012	2013	2014	2015	2016
$ 221,031,439	$ 240,084,607	$ 264,067,489	$ 266,764,367	$ 335,419,737	$ 316,292,785
30,736,034	37,069,099	45,879,501	47,912,808	46,073,201	35,127,573
8,970,508	9,300,853	9,793,491	9,612,453	9,050,195	9,267,982
677,910	494,014	367,701	311,327	582,565	917,320
261,415,891	286,948,573	320,108,182	324,600,955	391,125,698	361,605,660
61,975,963	76,347,126	102,875,410	106,874,513	113,150,325	117,263,679
5,963,648	6,580,681	19,523,853	10,339,966	11,410,019	12,165,015
395,180	3,926,275	2,811,180	1,462,540	9,182,195	3,331,088
68,334,791	86,854,082	125,210,443	118,677,019	133,742,539	132,759,782
(193,081,100)	(200,094,491)	(194,897,739)	(205,923,936)	(257,383,159)	(228,845,878)
177,181,086	177,728,290	181,720,253	190,873,689	205,141,237	219,840,417
611,408	524,602	(136,493)	823,010	839,864	1,654,065
39,803	79,705	11,924	21,834	63,953	6,000
835,021	2,420,723	4,329,603	1,200,195	1,235,004	2,823,503
178,667,318	180,753,320	185,925,287	192,918,728	207,280,058	224,323,985
$ (14,413,782)	$ (19,341,171)	$ (8,972,452)	$ (13,005,208)	$ (50,103,101)	$ (4,521,893)
	(2)			(3)	

ORANGE COUNTY FIRE AUTHORITY
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year ended June 30			
	2007	2008	2009	2010
General Fund:				
Reserved	$ 1,476,790	$ 1,519,961	$ 1,417,069	$ -
Unreserved	54,391,252	60,436,769	67,926,629	-
Nonspendable	-	-	-	117,473
Restricted	-	-	-	111,305
Committed	-	-	-	861,116
Assigned	-	-	-	37,621,864
Unassigned	-	-	-	41,985,648
Total General Fund	$ 55,868,042	$ 61,956,730	$ 69,343,698	$ 80,697,406
All other governmental funds:				
Reserved	$ 14,066,095	$ 8,446,422	$ 14,752,366	$ -
Unreserved, reported in:				
Special revenue funds	46,998,762	62,633,870	75,515,265	-
Capital projects funds	5,602,562	16,718,235	13,344,809	-
Debt service funds	12,648,661	8,738,484	4,752,258	-
Nonspendable	-	-	-	567,349
Restricted	-	-	-	1,015,700
Assigned	-	-	-	87,476,588
Total all other governmental funds	$ 79,316,080	$ 96,537,011	$ 108,364,698	$ 89,059,637
				(1)

SOURCE: OCFA Comprehensive Annual Financial Reports

NOTES:
(1) OCFA implemented GASB Statement No. 54 during the fiscal year ended June 30, 2011. This statement eliminated the previous fund balance categories (reserved and unreserved), and replaced them with five new categories (nonspedable, restricted, committed, assigned, unassigned). Fund balance amounts as of June 30, 2010, and thereafter reflect the new categories; however, all previous fiscal years are presented using the old categories.

2011	2012	2013	2014	2015	2016
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
23,186,680	22,756,709	26,727,849	30,560,638	31,127,148	36,779,845
111,980	1,699,787	137,676	32,282	55,538	13,867
797,935	1,372,789	1,268,160	784,617	691,265	584,464
35,550,989	34,715,397	53,668,608	61,236,092	69,282,830	78,922,725
25,592,531	25,751,128	25,782,851	22,890,660	19,116,476	36,756,804
$ 85,240,115	$ 86,295,810	$ 107,585,144	$ 115,504,289	$ 120,273,257	$ 153,057,705
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
478,449	405,815	352,318	284,349	32,946	-
1,515,253	1,553,182	1,553,182	1,044,040	533,232	533,232
78,023,210	74,037,637	67,317,090	64,340,833	56,050,351	55,779,948
$ 80,016,912	$ 75,996,634	$ 69,222,590	$ 65,669,222	$ 56,616,529	$ 56,313,180

ORANGE COUNTY FIRE AUTHORITY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year ended June 30			
	2007	2008	2009	2010
Revenues:				
Taxes	$ 166,639,162	$ 182,536,717	$ 184,696,756	$ 179,001,919
Intergovernmental	15,643,174	24,168,953	18,898,459	14,202,209
Charges for services	53,191,997	53,510,278	54,125,964	55,325,007
Use of money and property	8,379,245	7,336,664	4,148,889	1,341,991
Miscellaneous	428,475	982,487	2,517,891	1,333,170
Developer contributions	1,096,262	1,744,392	-	551,365
Total revenues	245,378,315	270,279,491	264,387,959	251,755,661
Expenditures:				
Current - public safety:				
Salaries and benefits	186,074,623	195,481,030	203,790,256	206,942,045
Services and supplies	27,146,936	31,386,487	28,561,308	28,521,125
Capital outlay	9,714,765	13,323,621	32,624,294	9,647,853
Debt service:				
Principal retirement	5,186,766	4,867,453	5,933,911	13,370,586
Interest and fiscal charges	2,414,453	2,526,877	2,119,347	1,459,383
Issuance costs	-	-	-	-
Total expenditures	230,537,543	247,585,468	273,029,116	259,940,992
Excess (deficiency) of revenues over (under) expenditures	14,840,772	22,694,023	(8,641,157)	(8,185,331)
Other financing sources (uses):				
Transfers in	24,350,337	29,914,910	30,257,506	10,608,277
Transfers out	(24,350,337)	(29,914,910)	(30,257,506)	(10,608,277)
Issuance of long-term debt	-	-	21,515,238	-
Refinanced long-term debt	-	-	-	-
Sale of capital and other assets	55,946	93,807	93,480	162,533
Insurance recoveries	-	-	81,576	71,445
Total other financing sources (uses)	55,946	93,807	21,690,294	233,978
Net change in fund balances	$ 14,896,718	$ 22,787,830	$ 13,049,137	$ (7,951,353)
Debt service as a percentage of noncapital expenditures	3.4%	3.2%	3.3%	5.9%

SOURCE: OCFA Comprehensive Annual Financial Reports

2011	2012	2013	2014	2015	2016
$ 177,181,086	$ 177,728,290	$ 181,720,253	$ 190,873,689	$ 205,141,237	$ 219,840,417
11,080,619	12,894,882	28,883,649	19,111,811	23,565,214	25,978,081
56,582,867	65,556,905	95,904,052	97,705,183	102,000,677	103,830,436
822,002	660,621	(20,556)	932,284	841,522	1,671,316
1,320,856	2,753,421	5,111,908	1,677,853	1,679,976	2,786,173
43,200	10,140	538,260	1,271,400	8,307,207	3,233,082
247,030,630	259,604,259	312,137,566	311,572,220	341,535,833	357,339,505
211,801,889	228,452,010	255,301,913	257,134,030	285,988,997	294,414,084
28,207,018	30,737,551	32,613,137	40,187,878	40,490,370	36,303,618
9,899,979	932,034	5,420,102	7,681,418	16,644,798	3,996,650
1,911,912	2,139,694	2,162,809	2,219,152	2,276,963	2,336,279
890,067	635,351	484,851	421,845	585,501	935,881
-	286,599	-	-	-	-
252,710,865	263,183,239	295,982,812	307,644,323	345,986,629	337,986,512
(5,680,235)	(3,578,980)	16,154,754	3,927,897	(4,450,796)	19,352,993
4,137,811	-	381,222	5,370,375	6,845,320	78,187
(4,137,811)	-	(381,222)	(5,370,375)	(6,845,320)	(78,187)
-	16,756,078	-	-	-	-
-	(16,377,093)	-	-	-	-
434,914	146,317	58,051	77,077	134,123	24,470
8,405	89,095	53,529	360,803	32,948	121,288
443,319	614,397	111,580	437,880	167,071	145,758
$ (5,236,916)	$ (2,964,583)	$ 16,266,334	$ 4,365,777	$ (4,283,725)	$ 19,498,751
1.2%	1.1%	0.9%	0.9%	0.9%	1.0%

Orange County Fire Authority Safety Message

Vegetation Management
(Part 3 of 4)

(Continued from Page 118)

Vegetation management is controlling plant material to prevent wildfire spread. It requires a constant commitment to follow the "four R's" of vegetation management to reduce the threat of wildfire.

Replacement

- ✓ Replace fire-prone plants with fire-resistant and drought tolerant plants. See the OCFA "Planting Guide" for recommendations.
- ✓ When putting in new plants, leave enough space for them to grow to mature size.

(Continued on Page 138)

ORANGE COUNTY FIRE AUTHORITY

Revenue Capacity Information

Assessed Value and Estimated Actual Value of Taxable Property **–** Presents information on the assessed property values of each city and the unincorporated area within the OCFA's jurisdiction for each of the last ten fiscal years.

Property Tax Rates of Direct and Overlapping Governments **–** Presents the County of Orange's direct property tax rate, as well as the rates of any overlapping governments that are applied to the same revenue base.

Principal Property Tax Payers **–** Presents information about the OCFA's ten largest property tax payers for the current fiscal year, as compared to nine fiscal years ago.

Property Tax Levies and Collections **–** Presents information on the levy and subsequent collection of OCFA's property taxes for each of the last ten fiscal years.

ORANGE COUNTY FIRE AUTHORITY
Assessed Value (1) and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(dollars in thousands)

Jurisdiction	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10
Buena Park	$ 6,750,905	$ 7,351,653	$ 7,611,793	$ 7,438,787
Placentia	4,628,986	4,991,175	5,070,123	4,967,651
San Clemente	11,366,168	12,486,976	12,855,038	12,631,337
Santa Ana (4)	n/a	n/a	n/a	n/a
Seal Beach	3,585,301	3,875,902	4,256,884	4,241,221
Stanton	1,972,744	2,184,177	2,195,788	2,070,815
Tustin	8,170,655	9,070,627	9,958,561	9,501,069
Westminster	6,215,306	6,640,057	6,775,451	6,698,153
Total cash contract cities (3)	42,690,065	46,600,567	48,723,638	47,549,033
Aliso Viejo	6,968,167	7,499,861	7,792,144	7,553,177
Cypress	5,085,127	5,421,886	5,604,677	5,529,005
Dana Point	7,693,012	8,532,709	8,879,909	8,763,402
Irvine	39,280,256	44,382,983	47,257,608	47,212,001
Laguna Hills	5,313,973	5,736,525	5,692,646	5,589,417
Laguna Niguel	11,347,524	12,073,542	12,227,117	11,883,056
Laguna Woods	2,118,937	2,262,295	2,295,254	2,273,717
Lake Forest	10,165,487	10,896,488	11,189,197	10,915,562
La Palma	1,509,520	1,636,875	1,685,812	1,695,126
Los Alamitos	1,416,837	1,515,499	1,582,738	1,589,309
Mission Viejo	12,449,764	13,246,125	13,357,566	13,104,698
Rancho Santa Margarita	6,575,282	6,977,082	6,921,865	6,617,903
San Juan Capistrano	5,260,585	5,794,133	5,961,050	5,835,957
Villa Park	1,234,034	1,311,588	1,355,557	1,359,734
Yorba Linda	9,969,593	10,909,311	11,165,576	10,897,981
Unincorporated	19,843,722	21,846,485	22,212,379	21,447,511
Total SFF jurisdictions (2)	146,231,820	160,043,387	165,181,095	162,267,556
Percentage change from prior year	11.53%	9.44%	3.21%	-1.76%
Total assessed valuation	$ 188,921,885	$ 206,643,954	$ 213,904,733	$ 209,816,589
Total direct tax rate	0.11%	0.11%	0.11%	0.11%

SOURCE: County of Orange, Auditor-Controller, Assessed Valuations by Fiscal Year
http://acweb1.ocgov.com/ac/txfdr_Civica/av/default_egov.asp

NOTES:

(1) Assessed value is stated at taxable full cash value. These values may include an increased value over the base year for that portion of the city or district which lies within a redevelopment agency.

(2) Assessed value for these cities is part of the Structural Fire Fund (SFF).

(3) These cities pay for services on a cash contract basis. Assessed value is shown for comparison only.

(4) Santa Ana joined OCFA on April 20, 2012.

FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
$ 7,478,553	$ 7,484,717	7,602,927	7,886,342	8,313,496	8,769,022
4,969,023	5,007,558	5,080,849	5,203,417	5,519,085	5,878,473
12,431,717	12,356,019	12,506,118	12,824,727	13,666,851	14,447,434
n/a	20,100,864	20,339,779	21,119,683	22,075,383	23,013,226
4,282,032	4,434,345	4,480,557	4,580,472	4,891,060	5,081,691
2,042,112	2,063,293	2,073,752	2,144,270	2,297,508	2,433,266
9,419,294	9,378,899	9,502,173	9,732,381	10,292,805	11,004,027
6,779,972	6,935,762	7,023,383	7,176,141	7,628,669	8,279,644
47,402,703	67,761,457	68,609,538	70,667,433	74,684,857	78,906,783
7,459,562	7,511,408	7,605,524	7,877,812	8,440,740	8,765,964
5,514,794	5,560,190	5,666,354	5,854,809	6,104,218	6,463,650
8,687,748	8,735,352	8,844,364	9,126,750	9,787,132	10,513,667
46,538,576	47,136,231	48,646,093	51,002,248	55,693,885	60,912,694
5,460,470	5,463,649	5,513,066	5,643,545	5,961,947	6,256,109
11,892,951	11,991,939	12,116,601	12,402,919	13,270,851	14,015,647
2,214,363	2,186,990	2,193,624	2,237,288	2,424,736	2,620,217
10,744,518	10,721,083	10,885,724	11,238,775	11,920,081	12,672,969
1,698,469	1,698,169	1,718,007	1,744,907	1,829,353	1,904,950
1,616,120	1,603,255	1,638,193	1,674,933	1,778,110	1,887,771
13,157,979	13,226,115	13,320,574	13,639,460	14,533,544	15,262,434
6,605,397	6,623,819	6,679,191	6,759,144	7,231,597	7,572,862
5,817,501	5,799,444	5,833,269	6,039,344	6,443,224	6,828,239
1,353,409	1,372,687	1,398,666	1,466,599	1,527,255	1,596,806
10,936,312	11,262,427	11,484,958	11,857,840	12,668,130	13,488,124
21,485,307	21,509,471	21,332,072	21,915,863	23,573,390	24,999,336
161,183,476	162,402,229	164,876,280	170,482,236	183,188,193	195,761,439
-0.67%	0.76%	1.52%	3.40%	7.45%	6.86%
$ 208,586,179	$ 230,163,686	$ 233,485,818	$ 241,149,669	$ 257,873,050	$ 274,668,222
0.11%	0.11%	0.11%	0.11%	0.11%	0.11%

(5) In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

ORANGE COUNTY FIRE AUTHORITY
Property Tax Rates of Direct and Overlapping Governments
Last Ten Fiscal Years

	County of Orange (B)			OCFA (B)
	Overlapping	Direct		Direct
	Basic Operating Levy	Debt Service	Total	Basic Operating Levy
2007	1.00000	0.00000	1.00000	0.0011
2008	1.00000	0.00000	1.00000	0.0011
2009	1.00000	0.00000	1.00000	0.0011
2010	1.00000	0.00000	1.00000	0.0011
2011	1.00000	0.00000	1.00000	0.0011
2012	1.00000	0.00000	1.00000	0.0011
2013	1.00000	0.00000	1.00000	0.0011
2014	1.00000	0.00000	1.00000	0.0011
2015	1.00000	0.00000	1.00000	0.0011
2016	1.00000	0.00000	1.00000	0.0011
	(A)	(A)		(C)

SOURCE:

(A) County of Orange, Auditor-Controller, Tax Rate Books by Fiscal Year
http://acweb1.ocgov.com/ac/txfdr_civica/tr/index_egov.asp

(B) Data for the entire County of Orange is not limited to the cities/unincorporated areas served by the Orange County Fire Authority. Data for OCFA is limited to its member cities that are part of the Structural Fire Fund (SFF).

(C) Direct tax rate calculation per the "Assessed Value and Estimated Actual Value of Taxable Property" schedule included in this report.

NOTE: This schedule presents tax rates per $100 of assessed/full cash value.

ORANGE COUNTY FIRE AUTHORITY
Principal Property Tax Payers
Current and Nine Years Ago
(Dollars in Thousands)

Property Tax Payer	Fiscal Year 2006/2007 (A) Actual Taxes Levied	Fiscal Year 2006/2007 (A) Rank	Fiscal Year 2006/2007 (A) Percent of Total Taxes Levied	Fiscal Year 2015/16 (B) Actual Taxes Levied	Fiscal Year 2015/16 (B) Rank	Fiscal Year 2015/16 (B) Percent of Total Taxes Levied
The Irvine Company	$ 50,787	1	1.09%	$ 111,040	1	1.92%
Irvine Apartment Communities	$ 19,409	3	0.42%			
Irvine Co. of W. VA.	$ 5,382	9	0.12%			
Irvine Community Development	$ 5,148	10	0.11%			
	$ 80,726			$ 111,040		
Walt Disney Parks & Resorts U.S.				$ 48,011	2	0.83%
Walt Disney World Co.	$ 30,388	2	0.65%			
Walt Disney World Company	$ 7,547	6	0.16%			
	$ 37,935			$ 48,011		
Southern California Edison Company	$ 18,548	4	0.40%	$ 34,709	3	0.60%
Heritage Fields El Toro	$ 8,424	5	0.18%	$ 11,943	4	0.21%
Pacific Bell Telephone Company (AT&T)	$ 6,464	8	0.14%	$ 10,921	5	0.19%
United Laguna Hills Mutual	$ 7,470	7	0.16%	$ 8,735	6	0.15%
Southern California Gas Company				$ 5,934	7	0.10%
Oxy USA, Inc.				$ 5,575	8	0.10%
B. Braun Medical, Inc.				$ 4,302	9	0.07%
Bella Terra Associates, LLC				$ 3,999	10	0.07%

SOURCES:
(A) OCFA Comprehensive Annual Financial Report for Fiscal Year 2006/07

(B) County of Orange, Treasurer-Tax Collector, Tax Collector Top 20 Taxpayer List for Fiscal Year 2015/16 (http://tcc.ocgov.com/rptstats/stats). Taxpayers are grouped under a parent company, if identifiable.

NOTE:
This schedule presents data for the entire County of Orange and is not limited to the cities/unincorporated areas served by the Orange County Fire Authority.

ORANGE COUNTY FIRE AUTHORITY
Property Tax Levies and Collections
Last Ten Fiscal Years
(dollars in thousands)

		Collected within the Fiscal Year of Levy		Collection of Prior Year Levies		Collection of Penalties and Interest		Total Collection to Date			Collection of Property Tax Increment (2) Pass-Through	
Fiscal Year ended June 30	Taxes Levied for the Fiscal Year	Amount	% of Levy	Teeter Plan	Delinquencies and Other	Delinquency Penalties	Interest	Total Amounts Collected	% of Levy		RDA	H&S
2006	$ 154,294	$ 149,252	96.7%	$ 2,104	$ 290	$ 42	$ 101	$ 151,789	98.4%		$ -	$ -
2007	$ 168,777	$ 160,990	95.4%	$ 4,023	$ 506	$ 74	$ 974	$ 166,567	98.7%		$ -	$ -
2008	$ 182,400	$ 174,208	95.5%	$ 6,157	$ 812	$ 125	$ 471	$ 181,773	99.7%		$ -	$ -
2009	$ 184,776	$ 176,080	95.3%	$ 5,985	$ 878	$ 157	$ 226	$ 183,326	99.2%		$ -	$ -
2010	$ 179,914	$ 158,509	88.1%	$ 3,683	$ 493	$ 110	$ 100	$ 162,895	90.5%	(1)	$ -	$ -
2011	$ 178,812	$ 172,543	96.5%	$ 2,510	$ 246	$ 79	$ 58	$ 175,436	98.1%		$ -	$ -
2012	$ 179,564	$ 173,169	96.4%	$ 2,324	$ 262	$ 79	$ 46	$ 175,880	97.9%		$ 3,468	$ -
2013	$ 184,029	$ 178,299	96.9%	$ 1,674	$ 157	$ 30	$ 37	$ 180,197	97.9%		$ 6,248	$ 10,269
2014	$ 192,876	$ 187,828	97.4%	$ 1,371	$ 49	$ 32	$ 37	$ 189,317	98.2%		$ 6,958	$ 208
2015	$ 207,775	$ 202,356	97.4%	$ 1,336	$ 50	$ 32	$ 38	$ 203,812	98.1%		$ 8,110	$ 605
2016	$ 224,452	$ 216,219	96.3%	$ 1,368	$ 157	$ 38	$ 73	$ 217,855	97.1%		$ 9,180	$ 639

SOURCE: County of Orange, Auditor-Controller, Tax Ledger Detail by Fiscal Year
http://tax.ocgov.com/acledger/choice_eGov.asp

NOTES:

(1) Due to a Proposition 1A borrowing by the State, the property tax apportionment in Fiscal Year 2009/10 was reduced by $14,648,105. These funds were restored by a securitization mechanism and, had they been included in the tax ledger, collections would have been $177,543,386 (96.2% of levy collected within the fiscal year and 98.7% of levy collected to date).

(2) Upon dissolution of California redevelopment agencies during Fiscal Year 2011/12, property tax increment formerly remitted to OCFA by its member city redevelopment agencies was instead deposited into the newly formed Redevelopment Property Tax Trust Fund (RPTTF) from which the Auditor/Controller made disbursements on behalf of the successor agencies. There is no tax levy associated with these collections; thus, they have been excluded from the "% of levy collected" calculations.

ORANGE COUNTY FIRE AUTHORITY

Debt Capacity Information

***Ratios of Outstanding Debt by Type* –** Presents information on the OCFA's total outstanding debt for each of the last ten fiscal years, including the ratio of outstanding debt to median family income and the calculation of outstanding debt per capita.

***Ratios of General Bonded Debt Outstanding* –** Presents information on net bonded debt that will be repaid by general OCFA resources for each of the last ten fiscal years, including the ratio of outstanding debt to total assessed property value and the calculation of net bonded debt per capita.

The following schedules are not included in the OCFA's CAFR:

***Computation of Legal Debt Margin* –**OCFA is not subject to a legal debt margin.

***Pledged Revenue Coverage* –** Debt of the OCFA is not secured by a pledged revenue stream.

***Computation of Direct and Overlapping Bonded Debt* –** OCFA is not obligated for any direct, bonded debt.

ORANGE COUNTY FIRE AUTHORITY
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands)

	Governmental Activities (A)			(B)		(C)		
Fiscal Year ended June 30	Revenue Bonds	Capital Lease Purchase Agreements	Total Outstanding Debt	County of Orange Median Household Income	Debt as a Percentage of Household Income	Population (OCFA Jurisdiction Only)	Debt per Capita	
2007	$ 13,570	$ 7,865	$ 21,435	$79	27132.9%	1,359	$16	
2008	$ 10,365	$ 6,203	$ 16,568	$84	19723.8%	1,376	$12	
2009	$ 7,040	$ 25,109	$ 32,149	$86	37382.6%	1,387	$23	
2010	$ -	$ 18,778	$ 18,778	$87	21583.9%	1,403	$13	
2011	$ -	$ 16,866	$ 16,866	$84	20078.6%	1,355	$12	
2012	$ -	$ 15,106	$ 15,106	$85	17771.8%	1,694	$9	(1)
2013	$ -	$ 12,943	$ 12,943	$84	15408.3%	1,712	$8	
2014	$ -	$ 10,724	$ 10,724	$85	12616.5%	1,734	$6	
2015	$ -	$ 8,447	$ 8,447	$86	9822.1%	1,755	$5	
2016	$ -	$ 6,110	$ 6,110	$85	7188.2%	1,784	$3	

SOURCES:

(A) Details regarding OCFA's outstanding debt can be found in the notes to the financial statements.

(B) U.S. Department of Housing and Urban Development, Median Family Income Documentation System by Fiscal Year (estimate) http://www.huduser.org/portal/datasets/il.html

(C) California Department of Finance, Population and Housing Estimates as of January 1 http://www.dof.ca.gov/forecasgin/demographics/estimates

NOTE:

(1) The population data presented in this schedule includes only the cities and unincorporated county areas served by the OCFA. Since the City of Santa Ana became a member of the OCFA in April 2012, its population data is not included with population totals prior to Fiscal Year 2011/12. The Fiscal Year 2011/12 population total includes 327,731 for the City of Santa Ana.

ORANGE COUNTY FIRE AUTHORITY
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts in thousands)

Fiscal Year ended June 30	(A) Population (OCFA Jurisdiction Only)	(B) Assessed Value	(C) Gross Bonded Debt	(D) Amounts Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita	
2007	1,359	$ 188,921,885	$ 13,570	$ 2,806	$ 10,764	0.01%	$ 8	
2008	1,376	$ 206,643,954	$ 10,365	$ 2,806	$ 7,559	0.00%	$ 5	
2009	1,387	$ 213,904,733	$ 7,040	$ 2,806	$ 4,234	0.00%	$ 3	
2010	1,403	$ 209,816,589	$ -	$ -	$ -	0.00%	$ -	(1)
2011	1,355	$ 208,586,179	$ -	$ -	$ -	0.00%	$ -	
2012	1,694	$ 230,163,686	$ -	$ -	$ -	0.00%	$ -	
2013	1,712	$ 233,485,818	$ -	$ -	$ -	0.00%	$ -	
2014	1,734	$ 241,149,669	$ -	$ -	$ -	0.00%	$ -	
2015	1,755	$ 257,873,050	$ -	$ -	$ -	0.00%	$ -	
2016	1,784	$ 274,668,222	$ -	$ -	$ -	0.00%	$ -	

SOURCES:

(A) California Department of Finance, Population and Housing Estimates as of January 1
http://www.dof.ca.gov/forecasting/demographics/estimates

(B) County of Orange, Auditor-Controller, Assessed Valuations by Fiscal Year
http://acweb1.ocgov.com/ac/txfdr_Civica/av/default_egov.asp

(C) Orange County Fire Authority, Finance Division, Accounting Section

(D) Minimum reserve requirement per bond documents

NOTE:

(1) OCFA's revenue bonds were repaid during Fiscal Year 2009/10.

Orange County Fire Authority Safety Message

Vegetation Safety
(Part 4 of 4)

(Continued from Page 128)

Vegetation management is controlling plant material to prevent wildfire spread. It requires a constant commitment to follow the "four R's" of vegetation management to reduce the threat of wildfire.

Resistant

- ✓ Use fire-resistant plants whenever possible.
- ✓ Keep in mind that even plants listed on the "Planting Guide" must be maintained using spacing guidelines for both vertical and horizontal separation. Plant separation is an important part of reducing wildfire threat.

ORANGE COUNTY FIRE AUTHORITY

Demographic and Economic Information

***Demographic and Economic Indicators* –** Presents information regarding population, personal income, per capita income and the unemployment rate for the County of Orange for each of the last ten fiscal years.

Population and Housing Statistics – Presents information on population and housing units of each city and the unincorporated area within the OCFA's jurisdiction for the current fiscal year, as compared to nine fiscal years ago.

***Principal Employers* –** Presents information about the ten largest employers within the OCFA's jurisdiction for the current fiscal year, as compared to nine fiscal years ago.

ORANGE COUNTY FIRE AUTHORITY
Demographic and Economic Indicators
Last Ten Fiscal Years
(amounts in thousands)

Calendar Year	(A) (Orange County)	(B) Total Personal Income	Per Capita Income	(C) Unemployment Rate
2007	3,078	$ 153,446,600	$ 49,853	4.8
2008	3,104	$ 155,068,400	$ 49,958	7.0
2009	3,135	$ 145,247,400	$ 46,331	10.9
2010	3,166	$ 147,195,100	$ 46,492	11.8
2011	3,030	$ 154,486,000	$ 50,985	11.4
2012	3,056	$ 164,971,000	$ 53,983	10.2
2013	3,082	$ 165,858,000	$ 53,815	9.0
2014	3,114	$ 173,306,000	$ 55,654	7.6
2015	3,147	$ 181,496,000	$ 57,673	6.2
2016	3,183	$ 188,384,000	$ 59,184	4.9

SOURCES:

(A) California Department of Finance
Population and Housing Estimates Table E-5, As of January 1
http://www.dof.ca.gov/forecasting/demographics/estimates

(B) Chapman University Economic & Business Review
Annual History and Forecasts
Years 2011-2015 updated as of June 30, 2016.
Most recent year is an estimate.

(C) Bureau of Labor Statistics (www.bls.gov/lau), Local Area Unemployment Statistics, Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area (The 2007-2015 figures reflect revised inputs, reestimation, and new statewide control. The 2016 figure is a six-month average for a partial year January - June.)

NOTE:
Data presented on this schedule is for the County of Orange and is not limited to the cities/county unincorporated areas served by the OCFA.

ORANGE COUNTY FIRE AUTHORITY
Population and Housing Statistics
Current Year and Nine Years Ago

Jurisdiction	Population 2007	Population 2016	Population % Change	Housing Units 2007	Housing Units 2016	Housing Units % Change
Aliso Viejo	44,830	50,509	12.7%	17,980	19,354	7.6%
Buena Park	81,775	83,347	1.9%	24,209	24,725	2.1%
Cypress	48,881	49,743	1.8%	16,540	16,194	-2.1%
Dana Point	36,639	33,415	-8.8%	15,940	16,016	0.5%
Irvine	199,400	258,386	29.6%	74,936	95,216	27.1%
Laguna Hills	33,117	30,681	-7.4%	11,153	10,996	-1.4%
Laguna Niguel	66,058	66,142	0.1%	24,831	25,458	2.5%
Laguna Woods	18,272	16,213	-11.3%	13,629	13,079	-4.0%
Lake Forest	77,603	83,910	8.1%	26,384	28,443	7.8%
La Palma	16,028	16,057	0.2%	5,131	5,234	2.0%
Los Alamitos	12,048	11,738	-2.6%	4,409	4,388	-0.5%
Mission Viejo	99,292	96,701	-2.6%	34,277	34,876	1.7%
Placentia	51,070	52,263	2.3%	16,436	17,155	4.4%
Rancho Santa Margarita	49,306	48,516	-1.6%	16,793	17,309	3.1%
San Clemente	66,833	66,245	-0.9%	26,955	26,143	-3.0%
San Juan Capistrano	36,153	36,085	-0.2%	11,780	12,262	4.1%
Santa Ana (A)	350,367	342,930	-2.1%	75,337	77,610	3.0%
Seal Beach	25,752	25,078	-2.6%	14,538	14,534	0.0%
Stanton	38,662	39,751	2.8%	11,087	11,355	2.4%
Tustin	71,931	82,717	15.0%	25,477	27,697	8.7%
Villa Park	6,202	5,948	-4.1%	2,021	2,024	0.1%
Westminster	92,104	94,073	2.1%	27,398	27,791	1.4%
Yorba Linda	67,192	67,637	0.7%	21,783	23,049	5.8%
Unincorporated	119,447	125,420	5.0%	38,887	40,583	4.4%
Total OCFA, adjusted (A)	1,708,962	1,783,505	4.4%	557,911	591,491	6.0%
Total non-OCFA	1,368,694	1,399,506	2.3%	467,391	484,214	3.6%
Total Orange County	3,077,656	3,183,011	3.4%	1,025,302	1,075,705	4.9%
Total OCFA, adjusted	1,708,962			557,911		
Less: Santa Ana	(350,367)			(75,337)		
Total OCFA, actual	1,358,595	1,783,505	31.3%	482,574	591,491	22.6%

SOURCE: California Department of Finance, Population and Housing Estimates Table E-5
As of January 1, 2007 and 2016 (http://www.dof.ca.gov/forecasting/demographics/estimates)

NOTE:

(A) Before Santa Ana became on OCFA member city in April 2012, the city's data was included in the "non-OCFA" total. However, Santa Ana's 2007 data has been identified separately for comparison purposes.

ORANGE COUNTY FIRE AUTHORITY
Principal Employers
Current and Nine Years Ago

	Fiscal Year 2006/07			Fiscal Year 2015/16		
Employer	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Walt Disney Co.	21,000	1	1.37%	27,000	1	1.69%
University of California, Irvine	16,229	3	1.06%	22,385	2	1.40%
County of Orange	17,785	2	1.16%	18,135	3	1.13%
St. Joseph Health System	9,385	5	0.61%	12,227	4	0.76%
Kaiser Permanente				7,000	5	0.44%
Boeing Co.	12,042	4	0.79%	6,890	6	0.43%
Walmart				6,000	7	0.38%
Memorial Care Health System				5,650	8	0.35%
Bank of America				5,500	9	0.34%
Target Corporation				5,400	10	0.34%
Yum! Brands Inc.	6,600	6	0.43%			
Ameriquest Capital Corporation	6,300	7	0.41%			
California State University, Fullerton	5,256	8	0.34%			
PacifiCare Health System	5,074	9	0.33%			
Home Depot, Incorporated	5,000	10	0.33%			

SOURCE:
County of Orange Comprehensive Annual Financial Report for Fiscal Year 2014/15
For years ended June 30, 2015 and 2006
Amounts are reported one year in arrears due to availability of data at time of publication of this document.
http://acdcweb01.ocgov.com/acInternet/Reports/CAFRReports.aspx

NOTE:
Data presented on this schedule is for the County of Orange and is not limited to the cities/county unincorporated areas served by the OCFA.

ORANGE COUNTY FIRE AUTHORITY

Operating Information

***Authorized Positions by Function/Fund/Department* –** Presents the number of funded and authorized positions by function/fund/department for each of the last ten fiscal years.

***Authorized Positions by Unit* –** Presents the number of authorized positions by unit for each of the last ten fiscal years.

***Frozen Positions by Department* –** Presents the number of frozen positions by department as of June 30 for each of the last ten fiscal years.

***Jurisdiction Information* –** Presents information on the OCFA's member agencies, square mile area served, population served, and number of fire stations for each of the last ten fiscal years.

***Incidents by Type* –** Presents the number of OCFA major incidents by category for each of the last ten fiscal years.

***Incidents by Member Agency* –** Presents the number of OCFA major incidents by member agency for each of the last ten fiscal years.

***Incidents by Major Category Definitions* –** Provides OCFA's definitions for categories of major incidents.

***Capital Equipment by Category* –** Presents the historical cost and quantity of capital equipment by category for each of the last nine fiscal years.

***Capital Vehicles by Category* –** Presents the historical cost and quantity of capital vehicles by category for each of the last nine fiscal years.

***Map of Division/Battalion Boundaries and Station Locations* –** This Orange county map identifies the areas included within OCFA's jurisdiction, the boundaries of its divisions/battalions, and the locations of all OCFA fire stations.

***List of Stations by Member Agency* –** Presents a list of OCFA fire stations and street addresses by member agency.

***Description of the Organization, Programs and Service Delivery* –** Provides an overview of the activities and responsibilities carried out by each of the OCFA's five departments.

ORANGE COUNTY FIRE AUTHORITY
Authorized Positions by Function/Fund/Department
Last Ten Fiscal Years

Public Safety Fund/Department	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	As of June 30									
Funded positions:										
Executive Management	44	45	45	45	35	33	33	40	36 **(E,F)**	37
Operations	877	892	902	878	881	1,001 **(B)**	994	968 **(D)**	966 **(F)**	984
Community Risk Reduction	74	76	72	65	67	76	76	96 **(D)**	98	98
Business Services	77	77	77	73	48 **(A)**	47	47	48	53 **(E)**	53
Support Services	35	35	35	34	55 **(A)**	88 **(B)**	88	88	86 **(F)**	97
Organizational Planning	-	-	-	-	-	-	-	-	5 **(F)**	5
General Operating Fund	1,107	1,125	1,131	1,095	1,086	1,245	1,238	1,240	1,244	1,274
Facilities Replacement	1	1	1	1	-	-	-	-	-	-
RFOTC	-	-	-	-	-	-	-	-	-	-
Structural Fire Entitlement	2	-	-	-	-	-	-	-	-	-
Total funded positions	**1,110**	**1,126**	**1,132**	**1,096**	**1,086**	**1,245** **(C)**	**1,238**	**1,240**	**1,244**	**1,274**
Unfunded positions:										
Limited term and/or grant-funded positions	-	-	-	-	-	1	3	3	3	3
Frozen positions	1	1	50	86	95	93	102	100	97	86
Total unfunded positions	**1**	**1**	**50**	**86**	**95**	**94**	**105**	**103**	**100**	**89**
Total authorized positions	**1,111**	**1,127**	**1,182**	**1,182**	**1,181**	**1,339**	**1,343**	**1,343**	**1,344**	**1,363**

SOURCE: Orange County Fire Authority, Treasury & Financial Planning Division, Budget Section

NOTE:

(A) During Fiscal Year 2010/11, Information Technology (23 positions) was transferred from Business Services to Support Services.

(B) During Fiscal Year 2011/12, the Emergency Command Center (32 positions) was transferred from Operations to Support Services.

(C) The net increase of 159 total funded employees during Fiscal Year 2011/12 included 163 authorized/funded positions for employees transitioning from the City of Santa Ana (151 Operations; 9 Community Risk Reduction; 3 Support Services).

(D) During Fiscal Year 2013/14, Crews & Equipment (26 positions) was transferred form Operations to Community Risk Reduction.

(E) During Fiscal Year 2014/15, the Clerk of the Authority (5 positions) was transferred form Executive Management to Business Services.

(F) During Fiscal Year 2014/15, the Organizational Planning Department was created by transferring positions from Executive Management (Human Resources - 1 position); Operations (Emergency Planning and Coordination - 1 position); and Support Services (Strategic Services - 3 positions).

ORANGE COUNTY FIRE AUTHORITY
Authorized Positions by Unit
Last Ten Fiscal Years

	As of June 30										
Unit	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Firefighter	778	792	808	863	863	863	1,010	1,011	1,011	1,011	1,023
Fire Management	40	41	41	41	41	41	45	45	45	45	45
General	192	198	197	197	197	196	203	205	205	205	213
Supervisory Management	27	27	28	28	28	28	28	28	27	27	27
Supported Employment	4	4	4	4	4	4	4	4	4	4	4
Administrative Management	43	42	42	42	42	42	42	43	44	44	43
Executive Management	7	7	7	7	7	7	7	7	7	8	8
Total authorized positions	1,091	1,111	1,127	1,182	1,182	1,181	1,339	1,343	1,343	1,344	1,363
Increase (decrease) from prior fiscal year	1	20	16	55	-	(1)	158 **(A)**	4	-	1	19

SOURCE: OCFA Treasury & Financial Planning Division, Budget Section

(A) The net increase of total authorized positions during Fiscal Year 2011/12 included 163 authorized positions for employees transitioning from the City of Santa Ana (147 Firefighter Unit, 4 Fire Management Unit, 11 General Unit, and 1 Supervisory Management Unit).

ORANGE COUNTY FIRE AUTHORITY
Frozen Positions by Department
Last Ten Fiscal Years

	As of June 30									
Department	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Suppression:										
Operations:										
Firefighter	-	-	15	15	18	18	18	18	18	18
Fire Apparatus Engineer	-	-	3	13	18	18	24	24	24	21
Fire Captain	-	-	3	16	24	24	27	27	27	24
Battalion Chief (Staff)	-	-	-	2	2	2	2	2	2	2
Fire Pilot	-	-	-	-	-	-	-	1	1	1
Hand Crew Firefighter	-	-	22	22	-	-	-	-	-	-
Heavy Fire Equipment Operator	-	-	-	-	1	1	1	1	1	1
Subtotal Suppression	**-**	**-**	**43**	**68**	**63**	**63**	**72**	**73**	**73**	**67**
Non-Suppression:										
Executive Management:										
Executive Management	-	-	-	-	1	-	-	-	-	-
Human Resources	-	-	-	-	4	4	4	4	3	2
Corporate Communications/CAPA	-	-	-	-	1	-	-	-	-	-
Subtotal Executive Management	-	-	-	-	6	4	4	4	3	2
Operations	-	-	-	-	-	1	2	1	1	1
Community Risk Reduction	1	1	6	12	16	15	15	14	12	9
Business Services	-	-	1	5	6	6	5	4	4	4
Support Services	-	-	-	1	4	4	4	4	4	3
Organizational Planning	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Suppression	**1**	**1**	**7**	**18**	**32**	**30**	**30**	**27**	**24**	**19**
Total frozen positions	**1**	**1**	**50**	**86**	**95**	**93**	**102**	**100**	**97**	**86**

SOURCE: Orange County Fire Authority, Treasury & Financial Planning Division, Budget Section

ORANGE COUNTY FIRE AUTHORITY
Jurisdiction Information
Last Ten Fiscal Years

Fiscal Year Ended June 30	(A) Number of Member Agencies	(B) Square Mile Area Served	(C) Population Served	(A) Number of Stations	New and Closed Station(s) +/-	Description
2007	23	551	1,358,595	60	(1)	Closed Station 52 (Crews & Equipment)
2008	23	550	1,375,509	61	1	New Station 27 (Irvine/Portola Springs)
2009	23	550	1,387,171	62	1	New Station 20 (Irvine/Great Park)
2010	23	550	1,403,072	62	-	
2011	23	548	1,355,090	61	(1)	Closed Station 3 (County/Sunset Beach)
2012	24	576	1,694,010	71	10	New Stations 70 through 79 (Santa Ana)
2013	24	571	1,712,234	71	-	
2014	24	571	1,733,563	71	-	
2015	24	571	1,755,436	71	-	
2016	24	576	1,783,505	72	1	New Station 56 (County/Rancho Mission Viejo)

SOURCES:
- (A) Orange County Fire Authority, Clerk of the Authority
- (B) Orange County Fire Authority, Geographic Information Systems
- (C) California Department of Finance, Population and Housing Estimates as of January 1 http://www.dof.ca.gov/forecasting/demographics/estimates

NOTE: The City of Santa Ana became an OCFA member city in Fiscal Year 2011/12.

ORANGE COUNTY FIRE AUTHORITY
Incidents by Type
Last Ten Fiscal Years

Fiscal Year ended June 30 (1)	Fire/ Explosion	Ruptures	Rescue/ EMS	Hazmat	Service Call	Good Intent	False Alarm	Natural Disaster	Other	Total	
2007	2,155	179	55,863	1,465	5,475	10,636	4,734	5	209	80,721	
2008	1,946	178	57,871	1,353	5,257	10,933	4,835	10	547	82,930	
2009	1,795	169	58,358	1,080	5,508	10,839	4,503	3	294	82,549	
2010	1,464	164	59,408	1,049	5,703	10,979	4,300	25	349	83,441	
2011	1,541	158	61,870	1,011	6,157	12,897	4,293	51	249	88,227	(2)
2012	1,635	157	66,383	965	6,457	12,802	4,065	4	192	92,660	(3)
2013	2,004	219	80,167	1,100	7,753	14,786	5,710	1	149	111,889	(3)
2014	1,936	220	83,762	1,254	6,978	12,411	6,238	6	220	113,025	
2015	1,898	229	94,740	1,220	6,996	12,046	6,515	5	345	123,994	
2016	2,338	197	102,994	1,314	7,921	13,261	6,575	6	9	134,615	

SOURCE:
Orange County Fire Authority, Organizational Planning Department, Strategic Services

NOTES:
(1) Response statistics are normally reported on a calendar year basis in other reports. These statistics have been reported on the fiscal year basis, July through June.

(2) Beginning in Fiscal Year 2010/11, totals were revised to include incidents outside of OCFA jurisdiction that involved OCFA units and personnel (Auto/Mutual Aid Given).

(3) The City of Santa Ana joined the OCFA effective April 20, 2012. Fiscal Year 2011/12 data includes the portion of the fiscal year during which the city was a member of OCFA. Fiscal Year 2012/13 data includes the first full year of Santa Ana activity.

ORANGE COUNTY FIRE AUTHORITY
Incidents by Member Agency
Last Ten Fiscal Years

	Fiscal Year ended June 30 (1)									
Member Agency	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Aliso Viejo	1,939	2,060	1,998	2,005	2,094	2,071	2,226	2,194	2,420	2,511
Buena Park	5,431	5,528	5,668	5,676	5,652	5,836	5,849	6,057	6,569	7,016
Cypress	2,518	2,552	2,504	2,600	2,490	2,556	2,699	2,633	2,833	3,013
Dana Point	2,660	2,700	2,650	2,787	2,870	2,772	2,950	2,925	3,297	3,291
Irvine	11,216	11,632	11,385	11,981	12,214	11,969	12,485	12,896	13,875	14,688
La Palma	798	760	760	754	778	750	808	925	1,036	1,059
Laguna Hills	2,494	2,434	2,421	2,558	2,614	2,542	2,579	2,584	2,675	2,887
Laguna Niguel	3,017	3,101	3,079	3,094	3,255	3,358	3,476	3,685	3,584	3,861
Laguna Woods	4,275	4,349	4,350	4,399	4,560	4,717	4,748	4,306	4,847	5,319
Lake Forest	4,289	4,170	4,272	4,320	4,334	4,230	4,459	4,297	4,651	4,995
Los Alamitos	1,033	1,032	1,083	1,080	1,055	1,101	1,199	1,123	1,254	1,380
Mission Viejo	5,794	6,139	6,424	6,363	6,379	6,355	6,760	6,791	7,072	7,508
Placentia	2,678	2,829	2,699	2,696	2,837	2,714	2,846	2,806	2,981	3,132
Rancho Santa Margarita	1,879	2,002	1,965	2,009	2,015	2,105	1,983	2,111	2,254	2,415
San Clemente	3,684	3,863	3,678	3,961	3,813	3,999	4,187	4,334	4,668	5,080
San Juan Capistrano	2,554	2,569	2,526	2,429	2,580	2,617	2,701	2,934	3,164	3,629
Santa Ana (3)	n/a	n/a	n/a	n/a	n/a	3,654	18,915	19,303	21,465	23,455
Seal Beach	3,283	3,453	3,388	3,503	3,375	3,617	3,571	3,343	3,783	4,882
Stanton	2,343	2,438	2,420	2,401	2,597	2,660	2,878	2,879	3,113	3,413
Tustin	3,845	3,865	3,761	3,744	4,055	4,196	4,582	4,614	5,205	5,406
Villa Park	319	324	329	336	388	363	392	338	378	452
Westminster	5,684	5,795	5,835	5,724	5,882	6,012	6,486	6,201	6,880	7,442
Yorba Linda	2,991	3,100	3,134	2,937	2,928	3,125	3,277	3,185	3,547	3,716
Unincorporated	5,997	6,235	6,220	6,084	6,087	5,991	6,312	6,073	6,496	6,719
	80,721	82,930	82,549	83,441	84,852	89,310	108,368	108,537	118,047	127,269
Auto/Mutual Aid Given (2)	n/a	n/a	n/a	n/a	3,375	3,350	3,521	4,488	5,947	7,346
Total	80,721	82,930	82,549	83,441	88,227	92,660	111,889	113,025	123,994	134,615

SOURCE: Orange County Fire Authority, Organizational Planning Department, Strategic Services

NOTES:

(1) Response statistics are normally reported on a calendar year basis in other reports. These statistics have been reported on the fiscal year basis, July through June.

(2) Beginning in Fiscal Year 2010/11, methodology was revised to include incidents outside of OCFA jurisdiction that involved OCFA units and personnel (Auto/Mutual Aid Given).

(3) The City of Santa Ana joined the OCFA effective April 20, 2012. Fiscal Year 2011/12 data is reported only for the portion of the fiscal year during which the city was a member of OCFA. Fiscal Year 2012/13 data includes the first full year of Santa Ana activity.

ORANGE COUNTY FIRE AUTHORITY
Incidents by Major Category Definitions

Fire, Explosion: This category includes fire responses, even if the fire has been extinguished upon arrival. This category also includes combustion explosions with no resulting fire. Examples of this category include structure fires, rubbish fires, dumpster fires and vehicle fires.

Over-Pressure Rupture: This category includes vessels or containers that suffer failure or near failure due to extreme pressure from either an outside source, such as direct heating, or internally due to a cooling system failure or over-filling, such as a propane tank. Examples of this category also include explosions from bombs, dynamite or similar explosives.

Rescue/EMS Call: This category includes all medical aids, illness and heart attacks, as well as traffic accidents and missing persons.

Hazardous Condition Standby: This category includes Hazardous Materials incidents; electrical wire arcing; suspected drug labs; or situations where there is a perceived problem that may prove to be a potential emergency.

Service Call: This category includes incidents for persons in distress, such as a lock-in or lock-out of a vehicle or dwelling creating an emergency situation or critical need, and smoke or odor problems. This category would also include moving units from one station to another to provide area coverage.

Good Intent Call: This category includes incidents that are cleared prior to arrival, such as a medical aid where the injured party has left the scene, or the initial information indicated that there were injuries and upon arrival no persons were injured. This category may also include calls where the informant has mistaken steam for smoke.

False Alarm: Some examples of the incidents in this category are malicious mischief calls, system malfunctions and the accidental tripping of an interior alarm sensor or device.

Natural Disaster: This category includes incidents that are not normal occurrences, such as earthquakes, lightning strikes, hurricanes and other weather or natural events.

Other: This includes citizen complaints and reports of fire code or ordinance violations.

SOURCE: Orange County Fire Authority, Organizational Planning Department, Strategic Services

Orange County Fire Authority Safety Message

Barbeque Safety
(Part 1 of 2)

There's nothing like an outdoor barbeque. But a barbeque too close to anything that can burn is a fire hazard. Follow these simple steps and stay safe this grilling season.

Grilling Safety

✓ Propane and charcoal BBQ grills should only be used outdoors.

✓ The grill should be placed well away from the home, deck railings, tables, overhanging branches, and where people gather.

✓ Keep children and pets at least three feet away from the grill area.

✓ Keep your grill clean by removing grease or fat buildup from the grills and in trays below the grill.

✓ Never leave a heated grill, lighter, or matches unattended.

(Continued on Page 160)

ORANGE COUNTY FIRE AUTHORITY
Capital Equipment by Category
Last Nine Fiscal Years

Category	June 30, 2008 Historical Cost	June 30, 2008 Quantity	June 30, 2009 Historical Cost	June 30, 2009 Quantity
Air fill station	$ 53,179	2	$ 53,179	2
Aboveground storage tank	678,014	8	678,014	8
Audio visual equipment	784,559	25	784,559	25
Boat	36,504	4	36,504	4
Camera, thermal imaging	1,205,722	89	1,205,722	89
Camera, other	47,387	4	47,387	4
Communications equipment	1,456,590	37	1,465,264	38
Computer	85,459	5	91,328	6
Defibrillator	1,324,920	74	1,341,790	75
Exercise equipment	34,177	5	44,260	6
Fleet equipment	162,771	16	162,771	16
Forklift	102,994	3	102,994	3
Generator	564,051	25	553,049	24
GPS equipment (AVL regional interoperability projects)	1,391,000	2	1,391,000	2
Hazmat equipment	248,782	20	248,782	20
Helicopters and improvements:				
Helicopter	7,294,218	2	28,854,977	4
Helicopter, rotor blades	-	-	151,573	2
Helicopter, fast fin kits	-	-	-	-
Helicopter equipment	421,615	16	670,576	37
Hydraulic tool	97,746	18	97,746	18
Kitchen equipment	33,403	4	33,403	4
Laptop	53,782	9	53,782	9
Manikin	73,144	12	73,144	12
Miscellaneous equipment	385,042	27	447,889	29
Mobile radio project (FY 2003/04 - FY 2004/05)	2,424,594	1	2,424,594	1
Mobile radio	110,199	17	116,008	18
Network equipment	976,386	29	976,386	29
Office equipment	500,659	7	635,138	8
Portable building	179,863	9	219,564	12
Portable radio	-	-	25,640	5
Printer	99,499	9	99,499	9
Projector	34,565	5	34,565	5
Router	25,980	2	37,405	4
Scanner	-	-	-	-
Search equipment	192,378	13	192,377	13
Server	1,224,377	72	1,090,643	80
Software	6,636,035	47	6,709,908	52
Switch	232,515	11	232,515	11
Tablet	-	-	-	-
Tent	122,237	12	122,237	12
Trailer	419,725	16	433,283	17
Workstation	1,634,122	24	1,641,243	25
	$ 31,348,193	681	$ 53,580,698	738

NOTE: Previous CAFR's presented quantities of select front-line equipment. Beginning in FY 2010/11, historical cost and quantities of all capital equipment are presented. Data is available in this format beginning in Fiscal Year 2007/08.

June 30, 2010			June 30, 2011			June 30, 2012		
Historical Cost		Quantity	Historical Cost		Quantity	Historical Cost		Quantity
$	53,179	2	$	53,179	2	$	53,179	2
	678,014	8		678,014	8		678,014	8
	768,132	23		754,726	23		716,800	18
	23,412	2		23,412	2		31,515	4
	1,205,722	89		1,223,802	91		1,251,757	104
	41,577	3		41,577	3		11,171	1
	1,465,264	38		1,488,213	41		1,512,740	42
	82,126	5		82,126	5		82,126	5
	1,149,858	90		1,149,858	90		1,528,398	105
	35,622	5		35,622	5		35,622	5
	162,771	16		170,441	16		172,042	16
	102,994	3		88,098	2		93,177	3
	553,049	24		510,078	23		504,562	22
	1,391,000	2		1,391,000	2		1,391,000	2
	248,782	20		248,782	20		337,453	24
	28,854,977	4		28,854,977	4		28,854,977	4
	319,149	4		319,149	4		319,149	4
	-	-		-	-		-	-
	747,865	40		770,085	42		778,885	42
	97,746	18		195,119	31		368,216	55
	33,403	4		33,403	4		33,403	4
	62,732	10		56,632	9		44,108	7
	73,144	12		67,452	11		67,452	11
	495,934	31		559,561	35		597,167	40
	2,424,594	1		2,424,594	1		2,424,594	1
	116,008	18		116,008	18		107,671	17
	967,465	28		967,465	28		804,981	27
	648,440	8		648,440	8		648,440	8
	226,348	13		226,348	13		226,348	13
	25,640	5		25,640	5		25,640	5
	77,218	7		77,218	7		72,039	7
	25,838	4		25,838	4		10,372	2
	37,405	4		37,405	4		37,405	4
	-	-		-	-		-	-
	211,366	15		204,105	14		163,944	11
	1,148,057	88		1,049,533	82		1,027,950	81
	7,068,488	55		7,068,488	55		7,074,050	55
	264,893	14		282,393	16		282,393	16
	-	-		-	-		-	-
	122,237	12		122,237	12		122,237	12
	423,376	16		423,376	16		437,742	16
	1,641,243	25		1,641,243	25		1,641,243	25
$	54,075,068	766	$	54,135,637	781	$	54,569,962	828

SOURCE: Orange County Fire Authority, Finance Division, Accounting Section

(Continued on next page)

ORANGE COUNTY FIRE AUTHORITY
Capital Equipment by Category
(Continued)

Category	June 30, 2013 Historical Cost	June 30, 2013 Quantity	June 30, 2014 Historical Cost	June 30, 2014 Quantity
Air fill station	$ 53,179	2	53,179	2
Aboveground storage tank	678,014	8	678,014	8
Audio visual equipment	716,800	18	716,800	18
Boat	31,515	4	31,515	4
Camera, thermal imaging	1,117,422	97	1,214,725	113
Camera, other	11,171	1	11,171	1
Communications equipment	1,533,009	44	1,458,744	39
Computer	82,126	5	82,126	5
Defibrillator	1,528,398	105	1,526,069	105
Exercise equipment	35,622	5	35,622	5
Fleet equipment	172,042	16	172,042	16
Forklift	93,177	3	93,177	3
Generator	504,562	22	504,562	22
GPS equipment (AVL regional interoperability projects)	1,391,000	2	1,391,000	2
Hazmat equipment	336,275	23	432,282	23
Helicopters and improvements:				
Helicopter	28,854,977	4	28,854,977	4
Helicopter, rotor blades	319,149	4	319,149	4
Helicopter, fast fin kits	-	-	148,104	2
Helicopter equipment	787,062	43	780,245	42
Hydraulic tool	377,287	56	401,133	60
Kitchen equipment	33,403	4	33,403	4
Laptop	29,058	5	29,058	5
Manikin	67,452	11	67,452	11
Miscellaneous equipment	643,040	46	660,496	49
Mobile radio project (FY 2003/04 - FY 2004/05)	2,424,594	1	2,424,594	1
Mobile radio	107,671	17	107,671	17
Network equipment	952,374	30	1,321,172	31
Office equipment	638,472	7	632,865	6
Portable building	236,843	14	274,656	14
Portable radio	79,452	15	79,452	15
Printer	72,039	6	72,039	6
Projector	10,372	2	10,372	2
Router	37,405	4	37,405	4
Scanner	-	-	-	-
Search equipment	163,944	11	196,302	13
Server	1,022,818	81	997,288	79
Software	7,117,506	56	7,117,506	56
Switch	282,393	16	312,760	17
Tablet	-	-	-	-
Tent	122,237	12	122,237	12
Trailer	527,629	18	512,761	18
Workstation	1,641,243	25	1,641,243	25
	$ 54,832,732	843	$ 55,555,368	863

June 30, 2015		June 30, 2016	
Historical Cost	Quantity	Historical Cost	Quantity
$ 53,179	2	53,179	2
678,014	8	678,014	8
734,581	20	734,581	20
31,515	4	31,515	4
1,167,318	107	1,115,772	102
33,713	4	44,264	5
1,458,744	39	1,458,744	39
90,386	6	90,386	6
1,526,069	105	1,526,069	105
35,622	5	35,622	5
189,888	17	252,867	24
93,177	3	93,177	3
504,562	22	504,562	22
1,391,000	2	1,391,000	2
479,786	26	479,786	26
28,854,977	4	28,854,977	4
319,149	4	319,149	4
148,104	2	148,104	2
942,245	43	942,245	43
468,400	67	490,913	69
33,403	4	33,403	4
29,058	5	23,832	4
67,452	11	67,452	11
702,500	52	735,503	55
2,424,594	1	2,424,594	1
82,659	14	153,768	28
1,288,223	29	1,294,452	30
632,865	6	632,865	6
352,872	17	352,872	17
143,605	27	138,477	26
72,039	6	72,039	6
10,372	2	10,372	2
37,405	4	72,745	8
5,489	1	5,489	1
210,657	14	236,657	16
1,000,858	69	1,211,242	72
9,176,979	50	10,502,153	53
312,760	17	349,909	20
5,455	1	24,882	4
122,237	12	122,237	12
523,455	18	523,455	18
1,641,243	25	1,641,243	25
$ 58,076,609	875	$ 59,874,567	914

ORANGE COUNTY FIRE AUTHORITY
Capital Vehicles by Category
Last Nine Fiscal Years

	June 30, 2008		June 30, 2009	
Category	Historical Cost	Quantity	Historical Cost	Quantity
Air Utility	$ 629,011	3	$ 629,011	3
Ambulance	464,082	5	464,082	5
Battalion Chief Vehicle	1,203,251	25	1,300,458	26
Brush Chipper	34,289	2	34,289	2
Crew Cab	176,403	4	176,403	4
Crew-Carrying Vehicle	297,336	4	297,336	4
Dump Truck	66,366	1	66,366	1
Fire Command	402,755	2	402,755	2
Fire Dozer	445,205	4	723,403	4
Foam Tender	152,245	1	152,245	1
Fuel Tender	226,392	2	226,392	2
Hazmat Unit	674,962	2	674,962	2
Heavy Rescue Unit	-	-	649,343	1
Hose Tender	103,189	1	103,189	1
Lift Truck	-	-	-	-
Loader	-	-	-	-
Paramedic Van	1,449,569	22	1,449,569	22
Parade Engine	35,000	2	35,000	2
Patrol	1,539,901	19	1,539,901	19
Patrol, Compressed Air Foam System (CAFS)	-	-	488,603	7
Pickup Truck	1,352,388	42	1,562,434	41
Road Grader	102,396	1	102,396	1
Sedan	123,991	7	123,991	7
Squad	578,998	7	578,998	7
Stakeside	34,289	1	34,289	1
Sport Utility Vehicle (SUV)	2,849,285	104	2,809,830	103
Telesquirt	2,617,035	8	2,617,035	8
Transport Tractor	399,409	5	506,673	5
Truck, 90', 100' and 110' Tractor Drawn Aerials	1,737,166	3	4,428,314	5
Truck, 75' Quint	2,717,185	6	2,717,185	6
Truck, 90' Quint	4,827,476	10	4,429,851	9
Truck, 100' Quint	-	-	-	-
Truck, Other	427,613	5	427,613	5
Truck, Compressed Air Foam System (CAFS)	-	-	-	-
Type 1 Engine	22,538,064	87	21,865,361	82
Type 1 Wildland Urban Interface Engine	-	-	-	-
Type 2 Engine	1,862,087	13	1,752,417	12
Type 3 Engine	914,455	8	4,673,626	18
Utility	176,422	5	176,422	5
Van	681,041	29	648,591	27
Water Tender	753,535	5	753,535	5
	$ 52,592,791	445	$ 59,621,868	455

NOTE: Previous CAFR's presented quantities of select front-line vehicles. Beginning in FY 2010/11, historical cost and quantities of all capital vehicles are presented. Data is available in this format beginning in Fiscal Year 2007/08. More years will be added as they become available.

June 30, 2010		June 30, 2011		June 30, 2012	
Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity
$ 629,011	3	$ 629,011	3	$ 820,733	4
935,731	8	776,283	6	776,283	6
1,300,458	26	1,488,518	28	1,518,914	29
34,289	2	34,289	2	34,289	2
139,057	3	139,057	3	69,009	2
297,336	4	297,336	4	452,373	4
66,366	1	66,366	1	66,366	1
402,755	2	402,755	2	402,755	2
723,403	4	723,403	4	723,403	4
152,245	1	152,245	1	152,245	1
226,392	2	226,392	2	376,164	3
674,962	2	674,962	2	1,077,646	3
658,107	1	658,107	1	658,107	1
103,189	1	103,189	1	103,189	1
71,780	1	71,780	1	71,780	1
-	-	-	-	-	-
1,393,496	21	1,860,604	22	1,860,604	22
35,000	2	35,000	2	-	-
1,539,901	19	1,539,901	19	1,539,901	19
858,456	12	858,456	12	858,456	12
1,590,978	41	1,590,978	41	1,796,208	49
102,396	1	102,396	1	102,396	1
83,753	4	61,256	3	61,256	3
578,998	7	578,998	7	578,998	7
34,289	1	34,289	1	34,289	1
2,866,442	107	2,820,880	104	2,658,508	98
2,358,138	7	2,099,242	6	2,344,077	7
506,673	5	506,673	5	506,673	5
4,428,314	5	4,428,314	5	4,943,110	8
2,717,185	6	3,536,736	7	3,124,257	6
4,429,851	9	4,429,851	9	3,562,035	7
-	-	-	-	2,354,146	2
427,613	5	427,613	5	427,538	5
-	-	-	-	21,649	1
26,065,677	91	25,031,630	84	26,638,285	90
1,702,359	4	2,127,949	5	2,127,949	5
1,020,651	7	305,219	2	152,610	1
4,105,746	13	4,105,746	13	4,105,746	13
161,801	4	161,801	4	145,169	3
639,778	25	623,608	24	623,608	24
753,535	5	753,535	5	753,535	5
$ 64,816,111	462	$ 64,464,368	447	$ 68,624,259	458

SOURCE: Orange County Fire Authority, Finance Division, General Accounting Unit

(Continued on next page)

ORANGE COUNTY FIRE AUTHORITY
Capital Vehicles by Category
(Continued)

Category	June 30, 2013 Historical Cost	June 30, 2013 Quantity	June 30, 2014 Historical Cost	June 30, 2014 Quantity
Air Utility	$ 820,733	4	$ 820,733	4
Ambulance	776,283	6	674,739	5
Battalion Chief Vehicle	1,518,914	29	1,518,914	29
Brush Chipper	34,289	2	34,289	2
Crew Cab	69,009	2	-	-
Crew-Carrying Vehicle	452,373	4	452,373	4
Dump Truck	66,366	1	66,366	1
Fire Command	402,755	2	820,829	4
Fire Dozer	723,403	4	723,403	4
Foam Tender	152,245	1	152,245	1
Fuel Tender	376,164	3	376,164	3
Hazmat Unit	1,077,646	3	1,077,646	3
Heavy Rescue Unit	658,107	1	658,107	1
Hose Tender	103,189	1	103,189	1
Lift Truck	71,780	1	71,780	1
Loader	-	-	-	-
Paramedic Van	1,860,604	22	1,860,604	22
Parade Engine	-	-	-	-
Patrol	1,539,901	19	1,539,901	19
Patrol, Compressed Air Foam System (CAFS)	858,456	12	858,456	12
Pickup Truck	1,943,905	51	2,081,006	53
Road Grader	102,396	1	102,396	1
Sedan	61,256	3	44,994	2
Squad	578,998	7	578,998	7
Stakeside	34,289	1	34,289	1
Sport Utility Vehicle (SUV)	2,637,875	97	2,560,913	94
Telesquirt	1,995,305	6	1,736,407	5
Transport Tractor	506,673	5	506,673	5
Truck, 90', 100' and 110' Tractor Drawn Aerials	4,938,110	7	4,938,110	7
Truck, 75' Quint	3,124,257	6	3,124,257	6
Truck, 90' Quint	3,562,035	7	3,562,035	7
Truck, 100' Quint	2,354,146	2	2,354,146	2
Truck, Other	427,538	5	592,188	7
Truck, Compressed Air Foam System (CAFS)	44,058	2	44,058	2
Type 1 Engine	26,638,285	90	28,363,285	92
Type 1 Wildland Urban Interface Engine	3,451,627	8	3,451,627	8
Type 2 Engine	152,610	1	152,610	1
Type 3 Engine	3,871,874	11	4,653,221	13
Utility	145,169	3	145,169	3
Van	623,608	24	623,608	24
Water Tender	753,535	5	753,535	5
	$ 69,509,766	459	$ 72,213,263	461

June 30, 2015		June 30, 2016	
Historical Cost	Quantity	Historical Cost	Quantity
$ 820,733	4	820,733	4
573,194	4	573,194	4
1,518,914	29	2,098,087	42
34,289	2	103,545	3
-	-	-	-
452,373	4	452,373	4
66,366	1	66,366	1
674,655	3	674,655	3
550,978	2	550,978	2
152,245	1	152,245	1
376,164	3	376,164	3
1,077,646	3	1,077,646	3
658,107	1	679,608	1
103,189	1	103,189	1
71,780	1	71,780	1
81,996	1	81,996	1
1,860,604	22	1,860,604	22
-	-	-	-
1,539,901	19	1,539,901	19
858,456	12	858,456	12
2,081,006	53	2,327,501	63
102,396	1	102,396	1
44,994	2	-	-
578,998	7	578,998	7
34,289	1	34,289	1
2,505,906	92	2,621,995	93
1,736,407	5	1,736,407	5
506,673	5	506,673	5
4,938,110	7	4,948,930	8
3,124,257	6	3,124,257	6
3,062,553	6	3,062,553	6
2,354,146	2	2,354,146	2
768,076	11	768,076	11
44,058	2	44,058	2
28,442,065	90	30,580,415	94
3,451,627	8	3,451,627	8
152,610	1	152,610	1
4,653,221	13	4,653,221	13
145,169	3	145,169	3
451,395	19	451,395	19
753,535	5	753,535	5
$ 71,403,081	452	$ 74,539,771	480

Orange County Fire Authority Safety Message

Barbeque Safety
(Part 2 of 2)

(Continued from Page 151)

There's nothing like an outdoor barbeque. But a barbeque too close to anything that can burn is a fire hazard. Follow these simple steps and stay safe this grilling season.

Charcoal Grills

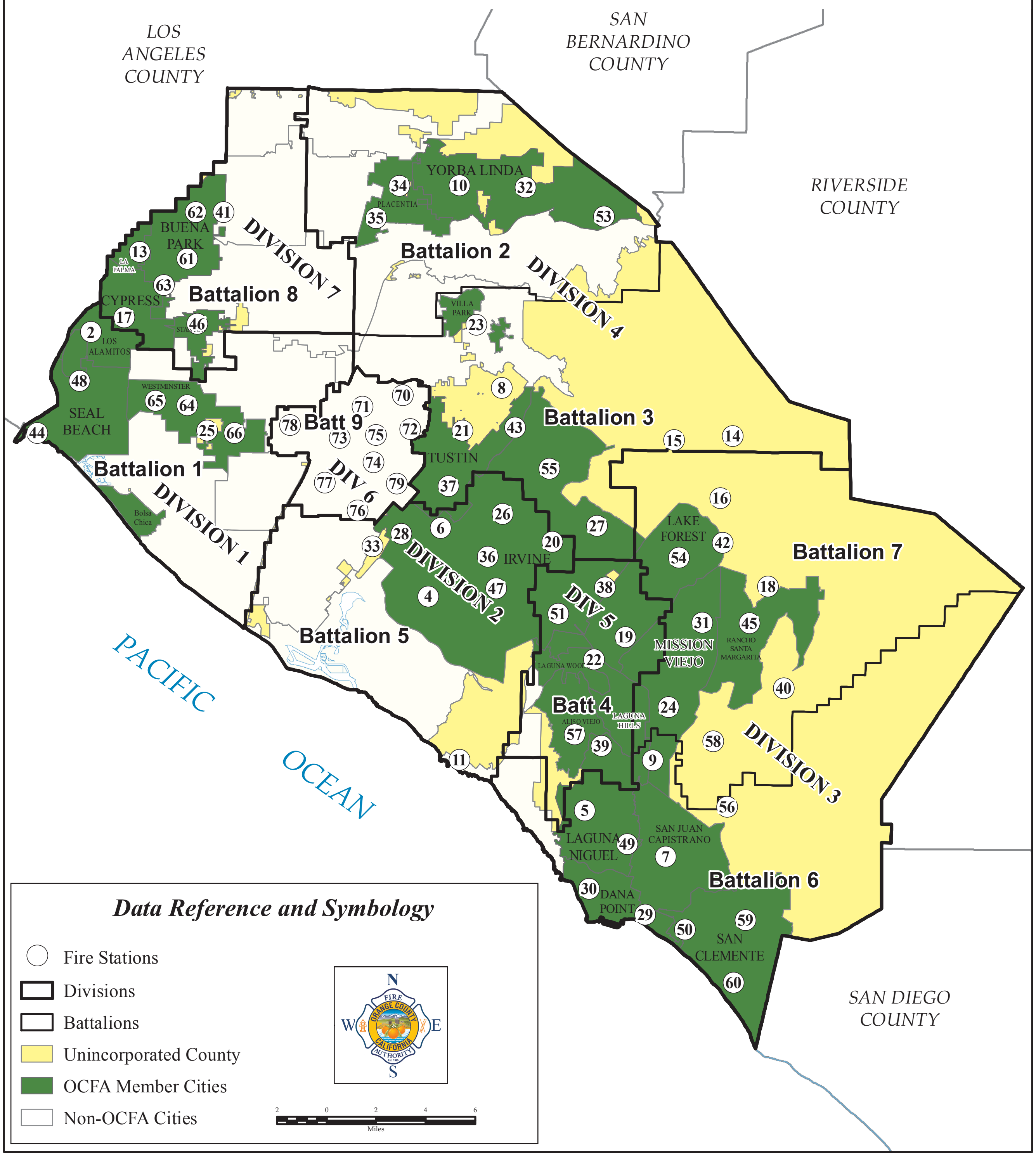
- ✓ If you use a starter fluid, use only charcoal starter fluid. Never add charcoal fluid or any other flammable liquids to the fire.
- ✓ When you are finished grilling, let the coals completely cool (for about 48 hours) before disposing in a metal container.

Propane Grills

- ✓ Check the gas tank hose for leaks before using for the first time each year.
- ✓ If your grill has a gas leak and the leak stops, get the grill serviced by a professional before using it again. If the leak does not stop, call the fire department.
- ✓ If the flame goes out, turn the grill and gas off and wait at least 15 minutes before re-lighting it.

ORANGE COUNTY FIRE AUTHORITY

Division and Battalion Boundaries and Station Locations



SOURCE: Information Technology Division, Geographic Information Systems

ORANGE COUNTY FIRE AUTHORITY
List of Stations by Member Agency

City of Aliso Viejo
#57, 57 Journey, 92656

City of Buena Park
#61, 8081 Western Ave. 90620
#62, 7780 Artesia Blvd. 90621
#63, 9120 Holder St. 90620

City of Cypress
#17, 4991 Cerritos Ave. 90630

City of Dana Point
#29, 26111 Victoria Blvd. 92624
#30, 23831 Stonehill Dr. 92629

City of Irvine
#4, 2 California Ave. 92612
#6, 3180 Barranca Pkwy. 92606
#20, 6933 Trabuco Rd., 92618
#26, 4691 Walnut Ave. 92604
#27, 12400 Portola Springs 92618
#28, 17862 Gillette Ave. 92614
#36, 301 E. Yale Loop 92604
#38, 26 Parker 92618
#47, 47 Fossil 92603
#51, 18 Cushing 92618
#55, 4955 Portola Pkwy. 92620

City of La Palma
#13, 7822 Walker St. 90623

Cities of Laguna Hills / Laguna Woods
#22, 24001 Paseo de Valencia,
Laguna Hills 92653

City of Laguna Niguel
#5, 23600 Pacific Island Dr. 92677
#39, 24241 Avila Rd. 92677
#49, 31461 St. of the Golden Lantern 92677

City of Lake Forest
#19, 23022 El Toro Rd. 92630
#42, 19150 Ridgeline Rd., 92679
#54, 19811 Pauling Ave., 92610

City of Los Alamitos
#2, 3642 Green Ave. 90720

City of Mission Viejo
#9, #9 Shops at Mission Viejo 92691
#24, 25862 Marguerite Pkwy. 92692
#31, 22426 Olympiad Rd. 92692

City of Placentia
#34, 1530 N. Valencia 92870
#35, 110 S. Bradford 92870

City of Rancho Santa Margarita
#45, 30131 Aventura 92688

City of San Clemente
#50, 670 Camino de Los Mares 92672
#59, 48 Avenida La Pata 92673
#60, 100 Avenida Victoria 92672

City of San Juan Capistrano
#7, 31865 Del Obispo 92675

City of Santa Ana
#70, 2301 Old Grand 92701
#71, 1029 West 17th St. 92706
#72, 1688 East 4th St. 92701
#73, 419 Franklin 92703
#74, 1427 South Broadway 92707
#75, 120 West Walnut 92701
#76, 950 West MacArthur 92707
#77, 2317 South Greenville 92704
#78, 501 North Newhope 92703
#79, 1320 East Warner 92705

City of Seal Beach
#44, 718 Central Ave. 90740
#48, 3131 N. Gate Rd. 90740

City of Stanton
#46, 7871 Pacific St. 90680

City of Tustin
#37, 15011 Kensington Park Dr. 92780
#43, 11490 Pioneer Way 92782

City of Villa Park
#23, 5020 Santiago Canyon Rd. 92869

City of Westminster
#64, 7351 Westminster Blvd. 92683
#65, 6061 Hefley St. 92683
#66, 15061 Moran St. 92683

City of Yorba Linda
#10, 18422 E. Lemon Dr. 92886
#32, 20990 Yorba Linda Blvd. 92887
#53, 25415 La Palma Ave. 92887

County of Orange, Unincorporated
#8, 10631 Skyline Dr., Santa Ana 92705
#11, 259 Emerald Bay, Laguna Beach 92651
#14, P.O. Box 12, Silverado 92676
#15, 27172 Silverado Canyon Rd., Silverado 92676
#16, 28891 Modjeska Canyon Rd., Silverado 92676
#18, 30942 Trabuco Canyon Rd., Trabuco Canyon 92679
#21, 1241 Irvine Blvd., Tustin 92780
#25, 8171 Bolsa Ave., Midway City 92655
#40, 25082 Vista del Verde, Coto de Caza 92679
#56, 56 Sendero Way, Rancho Mission Viejo 92694
#58, 58 Station Way, Ladera Ranch 92694

Specialty Stations

Airport Rescue & Firefighting
#33, 374 Paularino, Costa Mesa 92626

Helicopter Operations
#41, 3900 W. Artesia Ave., Fullerton 92633

ORANGE COUNTY FIRE AUTHORITY
Description of the Organization, Programs and Service Delivery
June 30, 2016

EXECUTIVE MANAGEMENT

Orange County Fire Authority (OCFA) is managed by an appointed Fire Chief and five Assistant Chiefs. Service activities are organized into five departments – Operations, Community Risk Reduction, Business Services, Support Services, and Organizational Planning.

Executive Management is responsible for planning, organizing, evaluating fire and emergency services, and providing direction to all departments within the organization. Executive Management also ensures that the types and levels of services provided are consistent with Board policy and the adopted budget. The following divisions report directly to the Fire Chief and are not included in one of the five departments:

Communications and Public Affairs facilitates many of the traditional organizational communications functions that include public information and media relations, public education and community outreach, legislative affairs, and multi-media services.

The **Human Resources Division** provides programs and services designed to support the OCFA and its employees in the achievement of its mission and objectives.

- Employee Benefits is responsible for the administration of employee benefit programs, including health, accidental death and dismemberment, dental, vision, life, disability and optional benefit plans. This section is also responsible for administrative duties and services to employees covering most areas of the Human Resources Division.

- Employee Relations oversees classification and compensation studies, recruitment and selection, labor negations, and Memorandum of Understanding (MOU) administration.

- Risk Management administers OCFA’s general liability insurance, workers’ compensation self-insurance program, and occupational safety and health programs.

General Counsel – The OCFA contracts with the firm of Woodruff, Spradlin, & Smart located in Costa Mesa, California for its legal services. General Counsel reports directly to the Board of Directors.

OPERATIONS DEPARTMENT

The Operations Department is responsible for providing command and control direction regarding daily operations and all fire suppression activities, including resource utilization, deployment and staffing during major emergencies and disaster or extreme weather staffing conditions. Also included are other fire services such as community volunteer services, emergency medical services, training and safety, and air operations.

Operations Training and Safety (Training) **–** Training delivers and facilitates all operations personnel training activities. This includes research, development and implementation of a variety of training courses, including basic and advanced firefighter techniques and administrative and supervisory training. Training coordinates and administers recruit and promotional training academies including reserve firefighters, firefighters, lateral paramedics, engineers and officer academies. Training also maintains a strong working relationship with Santa Ana College and the California Joint Apprentice Commission (CFFJAC) and is a leader in training research and development of the Orange County Training Officers Board locally, and the Training Resources and Data Exchange (TRADE) nationally. This section also serves in a lead capacity on issues of employee and incident safety, with training officers doubling as incident safety officers.

Divisions I through VII – There are seven operational divisions, each under the command of a Division Chief, encompassing geographical areas throughout the OCFA's jurisdiction. Divisions are divided into field battalions, which are under the command of Battalion Chiefs. Within these field battalions are 72 fire stations that provide for regional emergency response to all structure fires, medical aids, rescues, hazardous materials incidents and wildland fires. Battalion Chiefs also oversee various support activities and specialty resources, which are described in more detail below.

Division I	• **Battalion 1** primarily serves the cities of Los Alamitos, Seal Beach, and Westminster, as well as the unincorporated communities of Midway City and Rossmoor. • Division I also assists with the provision of emergency services to Seal Beach Naval Weapons Station and the Joint Forces Training Base in Los Alamitos.
Division II	• **Battalion 5** primarily serves the city of Irvine and the unincorporated community of Emerald Bay. • Division II provides emergency services to the University of California, Irvine (UCI), John Wayne Airport (JWA), and the Orange County Great Park. The division also provides administration, oversight, and training for the Airport Rescue Fire Fighting (ARFF) services and the Fire Exploring Program.
Division III	• **Battalion 6** primarily serves the cities of Dana Point, San Clemente, and San Juan Capistrano, as well as other unincorporated areas of southern Orange County. • **Battalion 7** primarily serves the cities of Mission Viejo and Rancho Santa Margarita, as well as the unincorporated communities of Coto de Caza, Trabuco Canyon, Modjeska Canyon, Ladera Ranch, and other unincorporated areas of southern Orange County. • Division III oversees specialized emergency response capabilities and equipment for the **Urban Search and Rescue** task force, which includes the Swift Water Rescue program and the Mass Casualty Unit.

Division IV	• **Battalion 2** primarily serves the cities of Placentia and Yorba Linda, as well as the unincorporated communities of Tonner Canyon, Carbon Canyon, and Chino Hills State Park. • **Battalion 3** primarily serves the cities Tustin and Villa Park; a portion of northern Irvine; and the unincorporated communities of Cowan Heights, Lemon Heights, Orange Park Acres, Irvine Lake, and Silverado Canyon. • **Community Volunteer Services (CVS)** is responsible for the coordination of Reserve Firefighters (RFF) who provide emergency medical aid, fire suppression and support services responding out of three stand-alone fire stations, five combination fire stations (both RFF and career personnel assigned), one RFF Fire Crew location, and one RFF Helicopter Crew location. CVS also administers and coordinates the OCFA Chaplain Program. • **Emergency Medical Services** (EMS) manages the delivery of medical services by OCFA's emergency medical technicians (EMT) and paramedics. This includes the implementation of the continuing quality improvement program; continuing education for both career and reserve personnel; ongoing review of patient care; supply and equipment evaluation and purchasing; monitoring and tracking of paramedic licensure and EMT certifications; ambulance contract administration oversight; and paramedic recruitment, selection, evaluation, and accreditation. In addition, EMS serves as a liaison to county and state regulatory agencies, hospitals, ambulance providers, and other EMS groups. o The **Wellness and Fitness (WEFIT)** program reports to EMS. Responsibilities include scheduling wellness exams; coordinating peer fitness trainers; providing employee health education and fitness programs; and providing physical training for academy recruits.
Division V	• **Battalion 4** primarily serves the cities of Aliso Viejo, Laguna Hills, Laguna Niguel, Laguna Woods, and Lake Forest, as well as portions of Irvine. • Division V is also responsible for the ongoing oversight and management of the Staffing Program, which ensures correct, 24/7 staffing levels at all stations; the Staffing Committee; and the employee transfer process within the Operations Department.
Division VI	• **Battalion 9** primarily serves the city of Santa Ana. • The division also provides administration, oversight, and training for the Hazardous Materials Response Team (HMRT) and the Fire and Law Enforcement Joint Hazard Assessment Team (JHAT).
Division VII	• **Battalion 8** primarily serves the cities of Buena Park, Cypress, La Palma, and Stanton. • **Air Operations** is responsible for coordination of the OCFA's helicopters. OCFA currently maintains firefighting helicopters used for emergency responses throughout the year for wildland and wildland urban interface fires and special rescues such as swift and still water rescues, medical rescue support and disaster mitigation. • Division VII also provides oversight for the OCFA Equipment Committee.

COMMUNITY RISK REDUCTION DEPARTMENT

The Community Risk Reduction Department contributes to community safety and prosperity through the systematic mitigation of risk. Staff work with the development community and partner agencies to help build safe communities; with community stakeholders and residents to maintain and enhance safety at the neighborhood level; and with other agencies and stakeholders to evaluate losses and improve mitigation through engineering, education and enforcement.

Investigation Services – The Investigation Services Division is responsible for investigating or reviewing fires to determine definitive causes for use in developing intervention strategies. After the initial origin and cause investigation is complete, follow-up investigations on criminal fires are conducted in cooperation with local, state and federal law enforcement agencies. Criminal cases are filed with the District Attorney's Office, while juvenile-related fires may be handled through the Fire F.R.I.E.N.D.S. diversion program. The follow-up of non-criminal fire is conducted with the cooperation of local building officials and technical experts, with the intended result to reduce the reoccurrence of fires by accurately determining the root cause of all fires.

Planning and Development – The Planning and Development Division ensures that new developments meet state and local fire and life safety requirements.

- **Plan Review** serves as the entry point into OCFA's planning and development process. Front counter and plan review staff work closely with the development community, as well as partner agency planning and building staff, to facilitate development and construction consistent with accepted safety practices and adopted standards. Responsibilities including reviewing conceptual community design proposals and building fire protection systems, as well as specific hazardous processes to ensure that appropriate design features have been integrated into each project. Staff also facilitate the adoption and implementation of the latest fire code every three years, and develop local amendments to address risks unique to Orange County.

- **New Construction Inspections** is the second major component of OCFA's planning and development process. Staff assume responsibility for each project once actual construction commences, and work with contractors to ensure that projects are constructed in a manner consistent with adopted fire and life safety standards.

- Planning and Development also administers the **Smoke Alarm Program**, an educational vehicle to deliver the message that working smoke alarms save lives. The program incorporates the United States Fire Administration's campaign line of "*Install, Inspect, Protect*" as the precursor to the overall educational message, and uses it to explain the process of installing, inspecting, and protecting your home.

Pre-Fire Management – The Pre-Fire Management Division focuses on the systematic reduction and mitigation of risk in the community.

- The **Community Wildfire Mitigation** program coordinates all efforts within OCFA specific to wildland fire prevention. The focus is to eliminate the loss of life; reduce the risk of wildfire to the communities and the environment; and reduce loss of property from wildfire.

- The **Fuel Modification** program complements both the Plan Review and New Construction Inspection programs for projects located in areas where vegetation poses a hazard to buildings and occupants. Staff assesses hazards and works with developers to apply special vegetation treatments and building construction features designed to reduce wildfire risk.

- **Crews and Equipment** is responsible for coordinating firefighting hand crews and heavy fire equipment. In addition to training and emergency response, responsibilities include preventative mitigation projects such as fire road and fuel break construction maintenance and projects at OCFA facilities.

Prevention Field Services – Prevention Field Services works with business and building owners and managers to ensure they understand the need and process for maintaining facilities and fire/life safety systems that are safe for occupants. The program consists of annual maintenance inspections based on the occupancy classifications and associated risks. Additionally, program staff issue permits for hazardous processes and special activities.

BUSINESS SERVICES DEPARTMENT

The Business Services Department provides public records oversight; all financial functions; purchasing, receiving, shipping, warehousing and mail operations; and treasury and financial planning services.

Clerk of the Authority – The Clerk of the Authority (COA) facilitates the Board's policy-making process; records and validates the proceedings of the Board and Committees; and provides timely and thorough access to public records. The COA ensures the legislative process is open and public by publishing and posting notices as required by law. It administers the activities pertaining to Board legislation, processes Board/Committee-approved agenda items, manages public records requests, and researches and disseminates information concerning Board/Committee actions to both OCFA staff and the public. The COA is the Fair Practice Commission's filing official for the OCFA. The office is responsible for processing all subpoenas for business records and witnesses.

Finance Division – The Finance Division provides all financial functions, as well as treasury support services. The Finance Division oversees the accounting, reporting, planning and auditing of all OCFA financial records. It is also responsible for developing policies and procedures designed to protect and safeguard OCFA's financial assets. Specific functions and responsibilities include accounts receivable; general accounting (including financial reporting and the monitoring and inventorying of OCFA's fixed and controlled assets); cost accounting (including grants and incident restitutions); accounts payable (including procurement cards and travel-related disbursements); payroll; and timekeeping.

Purchasing and Materiel Management – The Purchasing Division administers the centralized procurement of all supplies, services, equipment, and construction services through competitive solicitations. Through centralized procurement, OCFA achieves standardized bidding and evaluation procedures; economies of scale on agency purchases; and an open, fair and competitive procurement process. The Purchasing Division is also responsible for developing and administering procurement policies and procedures and the procurement card program.

- The Materiel Management (Service Center) section provides shipping, receiving, and warehousing services for the OCFA; performs mail processing and delivery services; certifies and maintains breathing apparatus;

provides repair and fabrication services on equipment, woodworking, safety garments, and tools; manages the acquisition and distribution of bulk supplies and equipment; provides logistical support for both minor and major emergencies; and administers surplus disposition.

Treasury and Financial Planning – The Treasury and Financial Planning Division is responsible for providing cash management, budget development, and administrative support to the OCFA. Treasury services include monitoring cash balances, managing the investment portfolio in compliance with OCFA's investment policy, issuing and administering long and short-term debt, providing oversight for the deferred compensation program, and providing analytical support for the Employee Benefits section. Financial planning services include preparation of the budget, monthly analysis and reporting of revenue and expenditure activities, annual reviews of OCFA's financial health, financial forecasting, and special financial studies. Additional responsibilities include maintenance of lease-purchase agreements and various administrative support functions.

SUPPORT SERVICES DEPARTMENT

The Support Services Department provides support to all departments of the OCFA. Responsibilities include emergency command; preventative maintenance, repair, acquisition, outfitting and disposal of vehicles and apparatus; system development, acquisition, installation and repair of communication and information systems hardware and software; and facility design, construction, repair and maintenance.

Emergency Command Center – The Emergency Command Center (ECC) is responsible for the dispatching function, which includes receiving emergency calls via 911, radio and other telecommunication links; assigning and controlling appropriate emergency response resources; managing unassigned resources to ensure adequate coverage; and providing a communication link for ambulances, law enforcement and other response agencies to fire emergencies. The ECC continues to maintain the Fire Station Order File, an essential component for Computer Aided Dispatch (CAD) operations.

Fleet Services – The Fleet Services Division provides a full line of services to meet the needs of all vehicle and fire apparatus operated by the OCFA. Fleet Services is responsible for all scheduled preventative maintenance; major repairs on all vehicles and fire apparatus in the fleet; twenty-four hour field repair service and tire repair; renovations and upgrades needed to meet changing equipment outfitting needs; recommending apparatus rotations in the attempt to meet mileage and life goals; and testing/certifying specialty equipment. It also develops vehicle/apparatus specifications and oversees the procurement, safety, manufacturing, and quality assurance of all vehicles/apparatus. Fleet Services is responsible for all bulk fuel ordering and administration of the Voyager fuel card accounts.

Information Technology Division – The Information Technology Division is responsible for the development, operation, maintenance and security of OCFA's computers, network and overall technical infrastructure; the development and support of information systems applications and databases; maintenance of centralized enterprise Geographic Information System (GIS) and mapping capabilities; and the acquisition and maintenance of emergency communications equipment. Activities include development and monitoring of IT standards and guidelines; internal and external network development and coordination; and evaluation, selection and deployment for all computers, printers and automation software and hardware purchases, upgrades and replacements. Additional activities include the analysis, design, programming, implementation, maintenance and security for existing and future computer systems; oversight or the installation of radios and Mobile Data Computers (MDC's) in emergency apparatus; and oversight for fire station alarm systems.

Property Management – The Property Management Division builds, manages and maintains the real property and durable infrastructure of the OCFA. Construction management responsibilities include design, planning and construction of stations built by OCFA, and planning assistance and construction consultation for developer and city built fire stations. Facilities management oversees preventative maintenance, repairs, alterations and improvements of the Regional Fire Operations and Training Center (RFOTC) and fire stations. Property Management also oversees utility usage, energy conservation and regulatory compliance.

ORGANIZATIONAL PLANNING DEPARTMENT

The Organizational Planning Department oversees emergency management planning, performance improvement, and organization-wide strategic and advanced planning.

Emergency Planning and Coordination (EPAC) coordinates OCFA's emergency planning with federal, state and local jurisdictions and agencies; manages the Department Operations Center (DOC) during major emergencies; serves as the OCFA liaison to any agency requiring information on emergency response or planning; and represents the OCFA on working task forces such as the State and Federal Terrorism Task Force, Orange County Intelligence Assessment Center, Nuclear Power Authority, and Marine Disaster. This section coordinates all United States Forest Service (USFS), California Department of Forestry (CDF) and Fire Protection (CALFIRE) contract issues, contract counties review and automatic aid issues. EPAC also maintains and updates all city and county emergency plans, the Multi-Agency Mutual Aid Plan, California Emergency Management Agency (CALEMA) Mutual Aid Plan, Orange County Fire Service Operations Area Annex and Mutual Aid Plan, and the OCFA Supplement Response Guidebook.

Organizational Training & Development facilitates progress and processes that foster learning and development opportunities.

Strategic Services provides strategic and advanced planning functions for OCFA. Areas of responsibility include analyzing and monitoring impacts of development, annexation and incorporations; initiating agreements with developers for acquisition of new facilities; and researching demographic issues in order to determine appropriate service levels and benchmarks. Strategic Services also coordinates the OCFA Strategic Plan; responds to requests for parcel information, station location, Insurance Services Office (ISO) ratings and demographic information; and prepares proposals for fire services, accreditation and special reports as required.

Attachment 2

ORANGE COUNTY FIRE AUTHORITY

Financial Statements

Fiscal Year Ended June 30, 2016

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ORANGE COUNTY FIRE AUTHORITY
Financial Statements
Year ended June 30, 2016

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CPAs AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Orange County Fire Authority
Irvine, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Orange County Fire Authority (the "Authority") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
Orange County Fire Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison statement for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2016 the City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application.*

Other Matters

Required Supplementary Information

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

Prior Year Comparative Information

The financial statements include (partial or summarized) prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2015, from which such partial information was derived.

To the Board of Directors
Orange County Fire Authority

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements.

The combining and individual fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea California
September 30, 2016

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ORANGE COUNTY FIRE AUTHORITY
Management's Discussion and Analysis
Year ended June 30, 2016

As management of the Orange County Fire Authority (OCFA), we offer readers of OCFA's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2016.

Financial Highlights

Governmental Activities: OCFA's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $160,663,918 at the end of the current fiscal year. Net position consisted of net investment in capital assets totaling $187,910,677; restricted for capital projects and other purposes totaling $547,099; and an unrestricted deficit totaling $349,121,694. The result of current fiscal year operations caused total net position to decrease by $4,521,893 from the prior fiscal year.

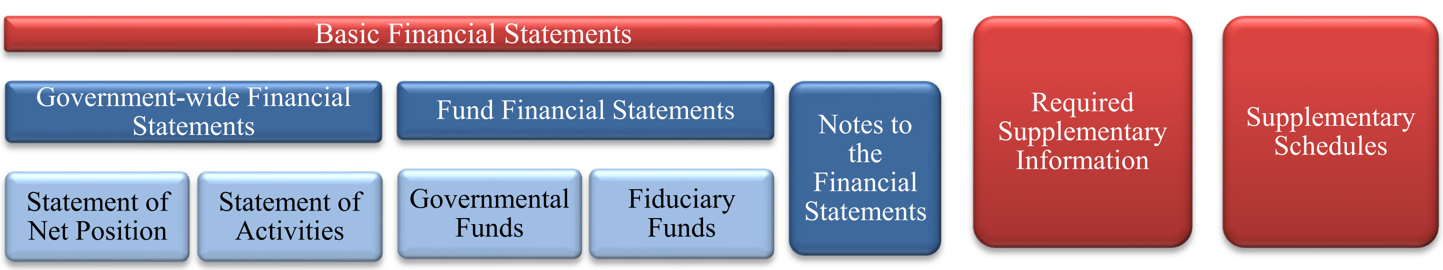
Governmental Funds: As of the close of the current fiscal year, the OCFA's governmental funds showed combined ending fund balances totaling $209,370,885, an increase of $32,481,099 from the prior fiscal year. Of the total ending fund balance, $36,756,804 (17.6%) was available for funding future operational needs.

General Fund: At the end of the current fiscal year, total fund balance for the General Fund was $153,057,705, and was categorized as follows:

❖ Nonspendable	$ 36,779,845
❖ Restricted	13,867
❖ Committed	584,464
❖ Assigned	78,922,725
❖ Unassigned	36,756,804
Fund balance of the General Fund as of June 30, 2016	$153,057,705

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to OCFA's basic financial statements. The basic financial statements are comprised of the following three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This financial report also contains required and other supplementary information in addition to the basic financial statements.



Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of OCFA's finances, in a manner similar to a private-sector business. Public safety activities are reported as governmental activities, since they are principally supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 27-29.

Statement of Net Position: The statement of net position presents information on all of OCFA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of OCFA is improving or deteriorating.

Statement of Activities: The statement of activities presents information showing how OCFA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. OCFA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. OCFA's funds can be divided into two categories – governmental funds and fiduciary funds.

Governmental Funds: Governmental funds 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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of government 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 OCFA's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate this comparison.

OCFA reports four individual governmental funds. Information is presented separately in the fund financial statements for all four governmental funds, since OCFA has elected to classify all governmental funds as major funds. The OCFA adopts an annual appropriated budget for each governmental fund. Budgetary comparison statements and schedules have been provided for the governmental funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 30-38.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support OCFA's own programs. Combined basic fiduciary fund financial statements can be found on pages 39-40.

Notes to the Financial Statements and Required Supplementary Information (RSI): The notes and RSI provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-90, while RSI can be found on pages 91-100.

Supplementary Schedules: The budgetary schedules referred to earlier in connection with governmental funds are presented in the supplementary schedules section. Combining and individual fund statements and schedules can be found on pages 101-111.

Government-wide Financial Analysis

Net Position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of OCFA, net position totaled a deficit of $160,663,918 at the end of the most recent fiscal year, a 5.0% improvement from the prior fiscal year. Following is a summary of the OCFA's net position as of June 30, 2016 and 2015:

ORANGE COUNTY FIRE AUTHORITY's Net Position

Governmental Activities	June 30, 2016	June 30, 2015	Increase (Decrease) Amount	%
Assets:				
Current and other assets	$ 228,981,439	$ 208,723,950	$20,257,489	9.7%
Capital assets	194,021,124	199,246,842	(5,225,718)	-2.6%
Total assets	423,002,563	407,970,792	15,031,771	3.7%
Deferred outflows of resources:				
Related to pensions	139,040,544	85,763,924	53,276,620	6.2%
Total deferred outflows of resources	139,040,544	85,763,924	53,276,620	6.2%
Liabilities:				
Long-term liabilities	668,803,193	611,877,324	56,925,869	9.3%
Other liabilities	17,992,265	29,787,326	(11,795,061)	-4.0%
Total liabilities	686,795,458	641,664,650	45,130,808	7.0%
Deferred inflows of resources:				
Related to pensions	35,911,567	21,194,439	14,717,128	6.9%
Total deferred inflows of resources	35,911,567	21,194,439	14,717,128	6.9%
Net position:				
Net investment in capital assets	187,910,677	190,800,116	(2,889,439)	-1.5%
Restricted for capital projects	533,232	533,232	-	n/a
Restricted for other purposes	13,867	55,538	(41,671)	-0.8%
Unrestricted	(349,121,694)	(360,513,259)	11,391,565	3.2%
Total net position	$(160,663,918)	$(169,124,373)	$ 8,460,455	5.0%

- At June 30, 2016, the largest portion of OCFA's net position reflects its investment in capital assets, less related outstanding debt used to acquire those assets. OCFA uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although OCFA's investment in its capital assets is reported net of related debt, it should be noted that the repayment of any debt issued to acquire capital assets must be from other sources. OCFA cannot sell the assets to obtain funding.

- An additional portion of OCFA's net position represents resources that are subject to external restrictions on how they may be used. As of June 30, 2016, restricted net position relates to CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations, as well as donations received for specific programs and unperformed purchase orders for grant-funded programs.

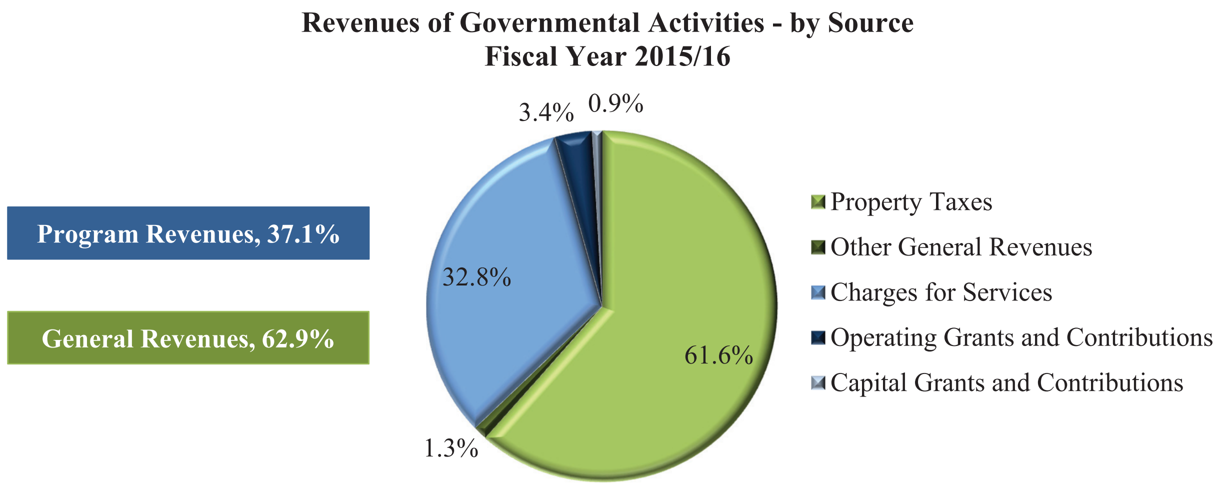
- The remaining balance of net position is considered unrestricted. A positive unrestricted balance would represent amounts that may be used to meet OCFA's ongoing obligations to citizens and creditors. A deficit unrestricted balance, as reported on June 30, 2016 and June 30, 2015, indicates that OCFA's obligations (liabilities and deferred inflows of resources) currently exceed its resources (assets and deferred outflows of resources). This deficit is due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 during Fiscal Year 2014/15, which required that OCFA begin reporting its net pension liabilities on the Statement of Net Position. Although the situation surrounding OCFA's pension plans did not change, the way in which they are accounted for and reported in the financial statements changed based on the new guidance provided in GASB Statement No. 68.

Changes in Net Position: Governmental activities increased OCFA's net position by $8,460,455 during the most recent fiscal year, an indication that OCFA's financial position has improved. As previously noted, the reason for the overall deficit in net position is due to a change in financial reporting requirements under GASB Statement No. 68, not the result of a change in OCFA's financial situation.

Governmental activities are divided into two categories – program and general. Program revenues are those derived directly from a government program itself, or from parties outside the government's taxpayers, and thus reduce the net cost of providing that program. Any program expenses that are not offset by program revenues must essentially be financed by general revenues, such as taxes and investment earnings. Following is a summary of OCFA's changes in net position for Fiscal Year 2015/16 and Fiscal Year 2014/15, followed by explanations for the increases or decreases in revenues and expenses between fiscal years.

ORANGE COUNTY FIRE AUTHORITY's Changes in Net Position

Governmental Activities	June 30, 2016	June 30, 2015	Increase (Decrease) Amount	%
Program revenues:				
Charges for services	$ 117,263,679	$ 113,150,325	$ 4,113,354	3.6%
Operating grants and contributions	12,165,015	11,410,019	754,996	6.6%
Capital grants and contributions	3,331,088	9,182,195	(5,851,107)	-63.7%
Total program revenues	132,759,782	133,742,539	(982,757)	-0.7%
General revenues:				
Property taxes	219,840,417	205,141,237	14,699,180	7.2 %
Investment income	1,654,065	839,864	814,201	96.9%
Gain on sale of capital assets	6,000	63,953	(57,953)	-90.6%
Miscellaneous	2,823,503	1,235,004	1,588,499	128.6%
Total general revenues	224,323,985	207,280,058	17,043,927	8.2%
Total revenues	357,083,767	341,022,597	16,061,170	4.7%
Public safety expenses:				
Salaries and benefits	316,292,785	335,419,737	(19,126,952)	-5.7%
Services and supplies	35,127,573	46,073,201	(10,945,628)	-23.8%
Depreciation and amortization	9,267,982	9,050,195	217,787	2.4%
Interest on long-term debt	917,320	582,565	334,755	57.5%
Total expenses	361,605,660	391,125,698	(29,520,038)	-7.5%
Change in net position	(4,521,893)	(50,103,101)	45,581,208	
Net position, beginning of year	(169,124,373)	243,754,615	(412,878,988)	
Prior period adjustment	12,982,348	(362,775,887)	375,758,235	
Net position, end of year	$(160,663,918)	$(169,124,373)	$8,460,455	5.0%



Program revenues, which totaled $132,759,782 for Fiscal Year 2015/16 and accounted for 37.1% of total revenues, decreased by $982,757 (0.7%) from the prior fiscal year. Following is a description of each program revenue type, followed by an explanation of what contributed to the net increase or decrease from the prior fiscal year.

- Charges for services include amounts received from those who purchase, use, or directly benefit from or are affected by a program. These revenues increased by $4,113,354 (3.6%) over the prior fiscal year.

Amount	Reason for Increase / Decrease
+$2,870,000	Fire service contracts increased for cash contract city charges per terms of the Joint Powers Agreement (+$2.53 million); OCFA's contract with California Department of Forestry (CALFIRE) for the protection of State Responsibility Area (SRA) lands (+$210,000); and the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport, per terms of an amended contract that went into effect in December 2012 (+$130,000). The increase in cash contract city contract revenues includes accrual-based adjustments for revenues from the City of Santa Ana to reimburse OCFA for usage of employee general leave balances.
+$2,205,000	Reimbursements for state and federal incidents vary each year depending on fire and emergency response activity. State assistance by hire services performed for CALFIRE and the California Emergency Management Agency (CAL EMA) increased by $2.5 million. Reimbursements for state incidents were higher in the current fiscal year due to major Fiscal Year 2015/16 incidents such as the Butte Fire in September 2015. Federal assistance by hire services performed for Cleveland National Forest decreased by $315,000 primarily due to the Fiscal Year 2014/15 Silverado Fire in September 2014. Federal responses to national incidents increased by $20,000 due to responses in Fiscal Year 2015/16 for Hurricane Joaquin in October 2015 and Tropical Cyclone Amos in April 2016 .
-$435,000	Fee-based fire prevention revenues decreased primarily due to permit activity for residential site reviews; a reduction in the fire sprinkler system plan review fee effective September 2015; and a delay in the number of assembly inspections completed in the current fiscal year.
-$420,000	Revenues for ambulance transport and supplies reimbursement were lower in Fiscal Year 2015/16 due to a decline in transport activity.
-$105,000	Road maintenance, fuel reduction, and other contract revenues generated by the hand crew decreased due to a decline in the amount of work performed for Southern California Edison.
+$4,115,000	**Program Revenues: Charges for Services – Net Increase**

- Operating grants and contributions include grants, contributions, donations, and similar items that are restricted to one or more specific program. These revenues increased by $754,996 (6.6%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
+$390,000	Tax increment passed through from member cities decreased by $270,000, but one-time tax increment passed through from the County of Orange increased by $660,000. In Fiscal Year 2011/12, the State of California dissolved its sixty year-old redevelopment program, and city redevelopment agencies were replaced with successor agencies to manage the wind-down of the program. Property tax increment that was formerly passed through to OCFA by various member cities has now been deposited into the newly formed Redevelopment Property Tax Trust Fund, from which the County of Orange Auditor/Controller makes disbursements.
+$480,000	Federal and state operating grants and other reimbursable revenues increased primarily due to three one-time revenue sources that were new in Fiscal Year 2015/16: • $160,000 federal grants passed through the Orange County Sherriff's Department and the City of Santa Ana for development of wildland urban interface pre-fire plans; • $100,000 reimbursement from the California Fire and Rescue Training Authority Task Force for costs incurred during a task force deployment exercise conducted in May 2016; and • $40,000 state grant from CAL FIRE via the State Responsibility Fire Prevention Fund for the development of a county-wide wildfire protection plan. In addition, annual federal grants that increased in Fiscal Year 2015/16 included the Homeland Security Grant Program passed through the Orange County Sheriff's Department for regional training costs ($25,000), and the Urban Search and Rescue (USAR) Cooperative Agreement via the Federal Emergency Management Agency to fund operations of California Task Force 5 ($155,000).
-$115,000	Other miscellaneous operating revenues decreased, primarily due to a decline in the number of reimbursable instructional hours per a contract with Santa Ana College, as well as a decline in the number of projects submitted for reimbursement from the California Joint Apprenticeship Committee.
+$755,000	**Program Revenues: Operating Grants and Contributions – Net Increase**

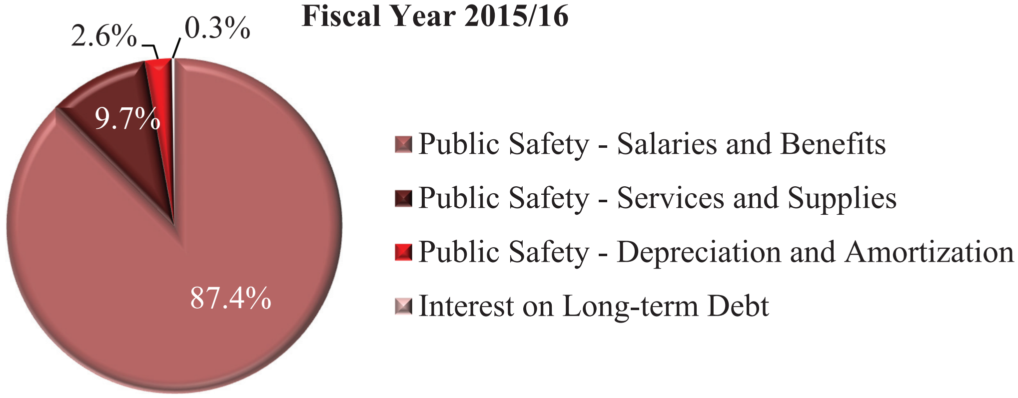
- Capital grants and contributions include grants, contributions, donations, and similar items that are restricted to one or more specific capital-related programs. These revenues decreased by $5,851,107 (63.7%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
-$5,075,000	Revenues from developers decreased per the terms of various Secured Fire Protection Agreements. During Fiscal Year 2014/15, OCFA received over $4.5 million from various developers as reimbursement for construction of new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo, as well as a new type 1 engine to be placed into service at the station. Contributions varied between the prior and current fiscal years based on construction projects in the cities of Irvine, Aliso Viejo, Mission Viejo, Lake Forest, and Yorba Linda, resulting in a net $575,000 increase.
-$795,000	Revenues from federal capital grants decreased by $795,000. A Community Development Block Grant project for improvements at four fire stations in the City of Santa Ana was completed in April 2015, resulting in an $825,000 decrease to capital-related federal grant reimbursements. During Fiscal Year 2014/15, OCFA also received a $10,000 Homeland Security Grant passed through the Orange County Sheriff's Department for the purchase of gas monitors. During Fiscal Year 2015/16, OCFA received a $40,000 Assistance to Firefighters grant for the purchase of vehicle extrication gloves.
+$20,000	Capital assets contributed to OCFA increased primarily due to various equipment items purchased by other government agencies via the federal Urban Area Security Initiative (UASI) grant. During Fiscal Year 2015/16, the City of Anaheim and the City of Santa Ana acquired and contributed to OCFA two search cameras and three mobile radios valued at $45,000. During Fiscal Year 2014/15, the City of Santa acquired and contributed two chemical agent detection kits valued at $35,000. In addition, during Fiscal Year 2015/16 the Orange County Fire Authority Foundation acquired and contributed to OCFA the Pulsepoint software system that had been purchased for $10,000 with a grant from Hoag Hospital.
-$5,850,000	**Program Revenues: Capital Grants and Contributions – Net Decrease**

General revenues, which totaled $224,323,985 for Fiscal Year 2015/16 and accounted for 62.9% of total revenues, increased by $17,043,927 (8.2%) over the prior fiscal year. Following is a description of each general revenue type and an explanation of what contributed to the net increase or decrease from the prior fiscal year.

<table>
<tr><th>Amount</th><th>Reason for Increase / Decrease</th></tr>
<tr><td>+$14,700,000</td><td>The largest general revenue, property taxes, increased by $14,699,180 (7.2%) over the prior fiscal year, primarily due to increases in secured property taxes.</td></tr>
<tr><td>+$1,590,000</td><td>Miscellaneous revenues increased by $1,588,499 (128.6%), primarily relating to amounts received in Fiscal Year 2015/16 from the Orange County Professional firefighters Association IAFF Local 3631 in connection with the contract governing OCFA's contributions to the firefighter medical trust, which pays monthly health care premiums for employees in the firefighter unit. Other Fiscal Year 2015/16 increases pertained to SB90 claims reimbursed from the State of California and bankruptcy proceeds from the County of Orange. These revenue sources vary from year to year.</td></tr>
<tr><td>+$810,000</td><td>Investment income increased by $814,201 (96.9%). OCFA's year-to-date effective rate of return on its investment portfolio was 0.47% as of June 30, 2016, as compared to 0.27% as of June 30, 2015. This 74.0% increase in the annual rate of return attributed to approximately $390,000 of the increase in overall interest earnings. In addition, OCFA adjusts its investments to market value as of June 30 each year. This resulted in an overall investment gain in Fiscal Year 2015/16, and attributed to approximately $50,000 of the increase in total investment income as compared to the prior fiscal year's market value gain. The market value adjustment is a "paper only" transaction, and no actual investment gains or losses have been recognized since OCFA typically holds its investments to maturity. Finally, during Fiscal Year 2015/16 OCFA issued short-term debt in the form of Tax and Revenue Anticipation Notes (TRAN), which generated a premium that was approximately $330,000 higher than the prior fiscal year's TRAN premium. These components of investment income are summarized below:
<table>
<tr><th></th><th>FY 2015/16</th><th>FY 2014/15</th><th>Increase (Decrease)</th></tr>
<tr><td>Portfolio earnings</td><td>$ 843,479</td><td>$450,815</td><td>$392,664</td></tr>
<tr><td>Market value gain (loss)</td><td>125,018</td><td>74,731</td><td>50,287</td></tr>
<tr><td>TRAN premium</td><td>612,431</td><td>275,880</td><td>336,551</td></tr>
<tr><td>Interest on property taxes</td><td>73,137</td><td>38,438</td><td>34,699</td></tr>
<tr><td>Total investment income</td><td>$1,654,065</td><td>$839,864</td><td>$814,201</td></tr>
</table>
</td></tr>
<tr><td>-$60,000</td><td>Gain on sale of capital assets decreased by $57,953 (90.6%), primarily due to a decline in the number of vehicles and equipment items sold at public auction. During Fiscal Year 2014/15, twelve vehicles and fifteen equipment items were sold, including a fully-depreciated dozer and loader that sold for a combined $53,000. During Fiscal Year 2015/16, only six vehicles were sold for a combined $10,000.</td></tr>
<tr><td>+$17,040,000</td><td>General Revenues – Net Increase</td></tr>
</table>

Expenses of Governmental Activities - by Type
Fiscal Year 2015/16



Total expenses decreased by $29,520,038 (7.5%) from the prior fiscal year. Following is an explanation of what contributed to the net increase or decrease of each expense type from the prior fiscal year.

- Salaries and benefits decreased by $19,126,952 (5.7%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
-$32,640,000	Retirement costs for contributions remitted to the Orange County Employees Retirement System (OCERS) decreased by $4,840,000. Reasons for the decrease in actual plan contributions are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis. In addition, under the requirements of GASB Statement No. 68, the amount of pension expense recognized during Fiscal Year 2015/16 in order to fully capture OCFA's share of the net pension liability and related pension expense in its governmental activities, was $27.8 million less than the prior fiscal year.
+$13,290,000	Reasons for increases and decreases to the following categories of salaries and benefits are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis: overtime costs (+6,340,000); regular pay (+2,840,000); employee health insurance and other benefits (+$2,680,000); other pay (+$1,720,000); and vacation and sick leave payouts (-$315,000). In addition, salaries and benefits reported in the governmental activities were reduced by $25,000 in Fiscal Year 2014/15 to reflect employee labor costs that were capitalized as part of the Computer Aided Dispatch (CAD) system that went into service in September 2014.
+$600,000	The net change in long-term liabilities for various employee leave balances increased by $600,000 as compared to the prior fiscal year, and is recognized as an expense in the governmental activities. The net increase is primarily related to a decline in the use of sick leave balances by employees.
-$375,000	Other post-employment benefit (OPEB) cost for the defined benefit Retiree Medical Plan decreased by $375,000. Annual OPEB cost is equal to an annual required contribution, as determined by an actuarial valuation, plus adjustments for cumulative interest and actual contributions to the plan. An updated actuarial study is completed every other year.
-$19,125,000	**Salaries and Benefits – Net Decrease**

- Services and supplies decreased by $10,945,628 (23.8%) from the prior fiscal year.

<table>
<tr><th>Amount</th><th>Reason for Increase / Decrease</th></tr>
<tr><td>-$7,005,000</td><td>In September 2013, the Board of Directors approved issuance of equity payments from unrestricted revenue sources to qualifying Structural Fire Fund member agencies, based on a calculation of average Structural Fire Fund Tax rate. Equity payments totaling $7,005,000 were paid or accrued in the prior fiscal year in accordance with the 2nd Amendment to the Joint Powers Agreement. However, no equity payments were paid or accrued in Fiscal Year 2015/16 because the 2nd Amendment to the Joint Powers Agreement was nullified by the court.</td></tr>
<tr><td>-$5,330,000</td><td>OCFA's long-term liability for workers' compensation reflects the present value of estimated outstanding losses, as determined by an actuarial valuation and the "confidence level" set by the Board of Directors. The change in the actuarial liability estimate, plus actual cash claims paid, is recognized as an expense. Workers' compensation expense decreased as follows:
<table>
<tr><th></th><th>FY 2015/16</th><th>FY 2014/15</th><th>Increase (Decrease)</th></tr>
<tr><td>Actual claims paid</td><td>$ 7,890,000</td><td>$ 6,450,000</td><td>$ 1,440,000</td></tr>
<tr><td>Change in actuarial estimate</td><td>(1,165,000)</td><td>5,605,000</td><td>(6,770,000)</td></tr>
<tr><td>Total fiscal year expense</td><td>$6,725,000</td><td>$12,055,000</td><td>$(5,330,000)</td></tr>
</table>
(Continued on next page)</td></tr>
</table>

Amount	Reason for Increase / Decrease
(Continued) +$955,000	Equipment and vehicle maintenance expense includes all costs necessary to support, maintain and repair OCFA's communications and information systems; its fleet of frontline and support vehicles and four helicopters; and various other equipment utilized throughout the organization. Expenses increased during Fiscal Year 2015/16 primarily due to support for the new Computer Aided Dispatch (CAD) system that went live in September 2014. OCFA was not required to begin paying annual support costs to the third party software provider until September 2015. Additional reasons for the increase to equipment and vehicle maintenance are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis.
+$705,000	Clothing and personal supply expense includes all costs necessary to outfit frontline and support personnel, and includes items such as uniforms, boots, helmets, gloves, turnouts, brush pants and coats, goggles, fire hoods, and specialty personal protective equipment. Expenses increased during Fiscal Year 2015/16 due to a high volume of uniform orders submitted by field personnel, as well as an increase in the number of new firefighter recruits as compared to the prior fiscal year. A more detailed explanation is included in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis.
-$500,000	OCFA's facilities include seventy-two fire stations, a new Urban Search and Rescue warehouse, and the Regional Fire Operations and Training Center (RFOTC). The total cost to keep these facilities repaired and in efficient operating condition decreased, primarily due to a significant grant-funded project to remodel four city-owned fire stations in the City of Santa Ana during Fiscal Year 2014/15. In the absence of that one-time project, building maintenance expenses actually increased by approximately $325,000. Maintenance costs varied by location, but overall OCFA's expenses increased due to repairs of flooring, doors and gates, roofing, and landscaping. In addition, during Fiscal Year 2015/16 there was an increase in non-capitalized costs needed to make new Fire Station No. 56 (Village of Sendero) ready for operations.
+$230,000	Reasons for increases and decreases to the following categories of services and supplies are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis: transportation (-$350,000); special department expenses (+235,000); employee travel, training, and meetings (+$205,000); medical, dental, and lab supplies (+$190,000); insurance (-$80,000); food (+$75,000); and utilities and communications (-$45,000).
-$10,945,000	**Services and supplies – Net Decrease**

- Depreciation and amortization expense, which had no impact on OCFA's cash balances, increased by $217,787 (2.4%), and pertained primarily to depreciation on buildings. Fiscal Year 2015/16 was the first full year of depreciation expense for two significant building additions – the Urban Search and Rescue warehouse acquired in April 2015 and Fire Station No. 56 (Village of Sendero) placed into service in July 2015.

- Interest on long-term debt increased by $334,755 (57.5%) from the prior fiscal year. Interest expense on the 2008 helicopter lease purchase agreement decreased by approximately $60,000 as principal was paid down per the debt-to-maturity schedule. This was offset by an increase totaling approximately $400,000 for interest on Tax and Revenue Anticipation Notes (TRAN) issued during Fiscal Year 2015/16.

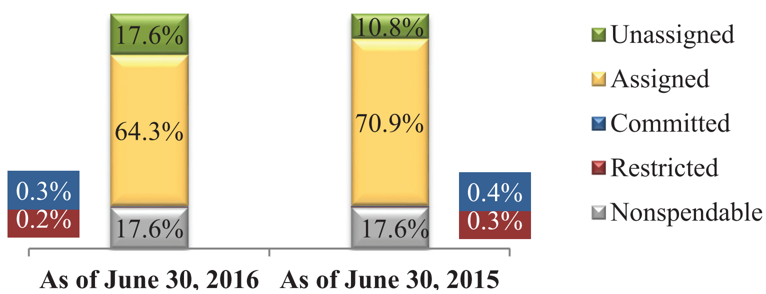
Financial Analysis of OCFA's Funds

Governmental Funds: As noted earlier, the OCFA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the OCFA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the OCFA's financing requirements. Fund balance is divided into the following five categories:

Category	Description
Nonspendable	Not in a spendable form, or legally or contractually required to remain intact
Restricted	Subject to externally enforceable legal restrictions
Committed	Use is constrained by specific limitations that the Board of Directors imposes upon itself
Assigned	Intended to be used by the government for specific purposes, as established by the governing body itself
Unassigned	Residual amounts in the General Fund available for any purpose (may serve as a useful measure of a government's net resources available for funding future operational needs)

At the end of Fiscal Year 2015/16, OCFA's governmental funds reported combined ending fund balances of $209,370,885, an increase of $32,481,099 in comparison with the prior fiscal year. Approximately 17.6% constitutes unassigned fund balance, which is available for spending for any purpose. The remaining 82.4% of fund balance is not available for spending on any new purpose, because it has already been restricted, committed, or assigned for specific purposes, or it is in a nonspendable form.

Fund Balances of Governmental Funds



Major Governmental Funds: If the assets, liabilities, revenues, or expenditures of a governmental fund exceed 10% of the total of all governmental funds, that fund is reported as a major governmental fund in the fund financial statements. Because OCFA has elected to classify all of its governmental funds as major, regardless of the calculation, four major funds are reported during the current fiscal year. Following is a description of the changes in each fund's revenues, expenditures, and transfers from the prior to the current fiscal year, and how those changes impacted net fund balance. Increases to revenues and transfers impact fund balance positively, while increases to expenditures and transfers out impact fund balance negatively.

The ***General Fund*** is the chief operating fund of the OCFA. At the end of Fiscal Year 2015/16, the General Fund's fund balance totaled $153,057,705. Unassigned fund balance totaling $36,756,804 (24.0%) is available for future spending. The remaining $116,300,901 (76.0%) is not available for spending on any new purpose, because it has already been restricted, committed or assigned for specific purposes, or is in a nonspendable form.

Total fund balance of the OCFA's General Fund increased by $19,802,100 during the current fiscal year. The prior fiscal year's fund balance increased by $4,768,968, a difference of $15,033,132.

Impact on Fund Balance	Description
+$14,700,000	Revenue from property taxes increased primarily due to secured property taxes.
+$2,410,000	The most significant increase in intergovernmental revenue was state assistance by hire revenues for increased emergency response activity, including the Butte Fire in September 2015. Other increases included SB90 claims reimbursed from the State of California; contract revenues for the protection of State Responsibility Area (SRA); miscellaneous state and federal revenues; and tax increment passed through from member cities and the County of Orange. These increases totaled $3.2 million, but were offset by $800,000 in decreases relating to Fiscal Year 2014/15 federal assistance by hire emergency response activity and federal grants, including a Community Development Block Grant to remodel various Santa Ana fire station kitchens and bathrooms.
+$1,790,000	The most significant increases in charges for services were for operating and facilities charges to cash contract cities per terms of the Joint Powers Agreement and the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport. These increases totaled nearly $2.8 million, but were offset by nearly $1 million in decreased revenues for ambulance transport and supplies reimbursements; permit and inspection fees; and contract work generated by the hand crew.
+$975,000	The increase in miscellaneous revenue was primarily due to amounts received from the Orange County Professional Firefighters Association IAFF Local 3631 in connection with OCFA's contract governing contributions to the firefighter medical trust, which pays monthly health care premiums for employees in the firefighter unit.
+$700,000	The most significant increases in use of money and property pertained to the premium for the Fiscal Year 2015/16 TRAN issuance (+$335,000). Other increases included investment portfolio earnings and the increase in market value investment gain allocated to the fund (+$330,000), as well as interest earnings related to property taxes (+$35,000).
+$20,575,000	***Subtotal – Impact of Revenues***
-$6,340,000	Overtime costs increased by over $6.3 million, which included non-discretionary backfill for open/vacant suppression positions; overtime and backfill for suppression personnel responding to emergency incidents; and backfill for suppression personnel on workers' compensation or those utilizing leave balances. The overall increase in overtime was attributed to a new Memorandum of Understanding (MOU) with the firefighter unit that went into effect in November 2014, which changed the way in which sick and vacation hours count toward hours work when calculating overtime. In addition, the number of emergency response hours increased by nearly 30,000 hours due to a higher volume of out-of-county incidents in Fiscal Year 2015/16.
+$4,840,000	Retirement costs had a net decrease due to one-time employer contributions made toward the net unfunded pension liability (-$5.9 million); pension contributions based on changes to employee compensation negotiated during Fiscal Year 2014/15, net of a decline in the annual savings achieved by pre-paying a portion of the subsequent fiscal year's contributions to OCERS (+$1.1 million); and additional payments made toward the unfunded pension liability during Fiscal Year 2014/15, which was achieved by carrying forward the higher safety member retirement rates from Fiscal Year 2012/13 (-$100,000). OCFA made one-time employer contributions toward the net unfunded pension liability totaling $21.3 million in Fiscal Year 2014/15, as compared to $15.4 million in Fiscal Year 2015/16.
-$2,840,000	An increase in regular pay was due primarily to labor contracts negotiated with the firefighter unit and the general and supervisory management unit during Fiscal Year 2014/15, which resulted in 2.0% and 2.75% base salary increases, respectively.
-$2,680,000	Employee health insurance and other benefits increased primarily due to firefighter health insurance premiums. Monthly rates per employee increased from $1,742 to $1,900 effective January 1, 2016.
-$1,720,000	Other pay – which includes pay to employees on workers' compensation, educational incentives, paramedic/EMT bonuses, bilingual pay, and other specialty pay – increased in the following areas: ***(Continued on next page)***

Impact on Fund Balance	Description
(Continued)	➢ Workers' compensation pay +$490,000 ➢ Paramedic specialty pay +$440,000 ➢ Special assignment pay for training officers +$225,000 ➢ Education incentives +$180,000 ➢ Bilingual pay +$115,000 ➢ Special assignment pay for hazmat specialists and technical rescue trucks +$100,000 ➢ Miscellaneous taxable pay +$90,000 ➢ Special assignment "on call" pay +$80,000 The number of employees on workers' compensation for all or a portion of the year increased from 179 in Fiscal Year 2014/15 to 206 in Fiscal Year 2015/16, attributing nearly $500,000 to the overall increase in other pay. Paramedic specialty pay, which is calculated at 15% of regular pay, was another significant contributor to the overall increase. This specialty pay increased by over $400,000 because of increases in employee compensation that were negotiated during Fiscal Year 2014/15, as well as various unit reconfigurations in 2015 and 2016 that increased the number of paramedic post positions.
+$315,000	Vacation and sick leave payouts decreased primarily due to the retirement of several long-term personnel during Fiscal Year 2014/15.
-$8,425,000	***Subtotal – Impact of Salaries and Benefits***
+$6,990,000	The decrease in miscellaneous expenditures relates primarily to equity payments due to the County of Orange and the cities of Irvine, Rancho Santa Margarita, Laguna Woods, and Lake Forest in Fiscal Year 2014/15 (+$7,005,000). These payments were made in the prior fiscal year in accordance with the 2nd Amendment to the Joint Powers Agreement, which was nullified by the appellate court during Fiscal Year 2015/16. No equity payments were paid or accrued in Fiscal Year 2015/16. In addition, the General Fund temporarily borrowed $10 million and $5 million during Fiscal Year 2015/16 and Fiscal Year 2014/15, respectively, resulting in an increase in interfund interest expenditures (-$15,000).
-$1,470,000	The most significant increase in professional services pertained to workers compensation claims paid, which increased by over $1.4 million in Fiscal Year 2015/16. Other increases related to the development of thirty-two wildland urban interface pre-fire plans, and the annual partnership costs paid for the 800 MHz Countywide-Coordinated Communications System (CCCS) replacement. These increases totaled approximately $1.7 million, but were partially offset by decreases for support and maintenance of the intranet/internet calendaring project that was completed in the prior fiscal year.
-$955,000	Equipment and vehicle maintenance was higher in Fiscal Year 2015/16 primarily due to support for the Computer Aided Dispatch (CAD) system. The new OCFA-wide CAD system went live in September 2014; however, annual support and maintenance costs were not required to be paid to the third party software provider for the first full year while in the initial warranty period. Other costs that were higher in Fiscal Year 2015/16 included outsourcing of various repairs for vehicles that were in accidents; replacement of vehicle tires; various equipment system repairs at the Regional Fire Operations and Training Center (RFOTC), including the HVAC system, fire sprinkler system, generator, and fuel pumps; and ongoing maintenance and upgrade support for the Banner financial system and database.
-$705,000	Clothing and personal supply costs increased primarily due to purchases of new uniforms and boots. In the prior fiscal year, many suppression personnel delayed replacing their uniforms in anticipation of a new uniform contract that was awarded in June 2015. Thus, a high volume of uniform orders were placed and filled in Fiscal Year 2015/16. In addition, new uniforms were purchased for firefighters in two academies held during Fiscal Year 2015/16, as opposed to only one academy held in the prior fiscal year. ***(Continued on next page)***

Impact on Fund Balance	Description
(Continued)	
+$515,000	Decreases in building maintenance were attributed primarily to certain significant Fiscal Year 2014/15 projects, including a grant-funded kitchen and bathroom remodel at four fire stations in the City of Santa Ana and a hardscape remodel project at Fire Station No. 8 (Skyline). These decreases totaled approximately $880,000, but were offset by increases in other maintenance costs at fire stations and the RFOTC for flooring; doors and gates; roofing; and landscaping.
+350,000	Transportation costs decreased due to an overall drop in fuel prices (+$350,000). Fiscal Year 2014/15 fuel prices averaged $2.84 and $2.93 per gallon for diesel and regular, respectively. Fiscal Year 2015/16 fuel prices were 15-28% lower with an average price of $2.04 and $2.48 per gallon for diesel and regular, respectively. The average price per gallon for jet fuel to replenish the helicopter fuel tank also decreased 15% from $3.09 per gallon in Fiscal Year 2014/15 to $2.64 per gallon in Fiscal Year 2015/16.
-$235,000	Increases in special department expenditures pertained primarily to the purchase of forty-three portable VHF radios, twelve mobile VHF radios, and related accessories during Fiscal Year 2015/16. Other significant costs in the current fiscal year included employee tuition reimbursements, supplies for the WEFIT health and wellness program, incident management team cache items, support of the drowning prevention task force, and various miscellaneous purchases made throughout the organization.
-$205,000	The cost of employee travel, training, and meetings increased primarily due to the new OCFA-wide "Crucial Conversations" program which began in Fiscal Year 2015/16. Other significant in-county costs included an S420 training class sponsored by the Urban Search and Rescue (USAR) task force, as well as on-site Banner financial system training for employees in Finance, Purchasing, Budget, and Human Resources. There was also an increase in the number of out-of-county trips completed by the Training & Safety Services section and those in the USAR program.
-$190,000	More medical, dental, and lab supplies were purchased in Fiscal Year 2015/16, including pharmaceuticals, catheters, defibrillator supplies, and needles. Purchases of these supplies vary each year as stock is replenished and expiring pharmaceuticals are replaced.
+$80,000	The cost of insurance premiums for excess workers' compensation and general liability coverage decreased during Fiscal Year 2015/16.
-$75,000	Food costs were higher in Fiscal Year 2015/16 due to the purchase of box lunches for significant in-county fire incidents, including the Laguna Fire in June 2016; replenishment of MRE stock ("meals-ready-to-eat"); new drip-drop hydration mix placed on all fire apparatus; and various food costs needed to conduct two firefighter academies as opposed to only one academy in the prior fiscal year.
+$45,000	A net decrease in utilities and communications charges was primarily due to declining electricity rates, offset by an increase in the monthly communications charges to operate all fax machines, phones, alarms, 911 boxes, and data circuits throughout OCFA.
+$4,145,000	***Subtotal – Impact of Services and Supplies***
+$80,000	Capital outlay varies each fiscal year based on organizational needs for new and replacement equipment. Significant equipment purchases in Fiscal Year 2014/15 included two servers, a helicopter hoist, seven extrication tools, a portable restroom facility, and twelve portable 800 MHz radios. The most significant purchases in Fiscal Year 2015/16 included three servers, thirteen mobile radios, six mobile vehicle lift systems, a compressor, three network switches, and four routers. In addition, the purchase and installation of various Code 3 equipment onto type 1 engines and Battalion Chief vehicles increased during Fiscal Year 2015/16.
-$400,000	Interest and fiscal charges increased due to the issuance of Tax and Revenue Anticipation Notes (TRAN). The coupon rate on the Fiscal Year 2015/16 TRAN issuance was 2.00%, as compared to 0.75% for the Fiscal Year 2014/15 TRAN. ***(Continued on next page)***
-$4,600,000	***Subtotal – Impact of Expenditures***

Impact on Fund Balance	Description
(Continued) **-$920,000**	Net interfund transfers increased and decreased as follows: ➢ Transfers are made from the General Fund to the capital projects funds to fund current and future projects in the Capital Improvement Program. Transfers from the General Fund to the Communications and Information Systems Fund decreased during Fiscal Year 2015/16 (+$2,925,000). ➢ When the *Capital Projects Fund Policy* was implemented in Fiscal Year 2014/15, certain projects within the Capital Improvement Program were moved from the Communications and Information Systems Fund and the Facilities Maintenance and Improvement Fund (now closed) to the General Fund, resulting in one-time transfers in to the General Fund during Fiscal Year 2014/15 (-$1,135,000 and -$2,710,000, respectively).
-$110,000	There was a decrease in the proceeds from sale of capital and other assets, primarily due to the sale of a dozer, a loader, a fire command bus, and a type 1 engine during Fiscal Year 2014/15.
+$90,000	Insurance recoveries increased in Fiscal Year 2015/16 due to property damage incurred at Fire Station No. 22 (Laguna Hills/Laguna Woods) and Fire Station No. 75 (Santa Ana), as well as an increase in the number of accidents involving OCFA vehicles.
-$940,000	***Subtotal – Impact of Other Financing Sources and Uses***
+$15,035,000	**General Fund – Net Impact on Fund Balance**

The ***Communications and Information Systems Fund*** had total fund balance of $19,002,272 at the end of Fiscal Year 2015/16. Fund balance was assigned to the Capital Improvement Program ($18,977,557) and communications and information technologies projects ($24,715). Total fund balance increased by $346,417 during the current fiscal year. The prior fiscal year's fund balance increased by $604,103, a difference of $257,686.

Impact on Fund Balance	Description
+$50,000	Revenues for use of money and property increased due to portfolio earnings and the market value investment gain allocated to the fund.
+$60,000	Miscellaneous revenues pertaining to bankruptcy proceeds increased during Fiscal Year 2015/16.
+$1,420,000	Expenditures for services and supplies and capital outlay had a net decrease primarily due to four significant, multi-year capital improvement projects as follows: ➢ The development of a new Computer Aided Dispatch (CAD) system began in Fiscal Year 2011/12 and was placed in service September 2014. Fiscal Year 2014/15 project costs included the final project milestones necessary to place the new system into service, including the acquisition of hardware and related warranty costs; system design; coding; data development (-$810,000). ➢ The Fire Station Alerting System project was a component of the overall CAD public safety system project. The project began in Fiscal Year 2013/14 and was placed in service July 2015. Fiscal Year 2014/15 project costs were higher than the current fiscal year since a significant number of project milestones were completed and costs were incurred at the peak of the project's activity, including hardware and software installation at various fire stations; a radio interface controller; installation of turnout timers; and system integration (-$625,000). ***(Continued on next page)***

Impact on Fund Balance	Description
(Continued)	➢ The Regional Fire Operations and Training Center (RFOTC) Audio Visual Upgrade project consists of the upgrade and replacement of various audio visual equipment used in the RFOTC board room and classroom one (Phase 1) and classrooms two through five (Phase 2). The project includes the purchase and installation of mixing boards, microphones, projectors, computers, controllers, and cabling; the addition of video teleconferencing capabilities; and an automated voting system for the board room. Phase 1 began in Fiscal Year 2015/16 and is expected to be completed during Fiscal Year 2016/17. Costs incurred thus far have included hardware acquisition and system design (+100,000). ➢ The MDC and Mobile Data Network Upgrade project consisted of the purchase of approximately 350 modems and their subsequent installation onto fire apparatus over the course of three fiscal years. Fiscal Year 2014/15 project costs included professional installation costs incurred for the final completion of the project (-$85,000).
-$1,790,000	Net transfers in and out of the General Fund funds decreased as follows: ➢ Transfers in from the General Fund for current and future projects in the Capital Improvement Program decreased by $2,925,000 over the amount transferred in the prior fiscal year. ➢ When a new *Capital Projects Fund Policy* was implemented in Fiscal Year 2014/15, certain projects within the Capital Improvement Program were moved from the Communications and Information Systems Fund to the General Fund, resulting in a corresponding increase in transfers out and a negative impact to balance in Fiscal Year 2014/15 totaling $1,135,000.
-$260,000	**Communications and Information Systems Fund – Net Impact on Fund Balance**

The ***Fire Apparatus Fund*** had total fund balance of $21,452,261 at the end of Fiscal Year 2015/16. Fund balance was assigned to the Capital Improvement Program ($14,788,654) and purchase of fire apparatus and vehicles ($6,663,607). Total fund balance decreased by $3,988,171 during the current fiscal year. The prior fiscal year's fund balance decreased by $4,056,449, a difference of $68,278.

Impact on Fund Balance	Description
+$40,000	Charges for services were for vehicle charges to cash contract cities, which increased in accordance with the terms of the Joint Powers Agreement.
+$40,000	Revenues for use of money and property increased due to portfolio earnings and the market value investment gain allocated to the fund.
+$40,000	Miscellaneous revenues pertaining to bankruptcy proceeds increased during Fiscal Year 2015/16.
-$525,000	Developer contribution revenue decreased due to a Fiscal Year 2014/15 reimbursement from Rancho Mission Viejo Community Development for the type 1 engine to be placed into service at new Fire Station No. 56 (Village of Sendero).
+$475,000	Capital outlay expenditures to purchase and outfit vehicles vary each fiscal year based on organizational needs for new and replacement vehicles. Expenditures were higher in Fiscal Year 2014/15 due to the purchase of five type 1 engines, nineteen sport utility vehicles (Tahoes and Suburbans), four mail delivery box trucks, and a compact track loader. Significant purchases in Fiscal Year 2015/16 have included four type 1 engines, six sport utility vehicles (Executive Management), seventeen pickup trucks (Colorados), and one brush chipper.
+$70,000	**Fire Apparatus Fund – Net Impact on Fund Balance**

The ***Fire Stations and Facilities Fund*** had total fund balance of $15,858,647 at the end of Fiscal Year 2015/16. Amounts pertaining to CALFIRE revenues received for future fire station construction ($533,232) were classified as restricted. Remaining amounts were assigned to the Capital Improvement Program ($15,312,280) and construction projects ($13,135).

Total fund balance increased by $3,338,405 during the current fiscal year. The prior fiscal year's fund balance decreased by $2,889,645, a difference of $6,228,050.

Impact on Fund Balance	Description
+$30,000	Revenues for use of money and property increased due to portfolio earnings and the market value investment gain allocated to the fund (+$15,000). In addition, the General Fund temporarily borrowed $10 million and $5 million during Fiscal Year 2015/16 and Fiscal Year 2014/15, respectively, resulting in an increase in interfund interest earnings (+$15,000).
+$30,000	Miscellaneous revenues pertaining to bankruptcy proceeds increased during Fiscal Year 2015/16.
-$4,550,000	Developer contribution revenue generated by Secured Fire Protection Agreements with developers vary each fiscal year based on housing development projects being completed throughout the county. During Fiscal Year 2014/15, OCFA received over $4 million from various developers as reimbursement for construction of new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo. In addition, $3.1 million was received from Heritage Fields El Toro LLC related to development at the Great Park in the City of Irvine, as compared to nearly $1.1 million received for the same project in Fiscal Year 2015/16. Other Fiscal Year 2015/16 developer contributions included over $1.4 million for projects at Baker Ranch, Elements Site 1 Apartments, and Gateway Apartments in the City of Irvine.
+$10,720,000	Capital outlay expenditures increased primarily due to the purchase of a centralized Urban Search and Rescue (USAR) warehouse during Fiscal Year 2014/15 at a cost of over $6.2 million, as well as approximately $4.6 million toward the multi-year construction project to build new Fire Station No. 56 (Village of Sendero). During Fiscal Year 2015/16, approximately $100,000 was spent on various tenant improvement projects necessary to convert the warehouse into a fully-functioning USAR facility.
+$6,230,000	**Fire Stations and Facilities Fund – Net Impact on Fund Balance**

General Fund Budgetary Highlights

The following table summarizes the changes in General Fund appropriations, as well as the variance between the final budget and actual amounts for Fiscal Year 2015/16.

	Original Budget	Increase (Decrease)	Final Budget	Variance Positive (Negative)	Actual Amounts
Salaries and benefits	$277,424,610	$19,523,220	$296,947,830	$ 2,533,746	$294,414,084
Services and supplies	43,999,102	(4,353,564)	39,645,538	3,480,446	36,165,092
Capital outlay	4,276,504	378,236	4,654,740	4,031,834	622,906
Interest and fiscal charges	318,050	436,386	754,436	13,999	740,437
Transfers out	2,127,821	(2,049,634)	78,187	-	78,187
	$328,146,087	$13,934,644	$342,080,731	$10,060,025	$332,020,706

Adjustments to Appropriations: Budgeted General Fund appropriations increased by $13,934,644 from the time the original budget was adopted until the end of the fiscal year. Adjustments typically pertained to activities that occurred throughout the year but were either unknown or for which reliable estimates could not be determined at the time of the original budget adoption. Significant adjustments are listed below:

Reason for Adjustment to Original Budget	Increase (Decrease)
One-time contribution toward unfunded pension liability	$12,610,000
Jurisdictional equity adjustment payments	(7,880,000)
Overtime and backfill for response to out-of-county incidents	5,550,000
Grant activities	2,545,000
Transfers to Capital Improvement Program (CIP)	(2,050,000)
Operations Department salary savings	(1,000,000)
Staffing changes, reconfigurations, and service enhancements	750,000
Information Technology Division maintenance and support	615,000
Facilities maintenance	540,000
Interest on Tax and Revenue Anticipation Notes (TRAN) and interfund borrowing	435,000
Donations received	410,000
Various professional services	395,000
New hazmat specialist and tech rescue truck bonus pays	330,000
Outfitting four type one engines and four 100’ tractor drawn aerials	300,000
Structural fire entitlement projects	85,000
Service Center equipment	80,000
Information Technology Division CIP projects	70,000
El Niño sand and other supplies	60,000
Urban Search and Rescue warehouse operating costs	40,000
Various other appropriations	50,000
Total adjustments	**$13,935,000**

Variance Between Final Budget and Actual Amounts: Final budgeted General Fund expenditures exceeded actual amounts, resulting in a positive budget variance totaling $10,060,025.

- The $2.5 million positive variance in salaries and benefits is attributed primarily to staff vacancies throughout the organization as follows:

Department	Amount
Operations	$ 970,000
Support Services	435,000
Business Services	390,000
Community Risk Reduction	390,000
Organizational Planning	235,000
Executive Management	115,000
Total variance	**$2,535,000**

- The $3.5 million net positive variance in services and supplies is primarily attributed to the following:
  - Approximately $3.7 million in various operating costs, projects, and other purchases of services and supplies were budgeted but not completed during Fiscal Year 2015/16. These uncompleted projects are typically delayed due to project complexity or time requirements and will be re-budgeted, if needed, to

Fiscal Year 2016/17. The majority of savings from Fiscal Year 2015/16 were created by uncompleted Information Technology Division (IT) operating costs and projects from the Capital Improvement Program (CIP), including projects that involved the installation of communications equipment on fire apparatus and other professional programming services.

- The amount budgeted for workers' compensation is based on an actuarially-determined estimate. Actual expenditures for workers' compensation cases typically occur over multiple years, which often attributes to a difference between budgeted costs and actual expenditures during any given fiscal year. During Fiscal Year 2015/16, actual claims paid from the General Fund were $200,000 more than the actuarial estimate, creating a negative budget variance.

- The $4.0 million positive variance in capital outlay is primarily attributed to the following:

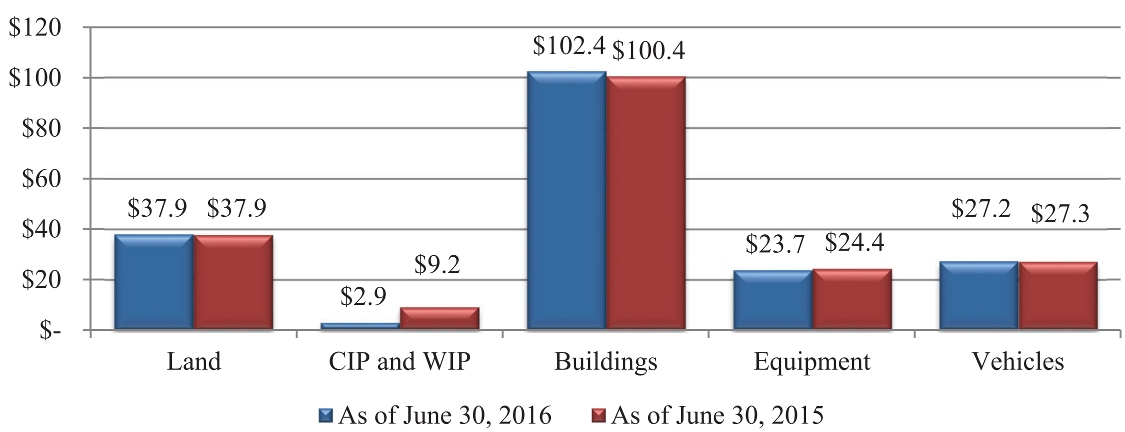
  - A project to replace approximately 120 frontline cardiac monitors and 150 defibrillators was budgeted during Fiscal Year 2015/16 for $3.8 million. OCFA was in the bid process at the close of the fiscal year and, once completed, a contract is expected to be awarded and the purchase completed during Fiscal Year 2016/17. It is anticipated that these expenditure savings will be re-budgeted, as needed, to Fiscal Year 2016/17.

  - Approximately $200,000 in Urban Search and Rescue (USAR) equipment items were budgeted but not purchased during Fiscal Year 2015/16, including defibrillators and monitors, a box truck modification, and a database management program. These grant-funded projects will either be modified via the grant approval process or re-budgeted, as needed, to Fiscal Year 2016/17.

Capital Assets and Debt Administration

Capital Assets: OCFA's investment in capital assets for its government activities at the end of Fiscal Year 2015/16 totaled $187,910,677 (net of accumulated depreciation and amortization and related outstanding debt). This investment in capital assets includes land, buildings, equipment, vehicles, work in progress and construction in progress. Net capital assets decreased from the prior fiscal year by $2,889,439 (1.5%). Following is a summary of net capital assets by type for the current and prior fiscal years.

Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2016 and 2015
(In Millions)



Major capital asset additions during Fiscal Year 2015/16 included the following:

- Construction in progress (CIP) and work in progress (WIP) accounted for forty-eight projects during Fiscal Year 2015/16, twenty of which were placed into service and twenty-eight of which were still in progress at year-end.

    - Construction projects completed over the span of multiple fiscal years are classified as CIP at year-end if they are not yet completed and placed into service. Additions totaling $100,000 included various tenant improvements at the Urban Search and Rescue warehouse in Foothill Ranch; permits for a dormitory remodel project at Fire Station No. 41 (Fullerton Airport); and permits for a generator upgrade project at the Regional Fire Operations and Training Center (RFOTC). Those three projects were still in progress at fiscal year-end, with work expected to be completed during Fiscal Year 2016/17.

    - Fire engines, trucks, and other vehicles, are classified as WIP at year-end if they are in the process of being outfitted for operation and will be completed over the span of multiple fiscal years. WIP also includes multi-year communications and information systems projects. WIP additions totaled over $2.7 million during Fiscal Year 2015/16, including costs pertaining to eight type one engines ($2.2 million); fifteen Chevrolet Colorado pickup trucks ($300,000); six front-line Chevrolet Suburban sport utility vehicles ($100,000); thirteen front-line Chevrolet Tahoe sport utility vehicles ($100,000); the Fire Station Alerting System ($40,000); and a winch installed on Heavy Rescue 6 ($10,000). Four type one engines, thirteen Chevrolet Tahoes, the Fire Station Alerting System, and the heavy rescue winch were all placed into service during the fiscal year, while the remaining projects were still in process as of June 30, 2016.

- Fiscal Year 2015/16 building additions consisted of $5.1 million for new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo, which was transferred from CIP and placed into service in July 2015.

- Equipment additions during Fiscal Year 2015/16 totaling $1.9 million consisted of $600,000 in new purchases, plus $1.3 million of completed, multi-year projects transferred in from WIP. The most individually significant additions included the Fire Station Alerting System (cumulative $1.3 million); three servers ($200,000); sixteen mobile radios ($85,000); and six mobile vehicle lift systems ($60,000).

- Vehicle additions during Fiscal Year 2015/16 totaling $3.3 million consisted of $600,000 in new purchases, plus $2.7 million of completed vehicles transferred in from WIP. The most individually significant additions included four type one engines ($2.1 million); thirteen front-line sport utility vehicles ($600,000); six sport utility vehicles utilized by Executive Management ($300,000); ten pickup trucks assigned to Community Risk Reduction and Fleet Services ($250,000); and one brush chipper ($70,000).

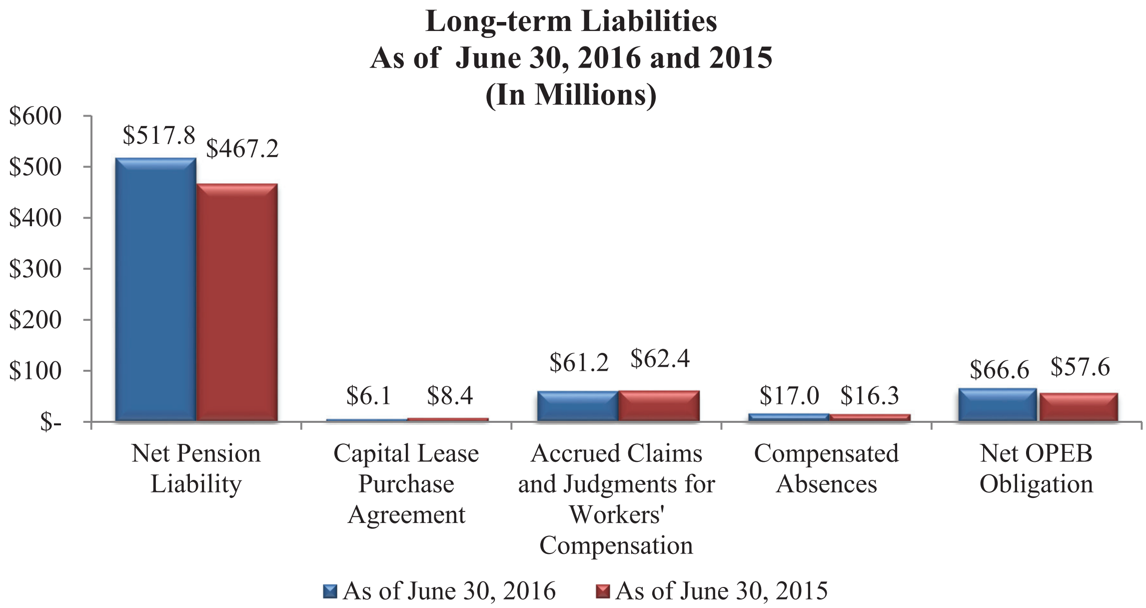
Major capital asset deletions during Fiscal Year 2015/16 included the following:

- Thirteen capital equipment items were sold, scrapped, or written off during Fiscal Year 2015/16, including seven thermal imaging cameras ($70,000); one compressor ($30,000); two mobile radios ($15,000); one laptop ($5,000); one portable radio ($5,000); and one software license ($5,000). The net book value of all equipment disposals was approximately $10,000, as most items had reached the end of their useful service lives and were either fully or mostly depreciated. Most equipment was written off as obsolete during the annual physical inventory process. Other items were traded in to a vendor upon purchase of a replacement item, converted into training props, or accidentally damaged beyond repair.

- Seven vehicles were removed from OCFA's fleet during Fiscal Year 2015/16 as part of OCFA's ongoing vehicle replacement plan. The net book value of all vehicle disposals was $0, as all items had reached the end of their useful service lives and were fully depreciated. Four sport utility vehicles ($150,000) and two sedans ($50,000) were sold at public auction. One sport utility vehicle ($20,000) was written off as a total loss due to a vehicle accident that occurred during the fiscal year.

Additional information pertaining to the OCFA's capital assets can be found in Note 15 of the accompanying Notes to the Financial Statements.

Long-term Debt: Total long-term liabilities increased by net $56,925,869 (9.3%) during Fiscal Year 2015/16.



The most significant increases and decreases to long-term liabilities pertained to the net pension liability for the Orange County Employees Retirement System (OCERS) pension plan, which is being reported in the financial statements as a long-term liability for the first time in conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68. During Fiscal Year 2015/16, OCFA's share of the plan's net pension liability, as determined by an actuarial valuation for the plan as a whole, increased by $133.4 million. This addition was offset by $82.7 million in actual employer and employee contributions remitted by OCFA to the plan. The increases and decreases reported for the long-term pension liability are reported using an "accounting-based approach" in order to fully capture OCFA's net liability and related pension expense incurred during each fiscal year. This differs from the "funding-based approach" used to calculate annual retirement rates and the amount of required employer and employee contributions due from OCFA to OCERS.

Additional information on the OCFA's long-term liabilities can be found in Note 16 of the accompanying Notes to the Financial Statements.

Next Year's Budget

The Fiscal Year 2016/17 General Operating Fund adopted expenditure budget is approximately $323.2 million, which is a net increase of $5.8 million (1.8%) from the final Fiscal Year 2015/16 General Operating Fund budget totaling $317.4 million. (These amounts exclude one-time and grant-related items, as well as unspent, encumbered appropriations from the prior fiscal year that are effectually re-appropriated in the ensuing year's budget). Highlights of the Fiscal Year 2016/17 General Operating Fund Budget are as follow:

- Budgeted salaries and benefits increased by $3.7 million. The budget reflects annual costs in accordance with approved Memorandums of Understanding with each labor group. The retirement budget for Fiscal Year 2016/17 is based on rates provided by the Orange County Employees Retirement System (OCERS). For Fiscal Year 2016/17, those rates are approximately 1.1% higher for safety personnel and 3.8% lower for non-safety personnel.

- Budgeted services and supplies, capital outlay, and debt service increased by $1.3 million. Overall, budgets were held flat as compared to Fiscal Year 2015/16, unless specific increases were identified by OCFA management or one-time grant proceeds were received. In general, the base Fiscal Year 2016/17 budget excluded one-time, grant-related, and assistance by hire expenditures at the time of adoption, as these projects will be budgeted as-needed throughout the upcoming fiscal year.

- The total number of authorized positions in the Fiscal Year 2016/17 budget is 1,363, which is the same as the final, authorized position list as of June 30, 2016. However, the budget reflects funding for only 1,284 of those authorized positions, since frozen vacancies, grant-funded, and limited term positions are not included at the time the original budget is adopted. Changes in authorized positions by unit are summarized as follows:

Unit	FY 2016/17 Budget	FY 2015/16 Final	Increase (Decrease)
Firefighter Unit	1,023	1,023	-
Fire Management Unit	45	45	-
General Unit	213	213	-
Supervisory Management Unit	27	27	-
Supported Employment Unit	4	4	-
Administrative Management	43	43	-
Executive Management	8	8	-
Total authorized positions	**1,363**	**1,363**	**-**

Requests for Information

This financial report is designed to provide a general overview of OCFA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager/Auditor, Orange County Fire Authority, 1 Fire Authority Road, Irvine, California 92602.

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ORANGE COUNTY FIRE AUTHORITY
Statement of Net Position
June 30, 2016
(With Comparative Data for Prior Year)

	Primary Government		Component Unit	
	Governmental Activities		OCFA Foundation	
	2016	2015	2016	2015
Assets:				
Cash and investments (Note 4)	$ 177,729,367	$ 164,787,506	$ 108,718	$ 108,720
Receivables:				
Accounts, net (Note 5)	2,566,770	3,976,952	90	-
Accrued interest	224,075	96,621	-	-
Prepaid costs and other assets	36,789,256	31,160,094	7,015	723
Due from other governments, net (Note 6)	11,671,971	8,702,777	-	-
Capital assets (Note 15):				
Land	37,887,850	37,887,850	-	-
Construction in progress	102,341	5,092,288	-	-
Work in progress	2,795,704	4,121,289	-	-
Capital assets, net of accumulated depreciation/amortization	153,235,229	152,145,415	-	-
Total Assets	**423,002,563**	**407,970,792**	**115,823**	**109,443**
Deferred Outflows of Resources:				
Deferred outflows of resources related to pensions (Note 16b)	139,040,544	85,763,924	-	-
Total Deferred Outflows of Resources	**139,040,544**	**85,763,924**	**-**	**-**
Liabilities:				
Accounts payable	3,008,616	3,602,338	142	4,529
Accrued liabilities	14,824,059	12,828,886	-	-
Accrued interest	3,427	4,737	-	-
Unearned revenue (Note 8)	33,116	3,278,818	6,000	-
Due to other governments (Note 7)	123,047	10,072,547	-	-
Long-term liabilities (Note 16a):				
Other due within one year	13,377,381	12,512,349	-	-
Other due in more than one year	70,948,919	74,603,168	-	-
Proportionate share net pension liability	517,833,497	467,208,681	-	-
Net OPEB obligation	66,643,396	57,553,126	-	-
Total Liabilities	**686,795,458**	**641,664,650**	**6,142**	**4,529**
Deferred Inflows of Resources:				
Deferred inflows of resources related to pensions (Note 16b)	35,911,567	21,194,439	-	-
Total Deferred Outflows of Resources	**35,911,567**	**21,194,439**	**-**	**-**
Net position:				
Net investment in capital assets (Note 15b)	187,910,677	190,800,116	-	-
Restricted for (Note 10):				
Capital projects	533,232	533,232	-	-
Other purposes	13,867	55,538	47,448	52,583
Unrestricted	(349,121,694)	(360,513,259)	62,233	52,331
Total Net Position	**$ (160,663,918)**	**$ (169,124,373)**	**$ 109,681**	**$ 104,914**

See Notes to the Financial Statements

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ORANGE COUNTY FIRE AUTHORITY
Statement of Activities
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	Primary Government		Component Unit	
	Governmental Activities		OCFA Foundation	
	2016	2015	2016	2015
Expenses:				
Public safety:				
Salaries and benefits	$ 316,292,785	$ 335,419,737	$ -	$ -
Services and supplies	35,127,573	46,073,201	65,230	61,633
Depreciation and amortization (Note 15d)	9,267,982	9,050,195	-	-
Interest on long-term debt	917,320	582,565	-	-
Total Program Expenses	**361,605,660**	**391,125,698**	**65,230**	**61,633**
Program Revenues:				
Public safety:				
Charges for services	117,263,679	113,150,325	-	-
Operating grants and contributions	12,165,015	11,410,019	69,997	62,038
Capital grants and contributions	3,331,088	9,182,195	-	-
Total Program Revenues	**132,759,782**	**133,742,539**	**69,997**	**62,038**
Net program (expenses) revenues	(228,845,878)	(257,383,159)	4,767	405
General Revenues:				
Property taxes	219,840,417	205,141,237	-	-
Investment income	1,654,065	839,864	-	-
Gain on sale of capital assets	6,000	63,953	-	-
Miscellaneous	2,823,503	1,235,004	-	-
Total General Revenues	**224,323,985**	**207,280,058**	**-**	**-**
Change in net position	(4,521,893)	(50,103,101)	4,767	405
Net position at beginning of year, as restated (Note 3)	(156,142,025)	(119,021,272)	104,914	104,509
Net Position at End of Year	**$ (160,663,918)**	**$ (169,124,373)**	**$ 109,681**	**$ 104,914**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Governmental Funds
Balance Sheet
June 30, 2016
(With Comparative Data for Prior Year)

	General Fund	Capital: Communications and Information Systems
Assets:		
Cash and investments (Note 4)	$ 121,350,414	$ 19,105,606
Receivables:		
Accounts, net (Note 5)	2,442,570	-
Accrued interest	125,706	21,253
Prepaid costs and other assets	36,789,256	-
Due from other governments, net (Note 6)	10,050,255	-
Total Assets	**$ 170,758,201**	**$ 19,126,859**
Liabilities:		
Accounts payable	$ 2,720,274	$ 124,587
Accrued liabilities	14,824,059	-
Unearned revenue (Note 8)	33,116	-
Due to other governments (Note 7)	123,047	-
Total Liabilities	**17,700,496**	**124,587**
Deferred Inflows of Resources:		
Unavailable revenue	-	-
Total Deferred Inflows of Resources	**-**	**-**
Fund Balances:		
Nonspendable - prepaid costs (Note 9)	36,779,845	-
Restricted for (Note 10):		
Capital improvement program	-	-
Operations Department	13,867	-
Committed to - SFF cities enhancements (Note 11)	584,464	-
Assigned to (Note 12):		
Capital improvement program	4,668,314	18,977,557
Workers' compensation	73,720,054	-
Executive Management	36,690	-
Operations Department	51,484	-
Community Risk Reduction Department	15,845	-
Business Services Department	162,699	-
Support Services Department	119,743	-
Organizational Planning Department	21,000	-
Facilities projects	69,987	-
Communications and IT projects	56,909	24,715
Fire apparatus and other vehicles	-	-
Construction projects	-	-
Unassigned (Note 13)	36,756,804	-
Total Fund Balances	**153,057,705**	**19,002,272**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 170,758,201**	**$ 19,126,859**

See Notes to the Financial Statements

Project Funds		Total Governmental Funds	
Fire Apparatus	Fire Stations and Facilities	2016	2015
$ 21,518,136	$ 15,755,211	$ 177,729,367	$ 164,787,506
-	124,200	2,566,770	3,976,952
14,835	62,281	224,075	96,621
-	-	36,789,256	31,160,094
-	-	10,050,255	6,967,289
$ 21,532,971	**$ 15,941,692**	**$ 227,359,723**	**$ 206,988,462**
$ 80,710	$ 83,045	$ 3,008,616	$ 3,602,338
-	-	14,824,059	12,828,886
-	-	33,116	3,278,818
-	-	123,047	10,072,547
80,710	**83,045**	**17,988,838**	**29,782,589**
-	-	-	316,087
-	**-**	**-**	**316,087**
-	-	36,779,845	31,160,094
-	533,232	533,232	533,232
-	-	13,867	55,538
-	-	584,464	691,265
14,788,654	15,312,280	53,746,805	48,158,215
-	-	73,720,054	68,494,796
-	-	36,690	98,415
-	-	51,484	46,859
-	-	15,845	354
-	-	162,699	66,963
-	-	119,743	207,784
-	-	21,000	33,890
-	-	69,987	52,061
-	-	81,624	143,061
6,663,607	-	6,663,607	8,030,783
-	13,135	13,135	-
-	-	36,756,804	19,116,476
21,452,261	**15,858,647**	**209,370,885**	**176,889,786**
$ 21,532,971	**$ 15,941,692**	**$ 227,359,723**	**$ 206,988,462**

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016
(With Comparative Data for Prior Year)

	2016	2015
Fund balances of governmental funds	**$ 209,370,885**	**$ 176,889,786**
Capital Assets		
When capital assets that are to be used in governmental activities are purchased or constructed, their costs are recorded as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the OCFA as a whole, net of accumulated depreciation/amortization.		
Capital assets	318,064,366	314,353,552
Accumulated depreciation/amortization	(124,043,242)	(115,106,710)
Long-term Liabilities and Receivables		
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. A portion of OCFA's long-term liability for compensated absences is reimbursable by the City of Santa Ana, and therefore offset by a long-term receivable. Long-term receivables are not available to fund the activities of the current period, and are likewise not reported as governmental fund assets. All assets and liabilities, both current and long-term, are reported in the Statement of Net Position.		
OCERS pension plan:		
Net pension liability	(517,669,806)	(466,968,323)
Deferred outflows of resources	139,005,504	85,761,443
Deferred inflows of resources	(35,819,433)	(21,185,872)
Extra Help pension plan:		
Net pension liability	(163,691)	(240,358)
Deferred outflows of resources	35,040	2,481
Deferred inflows of resources	(92,134)	(8,567)

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
(Continued)

	2016	2015
Long-term Liabilities and Receivables, (Continued)		
Capital lease purchase agreements	(6,110,447)	(8,446,726)
Accrued claims and judgments	(61,196,645)	(62,372,690)
Compensated absences	(17,019,208)	(16,296,101)
Long-term receivable for compensated absences	1,621,716	1,735,488
Net OPEB obligation	(66,643,396)	(57,553,126)
Accrued Interest		
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds. Accrued interest was calculated and reported in the Statement of Net Position.	(3,427)	(4,737)
Unavailable Revenues		
Unavailable revenues are reported in the governmental funds if not collected or expected to be collected within the OCFA's availability period. However, amounts relating to unavailable revenues are not reported in the Statement of Net Position since revenue recognition is not based upon measurable and available criteria.		
Due from other governments - Santa Ana start-up costs	-	316,087
Net position of governmental activities	**$ (160,663,918)**	**$ (169,124,373)**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2016
(With Comparative Data for Prior Year)

		Capital
	General Fund	Communications and Information Systems
Revenues:		
Taxes	$ 219,840,417	$ -
Intergovernmental	25,978,081	-
Charges for services	102,408,896	-
Use of money and property	1,353,083	111,865
Miscellaneous	2,096,571	312,605
Developer contributions	-	-
Total revenues	**351,677,048**	**424,470**
Expenditures:		
Current - public safety:		
Salaries and benefits	294,414,084	-
Services and supplies	36,165,092	84,845
Capital outlay	622,906	71,395
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	740,437	-
Total expenditures	**331,942,519**	**156,240**
Excess (deficiency) of revenues over (under) expenditures	19,734,529	268,230
Other financing sources (uses):		
Transfers in (Note 14)	-	78,187
Transfers out (Note 14)	(78,187)	-
Sale of capital and other assets	24,470	-
Insurance recoveries	121,288	-
Total other financing sources (uses)	**67,571**	**78,187**
Net change in fund balances	19,802,100	346,417
Fund balances, beginning of year, as restated (Note 3)	133,255,605	18,655,855
Fund balances, end of year	**$ 153,057,705**	**$ 19,002,272**

See Notes to the Financial Statements

Project Funds		Total Governmental Funds	
Fire Apparatus	**Fire Stations and Facilities**	**2016**	**2015**
$ -	$ -	$ 219,840,417	$ 205,141,237
-	-	25,978,081	23,565,214
1,421,540	-	103,830,436	102,000,677
131,954	74,414	1,671,316	841,522
191,832	185,165	2,786,173	1,679,976
-	3,233,082	3,233,082	8,307,207
1,745,326	**3,492,661**	**357,339,505**	**341,535,833**
-	-	294,414,084	285,988,997
248	53,433	36,303,618	40,490,370
3,201,526	100,823	3,996,650	16,644,798
2,336,279	-	2,336,279	2,276,963
195,444	-	935,881	585,501
5,733,497	**154,256**	**337,986,512**	**345,986,629**
(3,988,171)	3,338,405	19,352,993	(4,450,796)
-	-	78,187	6,845,320
-	-	(78,187)	(6,845,320)
-	-	24,470	134,123
-	-	121,288	32,948
-	**-**	**145,758**	**167,071**
(3,988,171)	3,338,405	19,498,751	(4,283,725)
25,440,432	12,520,242	189,872,134	181,173,511
$ 21,452,261	**$ 15,858,647**	**$ 209,370,885**	**$ 176,889,786**

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	2016	2015
Net change in fund balances - total governmental funds	**$ 19,498,751**	**$ (4,283,725)**
Capital Assets		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.		
Capital outlay	3,996,650	16,644,798
Capitalized labor, included in salaries and benefits	-	23,975
Depreciation/amortization expense	(9,267,982)	(9,050,195)
Capital assets received through grant or donation are recognized as revenue in the Statement of Activities at their estimated fair value at time of receipt.		
From OCFA Foundation	10,000	-
From other grantors and donors	44,984	37,736
Governmental funds report the proceeds from sale of capital and other assets as other financing sources. In the Statement of Activities, those proceeds are offset by the net book value of the asset, resulting in a gain or loss on the sale.		
Capital asset disposals	(340,820)	(3,856,195)
Accumulated depreciation/amortization on disposals	331,450	3,805,380
Long-term Liabilities and Receivables		
Repayment of long-term debt principal on the capital lease purchase agreements is reported as an expenditure in governmental funds. Principal payments reduce the long-term liability in the Statement of Net Position and do not result in an expense in the Statement of Activities.	2,336,279	2,276,963
Other long-term liabilities are reported in the Statement of Net Position. The net annual change in the liability is recognized as an expense in the Statement of Activities. Long-term liabilities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.		
OCERS pension plan	(12,090,983)	(39,860,404)
Extra Help pension plan	25,659	(2,905)
Accrued claims and judgments - workers' compensation	1,176,045	(5,582,831)

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
(Continued)

	2016	2015
Compensated absences - Santa Ana general leave	113,772	(18,482)
Compensated absences - other leave balances	(836,879)	(105,115)
A long-term receivable has been established in the Statement of Net Position for the portion of compensated absences reimbursable by the City of Santa Ana. The receivable balance is reduced over time as leave balances are used by employees and subsequently reimbursed by the city. Those reimbursements are reported as revenue in the governmental funds.	(113,772)	18,482
Contributions to the defined benefit retiree medical plan are made on a pay-as-you-go basis in the governmental fund financial statements. If actual contributions are less than the actuarially-determined required amount, the difference is reported as an expense in the Statement of Activities.	(9,090,270)	(9,467,809)
Accrued Interest		
Interest expenditures are reported when paid in the governmental funds, while the net change in accrued interest incurred for the period is recognized as interest expense in the Statement of Activities.	1,310	1,278
Unavailable Revenues		
Certain receivables and grants that have been accrued but not collected are reflected as unavailable revenue in the governmental funds. All earned revenue is recognized in the Statement of Activities regardless of when collected.		
Intergovernmental revenue - property tax increment	-	(367,964)
Charges for services - Santa Ana start-up costs	(316,087)	(316,088)
Interfund Transactions		
Transactions between governmental funds are eliminated for presentation in the government-wide financial statements.		
Transfers in	(78,187)	(6,845,320)
Transfers out	78,187	6,845,320
Use of money and property	(17,251)	(1,658)
Interest and fiscal charges	17,251	1,658
Change in net position of governmental activities	**$ (4,521,893)**	**$ (50,103,101)**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
General Fund
Budgetary Comparison Statement
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	2016				2015
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1, as restated	**$ 133,255,605**	**$ 133,255,605**	**$ 133,255,605**	**$ -**	**$ 115,504,289**
Resources (inflows):					
Taxes	214,445,545	218,156,295	219,840,417	1,684,122	205,141,237
Intergovernmental	14,942,177	23,926,860	25,978,081	2,051,221	23,565,214
Charges for services	101,969,304	101,173,891	102,408,896	1,235,005	100,619,516
Use of money and property	1,558,531	1,008,421	1,353,083	344,662	651,975
Miscellaneous	1,008,733	2,203,027	2,096,571	(106,456)	1,120,697
Transfers in	-	-	-	-	3,844,414
Sale of capital and other assets	50,000	50,480	24,470	(26,010)	134,123
Insurance recoveries	-	79,433	121,288	41,855	32,948
Total resources (inflows)	**333,974,290**	**346,598,407**	**351,822,806**	**5,224,399**	**335,110,124**
Amounts available for appropriations	**467,229,895**	**479,854,012**	**485,078,411**	**5,224,399**	**450,614,413**
Charges to appropriation (outflows):					
Salaries and benefits	277,424,610	296,947,830	294,414,084	2,533,746	285,988,997
Services and supplies	43,999,102	39,645,538	36,165,092	3,480,446	40,317,142
Capital outlay	4,276,504	4,654,740	622,906	4,031,834	703,370
Interest and fiscal charges	318,050	754,436	740,437	13,999	330,741
Transfers out	2,127,821	78,187	78,187	-	3,000,906
Total charges to appropriations	**328,146,087**	**342,080,731**	**332,020,706**	**10,060,025**	**330,341,156**
Budgetary fund balance, June 30	**$ 139,083,808**	**$ 137,773,281**	**$ 153,057,705**	**$ 15,284,424**	**$ 120,273,257**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016
(With Comparative Data for Prior Year)

	Pension Trust Funds	Total Pension Trust Funds	
	Extra Help Retirement	**2016**	**2015**
Assets:			
Cash and investments (Note 4):			
Local Agency Investment Fund -			
Domestic fixed income securities	$ 74,798	$ 74,798	$ 73,031
Total assets	**74,798**	**74,798**	**73,031**
Net position restricted for pensions	**$ 74,798**	**$ 74,798**	**$ 73,031**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	Pension Trust Funds	Total Pension Trust Funds	
	Extra Help Retirement	2016	2015
Additions:			
Contributions:			
Employer	$ 2,267	$ 2,267	$ 2,481
Plan members	8,923	8,923	11,831
Total contributions	11,190	11,190	14,312
Net investment income:			
Interest	1,219	1,219	714
Total net investment income	1,219	1,219	714
Total additions	**12,409**	**12,409**	**15,026**
Deductions:			
Benefits and refunds paid to plan members and beneficiaries	10,642	10,642	6,459
Total deductions	**10,642**	**10,642**	**6,459**
Change in net position	1,767	1,767	8,567
Net position, beginning of year	73,031	73,031	64,464
Net position, end of year	**$ 74,798**	**$ 74,798**	**$ 73,031**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY

Index to Notes to the Financial Statements

Year ended June 30, 2016

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(1) Summary of Significant Accounting Policies

(a) Description of the Reporting Entity

Effective March 1, 1995, the County of Orange (County) and the cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda entered into a joint powers agreement to create the Orange County Fire Authority (OCFA). Since the creation of the OCFA, the cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita, Santa Ana, and Westminster have also joined as members.

The purpose of OCFA is to provide fire suppression, protection, prevention, and related and incidental services including, but not limited to, emergency medical and transport services and hazardous materials regulation, as well as providing facilities and personnel for such services. The OCFA's governing board consists of one representative from each member city and two from the County.

The operations of the OCFA are funded with a portion of property taxes collected by the County (Structural Fire Fund) for the unincorporated area and on behalf of all member cities except for the cities of Buena Park, Placentia, San Clemente, Santa Ana, Seal Beach, Stanton, Tustin, and Westminster, which are considered to be cash contract cities. The County pays all Structural Fire Fund taxes it collects to the OCFA. The cash contract cities make cash contributions based on OCFA's annual budget. Upon dissolution, all surplus money and property of the OCFA will be conveyed or distributed to each member in proportion to all funds provided to the OCFA by that member or by the County on behalf of that member during its membership. Each member must execute any instruments of conveyance necessary to effectuate such distribution or transfer.

As required by generally accepted accounting principles, these financial statements present both the OCFA as the primary government, as well as any of its component units. A component unit is an entity for which a primary government entity is considered to be financially accountable.

- The primary government is considered to be financially accountable for an organization if it appoints a voting majority of that organization's governing body, and (1) if the primary government is able to impose its will on that organization or (2) there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

- The primary government may also be considered financially accountable for an organization if that organization is fiscally dependent on the primary government (i.e., the organization is unable to approve or modify its budget, levy taxes or set rates/charges, or issue bonded debt without approval from the primary government).

- In certain cases, other organizations are included as component units if the nature and significance of their relationship with the primary government are such that their exclusion would cause the primary government's financial statements to be misleading or incomplete, even though the primary government is not considered financially accountable for that organization under the criteria previously described. A legally separate, tax exempt organization is reported as a component unit if (1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its constituents; (2) the primary government is entitled to or has the ability otherwise access a majority of the economic resources received or held by the organization; and (3) the economic resources received or held by the organization are significant to the primary government.

Component units must be classified as either "blended" or "discrete" in the primary government's financial statements. A component unit is "blended" if the governing boards of the two organizations are substantially the same, or if the component unit provides services entirely or almost entirely to the primary government. Because of the closeness of its relationship with the primary government, a "blended" component unit is presented as though it is part of the primary government and, therefore, is included in both the government-wide and fund financial statements. Component units that do not meet either of these two criteria are considered "discrete" and are reported only in the government-wide financial statements.

A brief description of OCFA's component unit is as follows:

- The **OCFA Foundation** ("Foundation") was established by the OCFA Board of Directors in July 2010, and qualifies as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The purpose of the Foundation is to support the OCFA with the additional resources needed to provide an enhanced level of fire prevention, suppression, and emergency medical services to the citizens of Orange County. The Foundation assists the OCFA by conducting fundraising activities and securing non-government grant funds, services, materials, and contributions that support OCFA's mission. OCFA provided $50,000 from the General Fund as start-up funding for the Foundation. The tax exempt status of the Foundation was approved by the Internal Revenue Service on February 23, 2011, and the inaugural meeting of the Foundation Board was April 28, 2011.

  The Foundation's Board of Directors consists of no less than three and no more than seven members, the exact number determined by resolution of the Foundation Board. Foundation Board members must have been active in or had significant prior experience in governmental or community organizations, or the fire service. The Foundation Board may consist of any combination of members of the public, OCFA employees, and/or past or current OCFA Board members. Initially, the Chair of OCFA's Board appointed the first three Foundation Directors. As of June 30, 2016, there were five non-OCFA Board members on the Foundation's Board. Additional members may be appointed by the Foundation Board at a future date via a simple majority vote.

The Foundation is considered a component unit of OCFA, because the nature and significance of its relationship with OCFA is such that its exclusion would cause OCFA's financial statements to be misleading or incomplete. Within these financial statements, the Foundation is reported as a discrete component unit in the government-wide financial statements. The Foundation also issues separate, component unit financial statements that may be obtained through written request from the OCFA Finance Division at 1 Fire Authority Road, Irvine, California 92602.

(b) Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities), report information about the OCFA as a whole, excluding its fiduciary activities. For the most part, the effect of the interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of the given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. OCFA considers revenues to be available if they are typically collected within 180 days of the end of the current fiscal period, with the exception of property taxes, which are considered available if they are typically collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by OCFA.

Fiduciary fund financial statements are reported using the same *economic resources measurement focus* and the *accrual basis of accounting* described for the government-wide financial statements.

(c) Major Funds and Other Fund Types

Major Governmental Funds

Major funds are those whose revenues, expenditures, assets, or liabilities are at least 10% of corresponding totals for all governmental funds. The General Fund is always a major fund. OCFA has elected to report all of its governmental funds as major funds.

- The **General Fund** is the primary operating fund of the OCFA and is used to account for all financial resources not accounted for and reported in another fund. The General Fund accounts for the financial activities of providing fire suppression, protection, prevention, and related services to OCFA's member cities and unincorporated areas. The primary sources of revenue are property taxes for fire protection (Structural Fire Fund), cash contracts, intergovernmental reimbursements, and various user fees.

- The **Communications and Information Systems Fund** is a capital projects fund used to account for the significant acquisition, improvement, or replacement of specialized communications and information technology systems and/or equipment.

- The **Fire Apparatus Fund** is a capital projects fund used to account for the significant acquisition, improvement, or replacement of fire apparatus, including vehicles, trailers, and helicopters.

- The **Fire Stations and Facilities Fund** is a capital projects fund used to account for the significant acquisition, improvement, replacement, or construction of fire stations and facilities.

Fiduciary Fund Types

- **Pension Trust Funds** are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. OCFA's pension trust fund accounts for the cost of the extra help post-employment defined benefit retirement plan.

(d) Cash and Investments

OCFA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments.

Investments are stated at fair value (the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants), in accordance with GASB Statement No. 72. OCFA's policy is generally to hold investments until maturity. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

(e) Receivables

All accounts receivable are shown net of an allowance for uncollectible amounts.

Under California law, counties assess and collect property taxes up to 1% of assessed value and can increase the property tax rate no more than 2% per year. The property taxes go into a pool and are then allocated to the cities and local government entities based on complex formulas. The County bills and collects the property taxes and distributes them to OCFA in installments during the year. Accordingly, OCFA accrues only those taxes which are received from the County within 60 days after year-end. A summary of the property tax calendar is as follows:

Lien date	January 1
Levy date	Fourth Monday of September
Due dates	November 1 and February 1
Delinquent dates	December 10 and April 10

(f) Prepaid Costs and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both the government-wide and fund financial statements. OCFA accounts for all prepaid items (i.e., warranties, annual maintenance fees, and professional memberships) under the "consumption method." This means that expenditures are recognized proportionately over the period that the services are provided. Nonspendable fund balance in an amount equal to prepaid costs is reported in the governmental fund types, since these amounts are not in a spendable form.

OCFA accounts for all supplies inventories (i.e., office supplies, automotive parts, vehicle and jet fuel, etc.) under the "purchase method." This means that expenditures are recognized at the time they are purchased, rather than when they are consumed or used.

(g) Capital Assets

Capital assets of governmental activities, which include property, plant, and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by OCFA as assets with an estimated useful life in excess of one year and with an initial, individual cost of $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or developer-contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not materially add to the value of the asset or materially extend the asset's useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. OCFA's capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	45 years
Equipment	3 – 40 years
Vehicles	4 – 20 years

(h) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position of governmental activities and the Balance Sheet of governmental funds may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position or fund balance that apply to future period(s) and so will not be recognized as outflows of resources (expenses or expenditures) during the current fiscal year. OCFA currently reports deferred outflows pertaining to pensions on the Statement of Net Position of governmental activities.

In addition to liabilities, the Statement of Net Position of governmental activities and the Balance Sheet of governmental funds may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position or fund balance that apply to future period(s) and so will not be recognized as inflows of resources (revenues) during the current fiscal year. Unavailable revenue in the governmental funds, which arises under the modified accrual basis of accounting, is currently the only item that qualifies for reporting as a deferred inflow. OCFA's governmental funds typically report unavailable revenues from two sources – intergovernmental and charges for services. These amounts will be recognized as an inflow of resources in the period that the amounts become available. OCFA also currently reports deferred inflows pertaining to pensions on the Statement of Net Position of governmental activities.

(i) Compensated Absences

OCFA's policy permits employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and unpaid sick leave to which employees are entitled under their respective Memorandums of Understanding (MOU's) has been accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if it has matured (for example, as a result of employee resignations or retirements).

(j) Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities of governmental activities in the government-wide Statement of Net Position, and issuance costs are recognized as an expense in the Statement of Activities in the period incurred. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(k) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Orange County Employees Retirement System (OCERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by OCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(l) Fund Equity

The components of the fund balances of governmental funds reflect the component classifications described below.

- **Nonspendable** fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

- **Restricted** fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

- **Committed** fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as OCFA's highest level of decision-making authority and has the authority to establish, modify, or rescind a fund balance commitment via a minutes order, which may or may not be documented by a written Board resolution.

- **Assigned** fund balance includes amounts intended to be used by OCFA for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors. OCFA's Board of Directors has established a *Fund Balance Assignment Policy* which establishes the authority by which OCFA may set aside cumulative resources in fund balance for an intended future use. The Board of Directors has the authority to assign fund balance, and has delegated its authority to assign amounts for workers' compensation and the capital improvement program to the Assistant Chief of Business Services, or her designee, in accordance with the parameters outlined in the policy and subject to annual review and concurrence by the Budget and Finance Committee.

- **Unassigned** fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the OCFA's *Flow Assumptions Policy* specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, OCFA's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

(m) Operating Contingency

In June 1998, OCFA established a General Fund Contingency Reserve ("operating contingency") at 15% of budgeted operating revenues, which was subsequently revised to 10% of budgeted non-grant operating expenditures. OCFA's policy states that the operating contingency be used only for operating contingencies, emergencies caused by calamitous events, and economic uncertainty. The operating contingency's balance is included within the unassigned fund balance category of the General Fund.

(n) Prior Year Data

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

(o) Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

(2) Compliance and Accountability

(a) Budgetary Information

OCFA establishes accounting control through formal adoption of an annual operating budget for its governmental funds. The operating budgets are prepared on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all of OCFA's governmental funds.

Perspective differences occur when the framework used for budgeting differs from the fund structure used for financial reporting. OCFA's General Fund consists of four separately-budgeted funds that have been combined and consolidated for financial statement presentation. The table below reconciles fund balance for the General Fund as reported on the budgetary basis to the presentation in the financial statements. The Supplementary Schedules section of this report includes additional General Fund combining schedules for balance sheet, budgetary data, and actual operating data for the year ended June 30, 2016.

	Fund Balance as of June 30, 2016
Budgetary basis:	
General Operating Fund	$ 73,992,052
General Fund Capital Improvement Program (CIP)	4,761,135
Structural Fire Entitlement	584,464
Self Insurance	73,720,054
General Fund for financial statement presentation	$153,057,705

The adopted budget can be amended by the Board to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds require the Board's approval; however, division and section managers, Assistant Chiefs, and Directors may authorize changes within funds and/or their respective authorized budgets. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of OCFA to review the budgets mid-year and, if necessary, recommend changes to the Board. The following is a summary of the originally adopted expenditure budget (including carryovers of unexpended prior year encumbrances and transfers out) compared to the final budget by budgeted fund:

Fund	Original Budget	Increase/ (Decrease)	Final Budget
General Fund	$328,146,087	$13,934,644	$342,080,731
Communications and Information Systems	6,625,685	(4,831,152)	1,794,533
Fire Apparatus	18,042,177	1,532,139	19,574,316
Fire Stations and Facilities	854,248	51,829	906,077
Total budgeted governmental funds	$353,668,197	$10,687,460	$364,355,657

(b) Emergency Appropriations Policy

In September 2008, the Board adopted the Emergency Appropriations Policy to provide a means of increasing budgeted appropriations in the event that extraordinary fire or emergency incident activity occurs after the last Board meeting of the fiscal year, which may cause expenditures to exceed the authorized General Fund budget. The contingency appropriation, which may not exceed $3,000,000 each fiscal year, is established for unforeseen requirements, primarily salary and employee benefits for extraordinary fire or emergency response. No expenditures may be made directly against the contingency appropriations; however, OCFA management may recommend a transfer from the contingency appropriations to a specific purpose appropriation. The Chair of the Board of Directors or the Vice Chair, in the absence of the Chair, must pre-approve any such transfers. Upon approval by the Chair or Vice Chair, notice of this transfer must be provided immediately to the full Board in writing. There were no transfers made from the contingency appropriations during the year ended June 30, 2016; therefore, the budgetary comparison statements and schedules included in the financial statements do not reflect any increase to the final budgeted expenditures.

(c) Encumbrance Accounting

Encumbrance accounting is employed in governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in OCFA's funds. Encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balance, depending on the type of revenue source associated with the encumbrance, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. All appropriations lapse at year-end with the exception of encumbered appropriations, which are effectually re-appropriated in the ensuing year's budget.

(3) Prior Period Adjustment

In response to concerns from OCFA's member agencies about the relationship of financial contributions to level of service received, an Equity Working Group was established to identify methods for mitigating these equity concerns. In September 2013, the Board of Directors approved a solution presented by the Equity Working Group, which required OCFA to issue equity payments from unrestricted revenue sources to qualifying Structural Fire Fund member agencies, based on a calculation of average Structural Fire Fund Tax rate. The solution also required that the City of Irvine, OCFA's largest Structural Fire Fund member in terms of property tax revenue, remain a member of OCFA until the year 2030. By November 2013, two thirds of the OCFA member agencies had approved the 2nd Amendment to the Joint Powers Agreement (2nd Amendment), and OCFA began to implement the new required equity measures.

The Board of Directors also approved requesting a judicial review of the 2nd Amendment to seek court validation. The validation process, which was initiated in December 2013, would affirm the ability to use unrestricted revenue sources for purposes of issuing equity payments to qualifying agencies, and would preclude any future challenges to the legality of the 2nd Amendment.

In August 2014, an Orange County Superior Court judge ruled against the OCFA in a validation hearing, stating that the 2nd Amendment was invalid and unenforceable as a matter of law. OCFA appealed the decision, but in March 2016 the appellate court issued an opinion affirming the invalidation of the 2nd Amendment.

As of June 30, 2015, OCFA had either paid or accrued as a liability all jurisdictional equity adjustment payments, plus interest, due to Structural Fire Fund members under the provisions of the 2nd Amendment as follows:

Government Agency	Amounts Paid	Unpaid, Accrued Equity Payments	Accrued Interest	Total
City of Irvine	$2,988,081	$9,501,321	$15,861	$12,505,263
City of Laguna Woods	-	5,616	5	5,621
City of Lake Forest	-	155	-	155
City of Rancho Santa Margarita	-	135,571	128	135,699
County of Orange	-	335,293	317	335,610
Total	$2,988,081	$9,977,956	$16,311	$12,982,348

The appellate court's opinion had the effect of nullifying the 2nd Amendment and, consequently, all amounts previously paid and/or accrued totaling $12,982,348 were considered invalid. As a result, during the year ended June 30, 2016, OCFA restated the beginning net position of its governmental activities and the beginning fund balance of its General Fund as follows:

	Governmental Activities	Governmental Funds
	Net Position	General Fund Fund Balance
As previously reported	$(169,124,373)	$120,273,257
Prior period adjustment	12,982,348	12,982,348
As restated	$(156,142,025)	$133,255,605

(4) Cash and Investments

(a) Financial Statement Presentation

OCFA maintains a cash and investment pool that is available for use for all funds. Each fund's position in the pool is reported on the combined balance sheet as cash and investments.

Cash and investments as of June 30, 2016, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Governmental activities	$177,729,367
Discretely presented component unit – OCFA Foundation	108,718
Statement of Fiduciary Net Position:	
Fiduciary funds	74,798
Total cash and investments	$177,912,883

Cash and investments consist of the following as of June 30, 2016:

Petty cash / cash on hand	$ 13,445
Demand deposits	(861,686)
Investments	178,761,124
Total cash and investments	$177,912,883

(b) Demand Deposits

At June 30, 2016, the carrying amount of the OCFA's demand deposits was $(861,686) and the bank balance was $1,137,419. The $1,999,105 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "agent of depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government. The OCFA Treasurer may waive the collateral requirement for deposits that are fully insured up to $250,000 by the FDIC.

(c) Investments Authorized by Government Code and OCFA Investment Policy

The table below identifies investment types that are authorized by OCFA's investment policy and by California Government Code Section 53600 et seq. and Section 5922(d). The table also identifies provisions of the California Government Code (or OCFA's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The table, however, does not cover investments of debt proceeds, if any, held by fiscal agent, which are governed by the provisions of debt agreements of OCFA rather than the general provisions of OCFA's investment policy. In addition, this table does not include other investment types that are allowable under the California Government Code but are not specifically authorized by OCFA's investment policy.

Investment Types	Maximum Maturity	Maximum % of Portfolio in Investment Type	Maximum % of Portfolio in Single Issuer
U.S. Treasury obligations	5 years	100%	100%
Federal agency securities	5 years	75%(1)	75%(1)
Bankers' acceptances	180 days	25%(1)	25%(1)
Commercial paper	270 days	15%(1)	15%(1)
Negotiable certificates of deposit	5 years	25%(1)	25%(1)
Repurchase agreements	14 days(1)	15%(1)	15%(1)
Money market mutual funds	n/a	15%(1,2)	15%(1,2)
Local Agency Investment Fund	n/a	75%(1)	75%(1)

(1) Based on OCFA investment policy requirement, which is more restrictive than state law
(2) No limit on automatic overnight sweep

(d) Investments Authorized by Debt Agreements

Proceeds of bonds or other indebtedness and any moneys set aside and pledged to secure payment of bonds may be invested in accordance with the resolution, indenture, or statutory provisions governing the issuance of the indebtedness. OCFA did not have any investments held by fiscal agent during Fiscal Year 2015/16.

(e) Investments in State Investment Pool

OCFA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

(f) GASB Statement No. 72

OCFA adopted GASB Statement No. 72, *Fair Value Measurement and Application*, as of July 1, 2015. GASB Statement No. 72 establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. OCFA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. OCFA has the following fair value measurements for its investments as of June 30, 2016:

	Fair Value Hierarchy Level			
	Level 1	Level 2	Level 3	Fair Value
Federal agency securities	$ -	$108,052,480	$ -	$108,052,480
Money market mutual funds	-	6,560,578	-	6,560,578
LAIF	-	64,148,066	-	64,148,066
Total	$ -	$178,761,124	$ -	$178,761,124

All of OCFA's investments are valued using Level 2 inputs. Federal agency securities are valued using institutional bond quotes. Money market investments that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools, and investments held by 2a7-like external investment pools, are measured at amortized cost as provided in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The fair value of LAIF is measured using a Net Asset Value (NAV) calculation determined by the pool.

(g) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the California Government Code, OCFA's investment policy, or debt agreements, as well as the actual rating as of year-end for each investment type.

		Rating at Year-End		
	Minimum Rating Required	Aaa/ AA+/ AAA	Unrated	Fair Value
Federal agency securities	N/A	$108,052,480	$ -	$108,052,480
Money market mutual funds	Aaa/AAA	-	6,560,578	6,560,578
LAIF	N/A	-	64,148,066	64,148,066
Total		$108,052,480	$70,708,644	$178,761,124

(h) Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. OCFA's investment policy requires that collateral be held by an independent third party with whom OCFA has a current custodial agreement. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. OCFA's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of OCFA's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. As of June 30, 2016, none of the OCFA's deposits or investments was exposed to disclosable custodial credit risk.

(i) Concentration of Credit Risk

OCFA's investment policy imposes restrictions for certain types of investments with any one issuer to 15% of the total investment pool with the following exceptions: U.S. Treasury obligations (100%), LAIF (75%), federal agency securities (75%), bankers' acceptances (25%), and negotiable certificates of deposit (25%). With respect to concentration risk as of June 30, 2016, the OCFA is in compliance with the investment policy's restrictions. In addition, GASB Statement No. 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value (exclusive of amounts held by fiscal agent). Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement. Investments with issuers exceeding 5% of the total investment portfolio at June 30, 2016, are summarized below.

Issuer	Fair Value	% of Portfolio
Federal Home Loan Bank (FHLB)	$52,988,280	29.6%
Freddie Mac	28,056,700	15.7%
Federal Farm Credit Bank (FFCB)	27,007,500	15.1%

(j) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. OCFA's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. OCFA's investment policy states that at least 50% of the portfolio must mature in one year or less, and unless matched to a specific requirement and approved by the Executive Committee and the Board of Directors, no portion of the portfolio may exceed five years. OCFA has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2016, the OCFA had the following investments and maturities:

	Investment Maturities in Months			
	6 or Less	7 to 12	13 to 60	Fair Value
Federal agency securities	$ 55,978,650	$ -	$52,073,830	$108,052,480
Money market mutual funds	6,560,578	-	-	6,560,578
LAIF	64,148,066	-	-	64,148,066
Total	$126,687,294	$ -	$52,073,830	$178,761,124

As of June 30, 2016, OCFA's investments included the following callable investments, which are considered to be exposed to interest rate risk:

Issuer	Call Date(s)	Yield to Call	Maturity Date	Fair Value
Freddie Mac	8/28/2016	0.827%	11/28/2017	$10,008,100
Federal Farm Credit Bank (FFCB)	Anytime	0.559%	10/15/2018	10,000,200
Federal Farm Credit Bank (FFCB)	9/6/2016	0.816%	9/6/2018	8,007,120
Federal Home Loan Bank (FHLB)	8/10/2016	0.662%	8/10/2018	6,003,780

(5) Accounts Receivable

Accounts receivable, net of an allowance for doubtful accounts, consists of the following as of June 30, 2016:

	Governmental Funds			Component Unit
	General Fund	Fire Apparatus	Total	OCFA Foundation
Fire prevention/late fees	$ 644,252	$ -	$ 644,252	$ -
Ambulance/other reimbursements	1,959,330	-	1,959,330	-
Due from developers	-	124,200	124,200	-
Other/miscellaneous	33,204	-	33,204	90
Accounts receivable	2,636,786	124,200	2,760,986	90
Allowance for doubtful accounts	(194,216)	-	(194,216)	-
Accounts receivable, net	$2,442,570	$124,200	$2,566,770	$90

(6) Due from Other Governments

Amounts due from other governments, net of an allowance for doubtful accounts, consist of the following as of June 30, 2016:

	Governmental Funds	Primary Government
	General Fund	Governmental Activities
Fire protection and other services:		
Cash contract cities – leave balances and other contract costs	$ 182,553	$ 1,804,269
State responsibility area	1,465,902	1,465,902
Airport rescue firefighting	745,391	745,391
Other services	136,489	136,489
Subtotal	2,530,335	4,152,051
Assistance by hire/activation	4,096,172	4,096,172
Grants	392,284	392,284
Property tax/tax increment	3,054,319	3,054,319
Other/miscellaneous	100,000	100,000
Due from other governments	10,173,110	11,794,826
Allowance for doubtful accounts	(122,855)	(122,855)
Due from other governments, net	$10,050,255	$11,671,971

(7) Due to Other Governments

As of June 30, 2016, due to other governments totaling $123,047, as reported in both the governmental activities and the governmental funds (General Fund), consists of amounts payable to the County of Orange in conjunction with bankruptcy proceeds.

(8) Unearned and Unavailable Revenue

Unavailable revenue in the governmental funds consists of amounts that are considered *unavailable* to finance the expenditures of the current fiscal period. Only the amounts that are *unearned* are reported as liabilities of governmental activities. Unearned revenues consist of the following as of June 30, 2016:

	Governmental Funds	Primary Government	Component Unit
	General Fund	Governmental Activities	OCFA Foundation
Unearned revenue:			
Helicopter hangar rental deposits	$16,612	$16,612	$ -
Helicopter hangar rent – July 2016	10,699	10,699	-
Cell tower rent – July 2016	3,605	3,605	-
Miscellaneous cash advances	2,200	2,200	6,000
Total	$33,116	$33,116	$6,000

(9) Fund Balance of Governmental Funds – Nonspendable

Prepaid costs are reported as an asset until the expenditures are recognized proportionately over the future period in which the services are to be provided. An amount equal to the asset is reported as nonspendable fund balance in the governmental funds, since these amounts are not in a spendable form.

Nonspendable fund balance consists of the following as of June 30, 2016:

	General Fund
Retirement contributions:	
Fiscal Year 2016/17	$35,000,000
Fiscal Year 2015/16	1,136,149
Maintenance and support	513,268
Warranties	25,540
Subscriptions and memberships	39,840
Other	65,048
Total	$36,779,845

In January 2015, OCFA prepaid a portion of its Fiscal Year 2015/16 retirement contributions to the Orange County Employees Retirement System (OCERS) totaling $29,539,884. In October 2015 and January 2016, OCFA prepaid a portion of its Fiscal Year 2016/17 retirement contributions to OCERS totaling a combined $35,000,000. The prepayments produced savings of over $1.7 million in Fiscal Year 2015/16, and are expected to produce savings of over $2.0 million in Fiscal Year 2016/17. Due to the timing of the pay period calendar, the unamortized balance of the January 2015 prepayment totaled $1,136,149 as of June 30, 2016. The entire amount of the October 2015 and January 2016 prepayments was unamortized as of June 30, 2016. Other prepaid items as of June 30, 2016, included various equipment warranties on mobile data computers, laptops, computers, pagers, tablets, and monitors; and other amounts such as annual maintenance and support fees, subscriptions, and professional memberships.

(10) Fund Balance of Governmental Funds – Restricted

Restricted fund balance in the General Fund includes grant-funded or other restricted, unexpended encumbrances outstanding at year-end, as well as donations received for specific programs. Restricted fund balance in the Fire Stations and Facilities Fund includes CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations. Restricted fund balance consists of the following as of June 30, 2016:

	General Fund	Fire Stations and Facilities	
	Operations Department	Capital Improvement Program	Total
Purpose of encumbrances:			
Urban Search and Rescue grant program	$ 5,777	$ -	$ 5,777
California Joint Apprenticeship Committee	5,511	-	5,511
	11,288	-	11,288
Donations – disaster preparation academy	2,579	-	2,579
CALFIRE station(s)	-	533,232	533,232
Total	$13,867	$533,232	$547,099

(11) Fund Balance of Governmental Funds – Committed

In July 1999, the Board of Directors authorized that $4,405,086 be set aside to fund OCFA-related service or resource enhancement projects in certain structural fire fund cities. In January 2012, the Board of Directors authorized an additional $622,106 to be set aside for the same purpose. As of June 30, 2016, the remaining unspent amount totaling $584,464 was reported as a fund balance commitment in the General Fund. The funds are committed for projects in the following cities:

City	General Fund
Aliso Viejo	$ 281
Irvine	530,971
Laguna Niguel	53,212
Total	$584,464

(12) Fund Balance of Governmental Funds – Assigned

Assigned fund balance includes the following as of June 30, 2016:

Capital Improvement Program	$ 53,746,805
Workers' compensation	73,720,054
Assigned, unexpended encumbrances	7,235,814
Total	$134,702,673

The Board of Directors has established a *Fund Balance Assignment Policy* authorizing the assignment of fund balance to the Capital Improvement Program and self-insured workers' compensation claims.

- The assignment to the Capital Improvement Program reflects cumulative amounts transferred from the General Fund to the capital projects funds, net of actual cumulative project expenditures and other revenue sources accounted for in those funds. The assignment may also include net resources accumulated within the General Fund itself in order to fund purchases and projects that are capital in nature but do not necessarily meet the criteria to be reported in one of OCFA's capital projects funds. The assignment may not exceed the net cost of future identifiable projects.

Fund balance assigned for the Capital Improvement Program totaled $53,746,805 as of June 30, 2016, and is reported in the General Fund ($4,668,314), Communications and Information Systems Fund ($18,977,557), Fire Apparatus Fund ($14,788,654) and Fire Stations and Facilities Fund ($15,312,280).

- The assignment to workers' compensation reflects the cumulative difference between actual workers' compensation expenditures incurred and budgeted costs, which are based on an annual actuarial valuation prepared by an external actuary and a confidence level set by the Board of Directors. The assignment for workers' compensation is reported in the General Fund and totaled $73,720,054 as of June 30, 2016.

Assigned fund balance pertaining to unexpended encumbrances outstanding as of June 30, 2016, totaled $7,235,814 and is summarized below for each governmental fund:

	Communications and Information Systems	Fire Apparatus	Fire Stations and Facilities
Purpose of Encumbrance	Communications and IT Projects	Fire Apparatus and Other Vehicles	Construction Projects
100' tractor drawn aerials	$ -	$5,227,858	$ -
Paramedic squads and Type 6 brush patrols	-	1,203,215	-
Pickup trucks	-	232,534	-
RFOTC audio visual upgrade design	24,715	-	-
Structural design and documents for Urban Search and Rescue warehouse improvements	-	-	13,135
Total	$24,715	$6,663,607	$13,135

	General Fund								
Purpose of Encumbrance	Executive Management	Operations Department	Community Risk Reduction Department	Business Services	Support Services Department	Organizational Planning Department	Facilities Projects	Communications and IT Projects	Total
Wildland clothing	$ -	$ -	$ -	$63,724	$ -	$ -	$ -	$ -	$ 63,724
Electric reach truck	-	-	-	41,056	-	-	-	-	41,056
Honor guard uniforms	25,682	-	-	-	-	-	-	-	25,682
Swift water clothing	-	25,202	-	-	-	-	-	-	25,202
Laptops	-	-	-	-	-	-	-	24,172	24,172
Computers, monitors, and speakers	-	-	-	-	-	-	-	22,680	22,680
Auto data updater license	-	-	-	-	-	21,000	-	-	21,000
Sharepoint support	-	-	-	-	19,350	-	-	-	19,350
E-mail security and support	-	-	-	-	17,200	-	-	-	17,200
Vehicle repairs	-	-	-	-	16,077	-	-	-	16,077
Code books	-	-	15,845	-	-	-	-	-	15,845
Galvanized guardrails	-	-	-	-	-	-	15,585	-	15,585
Other	11,008	26,282	-	57,919	67,116	-	54,402	10,057	226,784
Total	$36,690	$51,484	$15,845	$162,699	$119,743	$21,000	$69,987	$56,909	$534,357

(13) Fund Balance of Governmental Funds – Unassigned

Unassigned fund balance in the General Fund consists of the following as of June 30, 2016:

10% Operating Contingency	$28,778,587
All other residual amounts available for any purpose	7,978,217
Total	$36,756,804

(14) Interfund Transfers

Interfund transfers are used to move revenues from the fund required by statue or budget to collect them to the fund required by statute or budget to expend them. Interfund transfers for the year ended June 30, 2016, are as follows:

Fund	Transfers In	Transfers Out
General Fund	$ -	$78,187
Communications and Information Systems	78,187	-
Total	$78,187	$78,187

Transfers were made from the General Fund to the Communications and Information Systems Fund for current and future capital improvement projects identified in the Capital Improvement Plan.

(15) Capital Assets

(a) Changes in Capital Asset Balances by Asset Class

Capital asset activity of the OCFA Foundation for the year ended June 30, 2016, was as follows:

Component Unit/ OCFA Foundation	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets depreciated/amortized:					
Equipment	$ -	$ 10,000	$ (10,000)	$ -	$ -
Capital assets, net	$ -	$ 10,000	$ (10,000)	$ -	$ -

Capital asset activity of OCFA's governmental activities for the year ended June 30, 2016, was as follows:

Primary Government/ Governmental Activities	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not depreciated/amortized:					
Land	$ 37,887,850	$ -	$ -	$ -	$ 37,887,850
Construction in progress	5,092,288	101,752	-	(5,091,699)	102,341
Work in progress	4,121,289	2,718,052	-	(4,043,637)	2,795,704
Total capital assets not depreciated/amortized	47,101,427	2,819,804	-	(9,135,336)	40,785,895
Capital assets depreciated/amortized:					
Buildings	137,772,434	-	-	5,091,699	142,864,133
Equipment	58,076,611	624,898	(131,555)	1,304,613	59,874,567
Vehicles	71,403,080	606,932	(209,265)	2,739,024	74,539,771
Subtotal	267,252,125	1,231,830	(340,820)	9,135,336	277,278,471
Less accumulated depreciation/amortization:					
Buildings	(37,322,693)	(3,166,163)	-	-	(40,488,856)
Equipment	(33,700,818)	(2,636,367)	122,185	-	(36,215,000)
Vehicles	(44,083,199)	(3,465,452)	209,265	-	(47,339,386)
Subtotal	(115,106,710)	(9,267,982)	331,450	-	(124,043,242)
Total capital assets depreciated/amortized, net	152,145,415	(8,036,152)	(9,370)	9,135,336	153,235,229
Capital assets, net	$199,246,842	$(5,216,348)	$ (9,370)	$ -	$194,021,124

(b) Net Investment in Capital Assets

The portion of the governmental activities net position that is invested in capital assets, net of related debt, is calculated as follows:

Capital assets, net of accumulated depreciation/amortization	$194,021,124
Capital-related debt – 2011 aircraft lease refinance	(6,110,447)
Net investment in capital assets	$187,910,677

(c) Capital Assets Acquired Under Capital Lease

The above amounts include assets acquired by capital lease, classified as follows by major asset class:

Equipment	$22,074,284
Vehicles	15,605,764
Total capital assets acquired under capital lease	$37,680,048

(d) Depreciation/Amortization Expense

Depreciation/amortization expense of $9,267,982 was charged to public safety in the Statement of Activities.

(16) Long-term Liabilities

(a) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016, is summarized in the table below.

Governmental Activities	Beginning Balances	Additions	Deletions	Ending Balances	Due Within One Year
Net pension liability:					
OCERS pension plan	$466,968,323	$133,428,399	$ (82,726,916)	$517,669,806	$ -
Extra Help pension plan	240,358	-	(76,667)	163,691	-
	467,208,681	133,428,399	(82,803,583)	517,833,497	-
Capital lease purchase agreement:					
Aircraft Lease Refinance-2011	8,446,726	-	(2,336,279)	6,110,447	2,379,140
Accrued claims and judgments:					
Workers' compensation	62,372,690	6,716,066	(7,892,111)	61,196,645	7,743,304
Compensated absences	16,296,101	12,938,324	(12,215,217)	17,019,208	3,254,937
Net OPEB obligation	57,553,126	13,550,385	(4,460,115)	66,643,396	-
Total	$611,877,324	$166,633,174	$(109,707,305)	$668,803,193	$13,377,381

The capital lease purchase agreement is liquidated by the Fire Apparatus Fund. The extra help pension plan is liquidated by the Extra Help Retirement Fund. All other long-term liabilities are normally liquidated by the General Fund.

(b) Pension Plans

OCFA participates in two defined benefit pension plans that are administered through a trust or equivalent arrangement. Additional information is provided for these plans within these notes as Note 21 and Note 22. Following is a summary of plan activities as of and for the year ended June 30, 2016:

Description	OCERS Pension Plan	Extra Help Pension Plan	Total
Net pension liability	$517,669,806	$163,691	$517,833,497
Deferred outflows of resources related to pensions	139,005,504	35,040	139,040,544
Deferred inflows of resources related to pensions	(35,819,433)	(92,134)	(35,911,567)
Pension expenditures associated with net pension liabilities (as reported in the fund financial statements)	82,726,916	10,642	82,737,558
Pension expense associated with net pension liabilities (as reported in the government-wide financial statements)	94,784,899	(15,017)	94,769,882

(c) Capital Lease Purchase Agreement – Aircraft Lease Refinance (2011)

On December 22, 2008, OCFA entered into a Master Aircraft Lease Agreement (Agreement) with SunTrust Equipment Finance & Leasing Corp. (SunTrust). Under the terms of the Agreement, $21,515,238 was deposited into an escrow account with SunTrust Bank, Inc. (SunTrust Bank) to be used by OCFA for the acquisition of certain aircraft equipment. OCFA purchased two helicopters and related equipment for a total amount of $21,538,675, using the original proceeds of the lease and $23,437 of accrued interest. The helicopters and related equipment have been capitalized as equipment in the government-wide financial statements. Title to the equipment vests with OCFA during the term of the Agreement; accordingly, the lease has been recorded as a capital lease liability of OCFA.

On November 16, 2011, the terms of the Agreement were amended to reflect a reduction in the annual interest rate from 3.7609% to 2.58%. A 1.75% prepayment premium totaling $286,599, plus accrued interest for the period September 22, 2011, through November 16, 2011, totaling $92,386, were added to the outstanding principal balance to be repaid over the remaining life of the lease. Rental payments are payable quarterly commencing March 22, 2009, and terminating on December 22, 2018. During the year ended June 30, 2016, OCFA made principal and interest payments totaling $2,336,279 and $195,444, respectively.

The outstanding balance of the capital lease liability was $6,110,447 as of June 30, 2016. Future annual lease payment requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2017	$2,397,140	$134,583	$2,531,723
2018	2,459,589	72,134	2,531,723
2019	1,253,718	12,144	1,265,862
Total	$6,110,447	$218,861	$6,329,308

(d) Compensated Absences

OCFA is obligated to its employees for the following accumulated earned but unused leave benefits as of June 30, 2016:

	Vacation	Comp/Other	Sick Leave	Santa Ana General Leave	Total
Safety Members	$ 9,970,950	$169,704	$1,511,630	$1,597,640	$13,249,924
General Members	1,883,853	367,893	1,493,462	24,076	3,769,284
Total	$11,854,803	$537,597	$3,005,092	$1,621,716	$17,019,208

Sick leave includes only those amounts that OCFA is obligated to reimburse employees at the end of their active service life. On March 5, 2012, OCFA and the City of Santa Ana entered into an agreement to establish a general leave bank for transitioning personnel from the Santa Ana Fire Management Association and the Santa Ana Fire Benevolent Association with more than ten years of service. Under the terms of the agreement, transitioning employees are required to exhaust their respective OCFA accrued leave banks before utilizing general leave transferred from the city. OCFA will pay amounts due to transitioning employees who use time from the general leave bank, and the City of Santa Ana will then reimburse those amounts to OCFA. General leave is not eligible to be cashed out by employees in lieu of using the time, and is available for use through April 13, 2017. Any amounts remaining at that time will no longer be available for use by transitioning employees. The portion of OCFA's compensated absences long-term liability that is reimbursable by the City of Santa Ana is offset by a long-term receivable of an equal amount on the Statement of Net Position.

(17) Commitments and Contingencies

(a) Outstanding Encumbrances / Commitments with Vendors

As of June 30, 2016, commitments for outstanding encumbrances (unperformed purchase orders and contracts for goods and services) by major governmental fund are as follows:

General Fund	$ 545,645
Communications and Information Systems	24,715
Fire Apparatus	6,663,607
Fire Stations and Facilities	13,135
Total outstanding encumbrances	$7,247,102

Significant individual commitments with vendors as of June 30, 2016, are identified below.

Fund / Vendor	Description	Original Commitment	Spent-to-Date	Remaining Commitment
General Fund:				
Linegear Fire & Rescue	Wildland clothing	$ 63,724	$ -	$ 63,724
Southwest Material Handling, Inc.	Electric reach truck	41,056	-	41,056
Keystone Uniforms	Honor guard uniforms	25,682	-	25,682
The Rescue Source	Swift water clothing	21,573	-	21,573
Deccan, Inc.	Auto data updater license	21,000	-	21,000
Communications and Information Systems:				
TK1SC, Inc.	RFOTC audio visual upgrade design	79,750	55,035	24,715
Fire Stations and Facilities:				
KME Fire Apparatus	(4) 100' tractor drawn aerials	5,227,858	-	5,227,858
Boise Mobile Equipment	(5) paramedic squads; (1) type 6 brush patrol	1,203,215	-	1,203,215
Lake Chevrolet	(6) Chevy Colorado pickup trucks	179,333	-	179,333
DDL Traffic, Inc.	Right-of-way preemption equipment for Chevy Colorado pickup trucks	34,642	-	34,642
Lewis/Schoeplein Architects	Structural design and documents for Urban Search and Rescue warehouse improvements	60,280	47,145	13,135

(b) Pending Litigation

OCFA is currently in the discovery phase of an employee discrimination case. OCFA's legal counsel believes that it is unlikely OCFA will obtain a favorable outcome in this case, based on the results of two related internal investigations and resulting employee discipline. However, the degree of likelihood and amount of any potential legal liability could not be determined at this time. Because the plaintiff is still fully-employed by OCFA, any damages awarded would most likely be based on emotional distress claims.

(18) Lessor in Operating Lease Agreements

(a) Aircraft Hangar Leases

OCFA has entered into Aircraft Hangar Lease agreements to provide spaces to tenants in the western portion of the OCFA-owned aircraft hangar at Fullerton Municipal Airport. The original cost of the aircraft hangar's western was $2,201,950, and the net book value was $2,055,154 as of June 30, 2016. Fiscal Year 2015/16 depreciation expense totaled $48,932. The terms of the agreements are as follows:

Lessee/Tenant	Agreement Date	Term	Initial Monthly Rent	Automatic Annual Rent Increase
Ladera Aircraft, LLC	October 30, 2013	Five Years	$4,924	2.5%
Lidar America, LLC	June 1, 2015	Five Years	$5,391	2.5%
Hangar 21 Helicopters	January 1, 2016; Amended June 1, 2016	Three Years	$5,750	0.0%

Rental revenue totaled $152,117 for Fiscal Year 2015/16. Future potential rental revenue under the terms of the leases is as follows:

Fiscal Year	Ladera Aircraft, LLC	Lidar America, LLC	Hangar 21 Helicopters	Total
2016/17	$ 63,108	$ 66,450	$ 69,000	$198,558
2017/18	64,688	68,110	69,000	201,798
2018/19	21,740	69,817	63,250	154,807
2019/20	-	65,461	-	65,461
2020/21	-	-	-	-
Total	$149,536	$269,838	$201,250	$620,624

(b) Wireless Communications Facilities Site Lease

On March 24, 2011, OCFA entered into a Wireless Communications Facilities Site Lease with Vista Towers, LLC (Vista), to provide space at the OCFA-owned Regional Fire Operations and Training Center to install and operate a digital mobile radio communications site consisting of up to two wireless communication towers, equipment shelters, and cabinets, for up to six cell phone carriers. In July 2015, the Board of Directors approved Vista's request to assign its interest in the lease to SBA Towers VI, LLC (SBA). SBA has assumed the payment terms of the original agreement, and is responsible for the installation, construction, maintenance, repairs, replacement, and operations of the towers and, if applicable, the removal of the towers upon termination of the lease.

The lease term commenced on the earlier of the pulling of all permits necessary for construction, or September 24, 2012, and continues for five years from that date. The lease may be renewed for up to four consecutive five-year increments, for a total of twenty-five years. Rent is due the first of each month and is determined based on the number of carriers being occupied by each of the towers. SBA pays $1,250 for each month in which there is one or no carrier on one of the towers, and $1,000 per month for each additional carrier occupied on each tower beyond the first carrier. Base rent automatically increases by 3% annually.

OCFA began collecting base rent in July 2012, with rent for a second and third carrier commencing in June and October 2013, respectively. Rental revenue totaled $40,955 for Fiscal Year 2015/16. Future potential rental revenue, assuming rent for the three additional carriers may commence January 1, 2017, is as follows:

Fiscal Year(s)	Carriers 1-3	Carriers 4-6	Total
2016/17	$ 43,458	$ 19,674	$ 63,132
2017/18	44,765	40,485	85,250
2018/19	46,108	41,709	87,817
2019/20	47,497	42,966	90,463
2020/21	48,924	44,262	93,186
2021/22 - 2025/26	267,480	242,022	509,502
2026/27 - 2030/31	310,051	280,566	590,617
2031/32 - 2035/36	359,514	325,296	684,810
2036/37 - 2040/41	81,793	74,013	155,806
Total	$1,249,590	$1,110,993	$2,360,583

(19) Lessee in Operating Lease Agreements

OCFA is obligated under operating lease agreements for the rental of various fire stations, including a land lease at Fullerton Municipal Airport:

- Twenty-six city-owned stations are leased for $1 per year through June 30, 2030. In addition, OCFA leases land from three cities for three OCFA-owned stations. The station land leases are for $1 per year and extend through June 30, 2030 (Station 6); November 26, 2057 (Station 17); and April 30, 2045 (Station 36).

- On June 14, 2010**,** OCFA entered into a land lease agreement with the City of Fullerton for a new space at Fullerton Municipal Airport. Monthly lease payments of $2,886 for the eastern half of the building commenced January 2011. An additional monthly lease payment of $2,070 for the western half of the building commenced July 2013. Total monthly rent will increase annually by an amount equal to the change in the consumer price index, from a minimum of 3% to a maximum of 5%. The term of the agreement extends forty years through July 2050, with a fifteen year extension option through July 2065.

- On August 25, 2011, the OCFA Executive Committee approved the execution of a Lease Agreement with FW Aviation, LLC for a training tower at Fire Station No. 41 Air Operations and Maintenance Facility at Fullerton Airport, which includes a helicopter training prop, an additional restroom, and approximately 600 square feet of classroom/storage area. The lease term is for ten years commencing September 2011, with an optional ten-year extension. Initial monthly rent of $1,575 will increase by $18 each year.

Future minimum lease payments for the OCFA's operating lease obligations are as follows:

Fiscal Year(s)	City-Owned Stations/ Land Leases	Airport Land Lease	Airport Training Tower	Total
2016/17	$ 29	$ 71,016	$ 19,944	$ 90,989
2017/18	29	73,140	20,160	93,329
2018/19	29	75,324	20,376	95,729
2019/20	29	77,592	20,592	98,213
2020/21	29	79,920	20,808	100,757
2021/22 - 2025/26	145	436,992	3,474	440,611
2026/27 - 2030/31	118	506,652	-	506,770
2031/32 - 2035/36	10	587,376	-	587,386
2036/37 - 2040/41	10	680,928	-	680,938
2041/42 - 2045/46	9	789,348	-	789,357
2046/47 - 2050/51	5	818,100	-	818,105
2051/52 - 2055/56	5	-	-	5
2056/57 - 2060/61	1	-	-	1
Total	$448	$4,196,388	$105,354	$4,302,190

(20) Insurance

(a) Coverage Limits

OCFA has purchased commercial insurance coverage for general, auto, property, volunteer accident, aviation, and pollution liabilities; public official and auto verifier bonds; and excess coverage for the self-insured workers compensation. Coverage limits include the following:

Type of Coverage	Limit	Deductible
General and Auto Liability:		
Each Occurrence or Wrongful Act	$1,000,000	
General Annual Aggregate	$2,000,000	
Management Liability	$1,000,000	$5,000
Cyber Liability	$1,000,000	
Auto Liability	$1,000,000 combined single limit	$1,000 - $3,000
Garage Keepers Legal Liability	$250,000	$250 - $500
Umbrella Liability	$10,000,000	
Property Liability:		
Buildings and Contents	Scheduled replacement cost	$5,000
Crime/Employee Dishonesty	$1,000,000	$5,000
Volunteer Accident:		
Accidental Death and Dismemberment	$25,000 each occurrence; $250,000 aggregate per accident	
Accident Medical Expense	$100,000 per occurrence	
Dental	$250 per tooth	
Aircraft Hull and Liability	$50,000,000 per occurrence	$15,000 - $50,000
Pollution Liability	$1,000,000 per condition	$25,000
Public Official Bonds	$1,000,000 each	
Auto Verifier Bonds	$5,000 each	
Excess Workers Compensation	Statutory limits	

At June 30, 2016, OCFA had no outstanding claims which exceed insurance coverage. There have been no significant changes in insurance coverage as compared to last year, and settlements have not exceeded coverage in each of the past three fiscal years.

(b) Self-Insurance

OCFA transitioned its program for workers' compensation insurance from Guaranteed Cost to Self-Insurance effective March 1, 2002. OCFA's self-insurance program covers workers' compensation claims up to $50,000,000, subject to a $2,000,000 self-insured retention (SIR) per incident. Workers' compensation claims in excess of the self-insured level are insured by the California State Association of Counties Excess Insurance Authority (CSAC-EIA) at statutory limits. OCFA utilizes the services of a third-party claims administrator for administration of workers' compensation claims.

As of June 30, 2016, accrued claims and judgments for workers' compensation totaled $61,196,645 and were recorded as a long-term liability in the government-wide financial statements. This liability reflects the present value of estimated outstanding losses at the 50% confidence level, as determined by an actuarial valuation dated December 31, 2015, and includes claims that have been incurred but not yet reported (IBNR's). A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, a 50% confidence level means that the actuary believes funding will be sufficient in five years out of ten. On May 27, 2010, the Board of Directors authorized to change the OCFA's confidence level from 80% to 50%.

Following is a summary of changes in workers' compensation claims payable for the years ended June 30, 2016 and 2015, including the current and long-term portions at year-end.

	Fiscal Year Ended	
	June 30, 2016	June 30, 2015
Unpaid claims at beginning of fiscal year	$62,372,690	$56,789,859
Incurred claims (including IBNR's)	6,716,066	12,026,082
Claim payments	(7,892,111)	(6,443,251)
Unpaid claims at end of fiscal year	$61,196,645	$62,372,690
Current portion	$ 7,743,304	$ 7,076,667
Long-term portion	53,453,341	55,296,023
Unpaid claims at end of fiscal year	$61,196,645	$62,372,690
Confidence level at end of fiscal year	50%	50%

Because of the long-term nature of this liability, it is excluded from the OCFA's governmental fund financial statements under the modified accrual basis of accounting. However, OCFA has established a fund balance assignment for workers' compensation in the General Fund in the amount of $73,720,054. This assignment reflects the cumulative difference for multiple years between actual expenditures and budgeted costs, which are based on the annual actuarial valuation. Actual expenditures for workers' compensation cases often occur over multiple years, attributing to the cumulative difference between budgeted costs and expenditures.

(21) Retirement Plan for Full-Time Employees

(a) General Information about the Plan

Plan Description and Administration

OCFA participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer, defined benefit pension plan for the County of Orange, the City of San Juan Capistrano, and thirteen other agencies – Orange County Cemetery District; Orange County Children and Families Commission; Orange County Department of Education; Orange County Employees Retirement System; Orange County Fire Authority (OCFA); Orange County In-Home Supportive Services Public Authority; Orange County Local Agency Formation Commission;

Orange County Public Law Library; Orange County Sanitation District; Superior Court of California; Orange County Transportation Authority; Transportation Corridor Agencies; and the University of California, Irvine Medical Center and Campus. The Orange County Department of Education and the University of California, Irvine Medical Center and Campus are closed to new member participation and only the latter has remaining active employees. Capistrano Beach, Cypress Recreation & Parks District, Orange County Vector Control District, and the City of Rancho Santa Margarita are no longer active plan sponsors, but retired members and their beneficiaries, as well as deferred members, remain in the OCERS system. OCERS is legally and fiscally independent of the County of Orange.

OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937. OCERS is governed by a ten-member Board of Retirement, including nine voting members and one alternate member. Board membership consists of four members appointed by the County of Orange Board of Supervisors and five members elected by the members of the pension system – two by the general members, two by the safety members (one voting and one alternate), and one by the retired members. The County of Orange Treasurer-Tax Collector, who is elected by the voters registered in the county, serves as an ex-officio member.

OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by OCERS. The report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

Benefits Provided

OCERS provides retirement, disability, and death benefits to general and safety members. Safety membership includes those members serving in active law enforcement, fire suppression, and as probation officers. General membership applies to all other occupations. Plan retirement benefits are tiered based upon date of OCERS membership. Tier I members were hired prior to September 21, 1979, and use their highest one-year average salary to determine their retirement allowance. Tier II members were hired after September 21, 1979, and use their highest three-year average salary to determine their retirement allowance. Member rate groups are determined by employer, bargaining unit, and benefit plan. The benefit plan represents the benefit formula and tier that will be used in calculating a retirement benefit. All regular employees scheduled to work twenty hours or more per week become members of the plan upon commencing employment with one of OCERS' plan sponsors, with the exception of a provision adopted in 2014 that allows new members over the age of 65 to opt out of the plan. Active members are vested in OCERS upon accumulating five years of accredited service or attaining the age of 70.

On September 12, 2012, California Governor Brown signed Assembly Bill 340, which created the California Public Employees' Pension Reform Act of 2012 (PEPRA) and amended sections of the 1937 Act under which OCERS operates. The law created a benefit tier for new employees entering public agency employment and public retirement system membership, effective January 1, 2013. One of the many changes brought about by PEPRA involved new retirement formulas for newly hired employees who do not establish reciprocity with OCERS. Another change brought about by PEPRA requires employees who do not establish reciprocity to pay 50% of the normal retirement costs from the beginning of their employment.

In general, the retirement benefits received by members are determined by plan formula, age at retirement, years of service, and final average salary. Members are entitled to receive a retirement allowance upon reaching the following years of service and age criteria:

Years of Service Credit	Eligible Age
10 or more	Age 50
5 or more (PEPRA Members)	Age 52
30 or more (General Members)	Any age
20 or more (Safety Members)	Any age
5 or more, and at least 10 years of active employment with a sponsoring agency covered by OCERS (Part-time Members)	Age 55
Any	Age 70

The provisions and benefits provided by OCFA to its safety and general members as of June 30, 2016, are summarized below:

Benefits Provided to Safety Members					
			Representation / Bargaining Unit / Employee Hire Date		
			Orange County Professional Firefighters Association	Orange County Fire Authority Chief Officers Association	Unrepresented
Plan	Tier	Benefit Formula	Firefighter Unit	Fire Management Unit	Executive Management in Safety Positions
E	I	3.0% at 50	Prior to 7/1/2012	Prior to 7/1/2012	Prior to 7/1/2011
F	II	3.0% at 50	Prior to 7/1/2012	Prior to 7/1/2012	Prior to 7/1/2011
R	II	3.0% at 55	On or After 7/1/2012 (with reciprocity)	On or After 7/1/2012 (with reciprocity)	On or After 7/1/2011 (with reciprocity)
V	II	2.7% at 57 (PEPRA)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)

Benefits Provided to General Members					
			Representation / Bargaining Unit / Employee Hire Date		
			Orange County Employees Association	Orange County Fire Authority Management Association	Unrepresented
Plan	Tier	Benefit Formula	General and Supervisory Management	Administrative Management	Executive Management in General Positions
I	I	2.7% at 55	Prior to 7/1/2011	Prior to 12/1/2012	Prior to 12/1/2012
J	II	2.7% at 55	Prior to 7/1/2011	Prior to 12/1/2012	Prior to 12/1/2012
N	II	2.0% at 55	On or After 7/1/2011 (with reciprocity)	On or After 12/1/2012 (with reciprocity)	On or After 12/1/2012 (with reciprocity)
U	II	2.5% at 67 (PEPRA)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)

Contributions

Each year, an actuarial valuation is performed for OCERS to determine funding contributions for each agency member within their assigned rate group and plan on an actuarial basis. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability (UAAL). The table below summarizes OCFA's required employer contribution rates and employee rates (paid by OCFA) for the year ended June 30, 2016:

				Employer Contribution Rates			Employee
Category	Plan	Tier	Benefit Formula	Normal Cost	UAAL	Total	Contribution Rates (See Below)
Safety	E	I	3.0% at 50	25.86%	24.14%	50.00%	9.70% - 13.74%
Safety	F	II	3.0% at 50	25.86%	24.14%	50.00%	13.32% - 19.75%
Safety	R	II	3.0% at 55	21.70%	24.14%	45.84%	12.72% - 18.86%
Safety	V	II	2.7% at 57 (PEPRA)	16.85%	24.14%	40.99%	13.22% - 21.71%
General	I	I	2.7% at 55	14.06%	23.34%	37.40%	10.46% - 16.32%
General	J	II	2.7% at 55	14.06%	23.34%	37.40%	9.99% - 16.32%
General	N	II	2.0% at 55	14.15%	23.34%	37.49%	7.59% - 13.32%
General	U	II	2.5% at 67 (PEPRA)	9.71%	23.34%	33.05%	7.73% - 13.10%

Employees in each unit have agreed through their respective Memorandums of Understanding or Personnel and Salary Resolution to pay their full employee share of retirement costs, with those employee payments being phased in over three to four years. The retirement payment is deducted from the employee's compensation earnable and continues throughout the employee's entire term of employment with OCFA.

Employee contribution rates vary depending on the individual employee's hire date and unit, and are summarized below for the year ended June 30, 2016.

Employee Hire Date	Benefit Formula	Employee Contribution Rate
Safety – Firefighter Unit		
Prior to 1/1/2011	3.0% at 50	11.0% as of 11/14/2014*
1/1/2011 - 6/30/2012	3.0% at 50	11.0% as of 11/14/2014
On or After 7/1/2012 (with reciprocity)	3.0% at 55	
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
Safety – Firefighter Management Unit		
Prior to 1/1/2011	3.0% at 50	9.0% as of 2/7/2014**
1/1/2011 - 6/30/2012	3.0% at 50	9.0% as of 1/1/2011
On or After 7/1/2012 (with reciprocity)	3.0% at 55	9.0% as of 7/1/2012
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
Safety – Executive Management		
Prior to 7/1/2011	3.0% at 50	11.0% as of 3/6/2015**
On or After 7/1/2011 (with reciprocity)	3.0% at 55	13.5% as of 3/4/2016**
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost

General – General and Supervisory Management		
Prior to 7/1/2011	2.7% at 55	9.0% as of 7/1/2014 11.0% as of 3/7/2015** 13.5% as of 3/6/2016**
On or After 7/1/2011 (with reciprocity)	2.0% at 55	
On or After 1/1/2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost
General – Administrative Management		
Prior to 12/1/2012	2.7% at 55	9.0% as of 2/6/2015 12.25% as of 7/10/2015** 14.25% as of 1/8/2016**
On or After 12/1/2012 (with reciprocity)	2.0% at 55	9.0% as of 12/1/2012 12.25% as of 7/10/2015** 14.25% as of 1/8/2016**
On or After 1/1/2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost
General – Executive Management		
Prior to 12/1/2012	2.7% at 55	11.0% as of 3/6/2015** 13.5% as of 3/4/2016**
On or After 12/1/2012 (with reciprocity)	2.0% at 55	
On or After 1/1//2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost

* *Consists of a 9.0% employee payroll deduction and a 2.0% Healthcare Converted Retirement Contribution credit for savings obtained as a result of modifications to the OCPFA Health Plan Agreement.*

*** Capped at maximum employee contribution*

For the year ended June 30, 2016, employer and employee contributions remitted to OCERS were as follows:

	Employer Contributions	Employee Contributions	Total Contributions
Contributions paid by OCFA	$78,708,605	$ 4,018,311	$82,726,916
Contributions paid by employees	-	12,867,971	12,867,971
Contributions remitted to OCERS	$78,708,605	$16,886,282	$95,594,887

(b) Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

OCFA's net pension liability with OCERS is measured as the proportionate share of the net pension liability. The net pension liability of each member agency is measured as of December 31, 2015, and the total pension liability for each member agency used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, rolled forward to December 31, 2015, using standard update procedures. OCFA's proportion of the net pension liability was based on a projection of OCFA's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. OCFA's proportionate share of the total OCERS net pension liability as of June 30, 2015 and 2016 was as follows:

	OCFA's Proportionate Share of the Total OCERS Net Pension Liability					
	At June 30, 2015		Increase (Decrease)		At June 30, 2016	
Member Type	Amount	%	Amount	%	Amount	%
Safety	$404,329,372	8.0%	$45,142,651	(0.1%)	$449,472,023	7.9%
General	62,638,951	1.2%	5,558,832	0.0%	68,197,783	1.2%
Total	$466,968,323	9.2%	$50,701,483	(0.1%)	$517,669,806	9.1%

For the year ended June 30 2016, OCFA recognized pension expense of $94,784,899. At June 30, 2016, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience in the Total Pension Liability	$ -	$ (32,777,639)
Changes in assumptions	24,322,360	(3,041,794)
Net differences between projected and actual earnings on plan investments	83,874,144	-
	108,196,504	(35,819,433)
Employer contributions subsequent to measurement date	30,809,000	-
Total	$139,005,504	$(35,819,433)

Deferred outflows of resources related to contributions subsequent to the measurement date totaling $30,809,000 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will also be recognized as an adjustment to pension expense as follows:

Year Ended June 30	Amount
2017	$20,387,946
2018	20,387,946
2019	20,387,943
2020	14,824,361
2021	(3,389,107)
2022	(222,018)
Total	$72,377,071

(c) Actuarial Assumptions

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

	Safety	**General**
Valuation Date	December 31, 2014	
Measurement Date	December 31, 2015, rolled forward on an actuarial basis	
Actuarial Cost Method	Entry age normal	
Actuarial Assumptions:		
• Discount rate	7.25%	
• Inflation	3.00%	
• Investment rate of return	7.25%, net of pension plan investment expense, including inflation	
• Salary increases	"Across the board" real salary increases of 0.50% per year	
• Mortality:		
o Healthy	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.
o Disabled	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set forward six years for males and set forward three years for females.
o Beneficiaries	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement.	
o Employee Contribution Rates	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years weighted 80% male and 20% female.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 40% male and 60% female.

The mortality tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience by OCERS, as of December 31, 2015.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25% as of December 31, 2015, and December 31, 2014. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both December 31, 2015, and December 31, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation (approved by the OCERS Retirement Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	14.90%	5.92%
Small/Mid Cap U.S. Equity	2.73%	6.49%
Developed International Equity	10.88%	6.90%
Emerging International Equity	6.49%	8.34%
Core Bonds	10.00%	0.73%
Global Bonds	2.00%	0.30%
Emerging Market Debt	3.00%	4.00%
Real Estate	10.00%	4.96%
Diversified Credit (U.S. Credit)	8.00%	4.97%
Diversified Credit (Non-U.S. Credit)	2.00%	6.76%
Hedge Funds	7.00%	4.13%
GTAA	7.00%	4.22%
Real Return	10.00%	5.86%
Private Equity	6.00%	9.60%
Total	100.00%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents OCFA's proportionate share of the net pension liability with OCERS, calculated using the discount rate of 7.25%, as well as what OCFA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Total proportionate share of net pension liability	$749,396,258	$517,669,806	$326,999,958

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OCERS financial report.

(22) Retirement Plan for Part-Time Employees

(a) General Information about the Plan

Plan Description and Administration

OCFA administers the Extra Help Retirement Plan (Plan), a single-employer defined benefit pension plan that provides retirement benefits for its less than half-time and extra help employees. The Plan was established on January 1, 1997, and is accounted for in the Extra Help Retirement Plan fiduciary fund. The Board establishes and amends all Plan provisions, and has the authority to change contribution rates and investment types. A separate, audited pension plan report is not available.

Benefits Provided

The Plan provides retirement benefits in the form of a lifetime annuity. Retirement benefits for Plan members are calculated at the rate of 2% of career earnings during the first thirty years of credited service. Upon retirement, participants are eligible to receive their benefit either as a lump sum payment or as a monthly payment. If employment with OCFA is terminated prior to retirement and the value of the employee's contributions with interest is $3,500 or less, the employee may receive an immediate lump sum distribution in lieu of any future benefits payable under the Plan. If the value of the terminated employee's contributions with interest exceeds $3,500, the employee may elect to receive a lump sum distribution or leave the contributions on deposit until he or she reaches retirement age.

During the year ended June 30, 2016, lump sum distributions totaling $10,642 were made to thirty-three participants. Currently, there are no participants collecting retirement benefits.

Plan Membership

As of June 30, 2016, Plan membership consisted of the following:

	Balance as of June 30, 2016		
Plan Members (or Beneficiaries)	$3,500 or Less	More than $3,500	Total
Inactive; currently receiving benefits	-	-	-
Inactive; entitled to but not yet receiving benefits	43	4	47
Active	17	-	17
Total plan members	60	4	64

Contributions

All eligible half-time and extra help employees hired on or after January 1, 1997, are required to contribute a percentage of compensation corresponding to an age-based table included in the Plan. Age is determined as attained age on every January 1. Employee contributions rates range from 2.5% to 7.5% based on age. After 30 years of credited service, OCFA is responsible for the employee's Plan contributions.

Employee contributions are credited with 5% interest compounded semi-annually. Any interest earnings credited to the Plan in excess of actual investment earnings are reported as employer contributions.

During the year ended June 30, 2016, employee and employer contributions totaled $8,923 and $2,267, respectively.

(b) Investments

Method Used to Value Investments

Investments are reported at fair value.

Investment Policy

Contributions are deposited into the OCFA's Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is functionally equivalent to a non-SEC regulated government mutual fund invested in fixed income debt securities. LAIF is overseen by the Local Agency Investment Advisory Board which consists of five members, in accordance with State statute.

Concentrations

All Plan assets are invested in the Local Agency Investment Fund, which is reported at fair value of the pool shares.

(c) Net Pension Liability

Net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The Plan's net pension liability is measured as of June 30, 2016, using an actuarial valuation as of January 1, 2016, rolled forward to June 30, 2016 using standard update procedures. A summary of components of the Plan's net pension liability as of June 30, 2016, is shown below, followed by principal assumptions and methods used to determine the net pension liability.

Total pension liability	$238,489
Plan fiduciary net position	(74,798)
Net pension liability	$163,691
Plan fiduciary net position as a % of total pension liability	31.4%

Actuarial Assumptions

Actuarial calculations reflect a long-term perspective. Calculations are based on the benefits provided under the terms of the Plan in effect at the time of each valuation and on the pattern of sharing of costs between the OCFA and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	January 1, 2016
Measurement Date	June 30, 2016, rolled forward on an actuarial basis
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
• Discount rate	2.90%, net of pension investment expense, including inflation
• Inflation	2.75%
• Salary increases	3.00%, including merit, seniority, and inflation Annual salary for the current year is assumed to be equal to the average annual salary over the last 3 years.
• Investment rate of return	2.90%
• Mortality	RP-2000 mortality table for combined healthy participants to 2016 for mortality according to Scale BB
Experience study	Given the size of the plan, there was not enough data available to conduct a credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions.
Form of payment	Participants who have 5 years or less of credited service or have a contribution balance less than or equal to $3,500 are assumed to

Form of payment (Continued)	take an immediate lump sum upon termination or retirement. Participants who have worked more than 5 years or have attained age 55 are assumed to commence a modified cash refund annuity starting at age 65.
Retirement	100% retirement at age 65
Termination	Service / Rate 0 years 30% 1-3 years 50% 4 years 25% 5+ years 5%
Plan Assets	The employee contributions are deposited into the Authority's LAIF account. The LAIF account is managed by the State Treasurer's Office and is invested in fixed income securities. Quoted market value was used as the fair value of assets.

Discount Rate

The discount rate used to measure the total pension liability was 2.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(d) Changes in the Net Pension Liability

Changes in the Plan's net pension liability for the year were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
Balance at June 30, 2015	$313,389	$73,031	$240,358
Changes in the year:			
Service cost	8,331	-	8,331
Interest	11,865	-	11,865
Difference between actual and expected experience	(131,777)	-	(131,777)
Changes of assumptions	47,323	-	47,323
Contributions – employer	-	2,267	(2,267)
Contributions – plan members	-	8,923	(8,923)
Net investment income	-	1,219	(1,219)
Benefit payments, including refunds of employee contributions	(10,642)	(10,642)	-
Net changes	(74,900)	1,767	(76,667)
Balance at June 30, 2016	$238,489	$74,798	$163,691

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 2.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.90%) or one percentage point higher (3.90%) than the current rate:

	1% Decrease (1.90%)	Current Discount Rate (2.90%)	1% Increase (3.90%)
Net pension liability	$233,522	$163,691	$112,652

Pension Plan Fiduciary Net Position

As previously mentioned, the Plan does not issue a separate stand-alone financial report. More detailed information on the Plan's fiduciary net position is presented on pages 43 and 44 of this report.

(e) Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30 2016, OCFA recognized pension expense of $(15,017). At June 30, 2016, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience in the Total Pension Liability	$ -	$(92,134)
Changes in assumptions	31,549	-
Net differences between projected and actual earnings on plan investments	1,224	-
	32,773	(92,134)
Employer contributions subsequent to measurement date	2,267	-
Total	$35,040	$(92,134)

Deferred outflows of resources related to contributions subsequent to the measurement date totaling $2,267 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will also be recognized as an adjustment to pension expense as follows:

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Amount
2017	$16,080	$(48,209)	$(32,129)
2018	16,081	(43,925)	(27,844)
2019	306	-	306
2020	306	-	306
Total	$32,773	$(92,134)	$(59,361)

(23) Defined Benefit Retiree Medical Plan – Other Post-Employment Benefits (OPEB)

(a) Plan Description

OCFA provides a post-employment Retiree Medical Plan (Plan), a single-employer defined benefit plan, for its full-time employees hired prior to January 1, 2007. The Plan, which was established on January 1, 1997, and amended on September 28, 2006, provides a monthly grant toward the cost of retirees' health insurance coverage. The Board establishes and amends all Plan provisions through negotiations with labor bargaining units.

The Plan's assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are administered by the Orange County Employees Retirement System (OCERS). Funds are held in a trust account established pursuant to Section 401(h) of the Internal Revenue Code and are held separate from the assets of the OCERS retirement system, except for investment purposes. A publicly available financial report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

Prior to the amendment on September 28, 2006, all Plan activity was accounted for in OCFA's Retiree Medical Fund. Thereafter, plan assets were remitted to OCERS and are no longer reported in the OCFA's financial statements.

All retirees and full-time employees hired prior to January 1, 2007, are eligible to participate in the Plan. Following is a schedule of active Plan participants (excluding any terminated/declined participants) as of June 30 for the current and previous two fiscal years.

As of June 30	Active Employees	Current Retirees and Surviving Spouses	Current Deferred Retirees	Active Plan Participants
2014	697	574	3	1,274
2015	642	624	3	1,269
2016	602	654	3	1,259

(b) Funding Policy

Current, active employees are required to contribute 4% of their pay through payroll deductions to the OCFA. (Prior to September 28, 2006, the required contribution rate was 1% of pay.) OCFA may also periodically remit Plan contributions to the trust administered by OCERS in amounts authorized to be contributed by the Board of Directors.

(c) Benefits

Participating employees who are credited with at least one year of service are eligible to receive Plan benefits upon retirement. A participating employee who terminates employment with the OCFA for reasons other than retirement is eligible to begin receiving Plan benefits at age 55. Participants must be covered under a qualified health plan, Medicare, or a recognized health insurance plan.

The amount of the monthly grant is based on years of credited service and is applied as a credit towards the cost of the retiree's monthly medical insurance premium. For the year ended June 30, 2016, there were 654 eligible retirees and surviving spouses who received monthly benefits aggregating to an annual total of $4,307,015. In addition, there were four deferred retirees who received benefits directly from the OCFA during Fiscal Year 2015/16 totaling $6,790.

(d) Annual OPEB Cost and Net OPEB Obligation/Asset

OCFA's Annual OPEB Cost is equal to the annual required contribution to the Plan, plus an adjustment for the cumulative difference between the Annual OPEB Cost and the OCFA's actual contributions for the year. The cumulative difference is called the Net OPEB Obligation (NOPEBO) (or a Net OPEB Asset if annual required contributions are over-funded). For the year ended June 30, 2016, OCFA's annual OPEB cost was $13,550,385, as determined by an actuarial valuation with a measurement date as of July 1, 2014, and was calculated as follows:

Annual Required Contribution (ARC)	$15,161,649
Interest on the Net OPEB Obligation (NOPEBO)	2,877,656
Actuary's adjustment on the ARC	(4,488,920)
Annual OPEB Cost	$13,550,385

During the year ended June 30, 2016, actual contributions totaled $4,460,115 resulting in an increase to the NOPEBO of $9,090,270 (the difference between the Annual OPEB Cost and actual contributions). The outstanding balance of the NOPEBO as of June 30, 2016, was $66,643,396. Following is a schedule of employer contributions, as well as a calculation of OCFA's Net OPEB Asset (Obligation) for the current and previous two fiscal years.

FYE June 30	Annual OPEB Cost	Actual Contributions	% of Annual OPEB Cost Contributed	Net Increase to Net OPEB Obligation	Cumulative Net OPEB Obligation at June 30
2014	$14,461,381	$4,693,202	32.45%	$9,768,179	$48,085,317
2015	13,704,972	4,237,163	30.92%	9,467,809	57,553,126
2016	13,550,385	4,460,115	32.92%	9,090,270	66,643,396

The Annual OPEB Cost includes an implicit subsidy for safety members under the age of 65. Accordingly, the Actual Contributions also include implicit insurance for the current and previous two fiscal years:

	2016	2015	2014
Amounts irrevocably transferred to OCERS trust:			
Active employees	$2,454,900	$2,601,233	$2,758,828
Retirees and other plan members	939,826	714,338	723,690
Subtotal	3,394,726	3,315,571	3,482,518
Implicit insurance premiums paid on behalf of retirees	1,058,599	916,573	1,205,520
Amounts paid directly to retirees	6,790	5,019	5,164
Total actual contributions	$4,460,115	$4,237,163	$4,693,202

(e) Funded Status and Funding Progress

The following schedule of funding progress shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. A required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

As of July 1	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/c UAAL as a % of Covered Payroll
2010	$21,549,574	$147,709,326	$126,159,752	14.59%	$81,391,495	155.00%
2012	28,910,090	156,623,184	127,713,094	18.46%	75,432,000	169.31%
2014	36,945,371	179,056,290	142,110,919	20.63%	66,021,000	215.25%

(f) Actuarial Methods and Assumptions

Actuarial calculations reflect a long-term perspective. Calculations are based on the benefits provided under the terms of the Plan in effect at the time of each valuation and on the pattern of sharing of costs between the OCFA and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The funded status of the Plan and the annual required contributions are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The annual required contribution for the year ended June 30, 2016, was determined by an actuarial valuation of the Plan dated July 1, 2014. Unfunded liabilities are amortized over a closed period ending June 30, 2036. The principle assumptions and methods used to determine the annual required contribution were as follows:

Valuation date	July 1, 2014
Actuarial cost method	Entry age normal
Amortization method	30 years beginning July 1, 2006, closed, level dollar
Remaining amortization period	22 years as of July 1, 2014
Asset valuation method	Market value
Actuarial assumptions:	
• Asset rate of return	7.25%
• Discount rate	5.0%, blended using a short-term rate of 4.25% for portion of expected benefits not expected to be paid from contributions and return on assets
• Projected salary increases	N/A
• Wage inflation	3.25%
• Medical trend rates	5.00% - 7.75%
• Increase in retiree medical grant	5.0%
Plan membership:	
• Current retirees and surviving spouses	573
• Current active members	697
• Terminated participants entitled but not yet eligible	13
• Declined	14

(24) Retiree Defined Contribution Healthcare Expense Reimbursement Plan

On September 28, 2006, OCFA created the Orange County Fire Authority Retiree Defined Contribution Healthcare Expense Reimbursement Plan (Plan), an employer-sponsored defined contribution benefit plan. The Plan, which became effective January 1, 2007, provides for the reimbursement of medical, dental, and other healthcare expenses of retirees. The Board establishes and amends all Plan provisions in conjunction with its negotiated labor contracts and is subject to all applicable requirements of the Myers-Milias-Brown Act and any other applicable law. Plan assets are held in trust and administered by Select Account.

All active, full-time employees who became employed by the OCFA on or after January 1, 2007, are required to contribute 4% of their gross pay through payroll deductions to the OCFA. All contributions, investment income, realized and unrealized gains and losses are credited to individual recordkeeping accounts maintained in the name of each Plan participant. Account assets are invested as directed by the participant from among investment funds selected by the OCFA. Participants are eligible to receive Plan benefits upon reaching retirement age, including those who terminate employment with the OCFA for reasons other than retirement. Required and actual employee contributions totaled $1,957,913 for the year ended June 30, 2016.

(25) Short-term Debt

On July 1, 2015, OCFA issued $36,260,000 of 2015-2016 Tax and Revenue Anticipation Notes (TRAN) at an interest rate of 2.00%, for the purpose of financing seasonal cash flow requirements for General Fund expenditures during the fiscal year ending June 30, 2016. The TRAN, plus accrued interest in the amount of $723,186, was repaid on June 30, 2016. Short-term debt activity pertaining to the TRAN was as follows for the year ended June 30, 2016:

	Beginning Balance	Additions	Payments	Ending Balance
Principal	$ -	$36,260,000	$(36,260,000)	$ -
Accrued interest	-	723,186	(723,186)	-
Total	$ -	$36,983,186	$(36,983,186)	$ -

Required Supplementary Information

OCERS Retirement Plan
OCFA participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer, defined benefit pension plan that provides retirement, disability, and death benefits to general and safety members.

Extra Help Retirement Plan
OCFA administers a single-employer, defined benefit pension plan that provides retirement benefits for OCFA's less than half-time and extra help employees. Plan assets are accounted for in the Extra Help Retirement fiduciary fund.

Retiree Medical Plan
OCFA provides a single-employer, defined benefit plan for OCFA's full-time employees hired prior to January 1, 2007, which provides a monthly grant toward the cost of retirees' health insurance coverage. Plan assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are administered by the Orange County Employees Retirement System (OCERS).

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ORANGE COUNTY FIRE AUTHORITY

OCERS Retirement Plan
A Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last Ten Fiscal Years (A)

Schedule of OCFA's Proportionate Share of the Net Pension Liability

	Fiscal Year Ended		
	June 30, 2014	**June 30, 2015**	**June 30, 2016**
OCFA's proportion of the net pension liability	8.37%	9.19%	9.06%
OCFA's proportionate share of the net pension liability	$ 442,651,348	$ 466,968,323	$ 517,669,806
OCFA's covered payroll	$ 129,689,221	$ 129,187,729	$ 129,452,647
OCFA's proportionate share of the net pension liability as a percentage of covered payroll	341.32%	361.46%	399.89%
OCFA's proportionate share of plan fiduciary net position as a percentage of proportionate share of the total pension liability	69.66%	70.35%	68.90%
Plan's fiduciary net position	$ 10,821,318,000	$ 11,536,106,000	$ 11,657,318,000
Plan's fiduciary net position as a percentage of the total pension liability	67.16%	69.42%	67.10%

Notes to Schedule:

(A) Fiscal year ended June 30, 2015 was the first year of implementation; therefore only three years of data are available for presentation. Other years will be added as they become available

ORANGE COUNTY FIRE AUTHORITY

OCERS Retirement Plan
A Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last Ten Fiscal Years

Schedule of Contributions

	Fiscal Year Ended			
	June 30, 2007	**June 30, 2008**	**June 30, 2009**	**June 30, 2010**
Required contributions (actuarially determined)	$ 33,753,068	$ 35,709,526	$ 37,183,082	$ 42,331,507
Actual contributions	33,753,068	35,709,526	37,183,082	42,331,507
Contribution excess (deficiency)	$ -	$ -	$ -	$ -
Covered payroll	$ 95,823,423	$ 100,313,038	$ 104,571,731	$ 106,718,627
Actual contributions as a percentage of covered payroll	35.22%	35.60%	35.56%	39.67%
Notes to Schedule:				
Valuation dates (D)	12/31/2004	12/31/2005	12/31/2006	12/31/2007
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Assumed payroll growth	3.50%	3.50%	3.50%	3.50%
Remaining amortization period:				
Closed amortization of balance	30 years	29 years	28 years	27 years
As of	12/31/2004	12/31/2004	12/31/2004	12/31/2004
Asset valuation method	Market value	Market value	Market value	Market value
Investment rate of return	7.75%	7.75%	7.75%	7.75%
Inflation	3.50%	3.50%	3.50%	3.50%
Real salary increases	0.00%	0.00%	0.00%	0.00%
Projected salary increases:				
Safety	3.50%-9.50%	3.50%-9.50%	3.50%-9.50%	4.50%-13.50%
General	4.10%-10.50%	4.10%-10.50%	4.10%-10.50%	4.50%-11.50%
Cost of living adjustments	3.00%	3.00%	3.00%	3.00%
Retirement age	50-70 years	50-70 years	50-70 years	50-70 years
Mortality	(B)	(B)	(B)	(C)

(A) 1983 Group Annuity Table

(B) 1994 Group Annuity Mortality Table

(C) RP-2000 Combined Healthy Mortality Table

(D) Rates are effective 18 months after the valuation date for the fiscal year that begins July 1.

June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
$ 45,543,856	$ 55,756,764	$ 61,206,670	$ 57,795,043	$ 66,186,858	$ 67,315,414
45,543,856	55,756,764	61,206,670	63,030,796	87,563,156	82,726,916
$ -	$ -	$ -	$ 5,235,753	$ 21,376,298	$ 15,411,502
$ 107,268,263	$ 111,444,130	$ 128,121,447	$ 125,869,628	$ 128,215,528	$ 132,248,620
42.46%	50.03%	47.77%	50.08%	68.29%	62.55%
12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
3.50%	3.50%	3.50%	3.75%	3.75%	3.75%
26 years	25 years	24 years	23 years	22 years	20 years
12/31/2004	12/31/2004	12/31/2004	12/31/2004	12/31/2004	12/31/2012
Market value	Market value	Market value	Market value	Market value	Market value
7.75%	7.75%	7.75%	7.75%	7.25%	7.25%
3.50%	3.50%	3.50%	3.50%	3.25%	3.25%
0.00%	0.00%	0.00%	0.25%	0.50%	0.50%
4.50%-13.50%	4.50%-13.50%	4.50%-13.50%	4.75%-17.75%	4.75%-17.75%	4.75%-17.75%
4.50%-11.50%	4.50%-11.50%	4.50%-11.50%	4.75%-13.75%	4.75%-13.75%	4.75%-13.75%
3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
50-70 years	50-70 years	50-70 years	50-75 years	50-75 years	49-75 years
(C)	(C)	(C)	(C)	(C)	(C)

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2016
For the Last Ten Fiscal Years (A)

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ended		
	June 30, 2014	**June 30, 2015**	**June 30, 2016**
Total pension liability:			
Service cost	$ 8,030	$ -	$ 8,331
Interest	11,484	-	11,865
Differences between expected and actual experience	(3,269)	9,728	(131,777)
Changes of assumptions	-	-	47,323
Benefit payments, including refunds of member contributions	(8,676)	(6,459)	(10,642)
Net change in total pension liability	**7,569**	**3,269**	**(74,900)**
Total pension liability - beginning	302,551	310,120	313,389
Total pension liability - ending (a)	**310,120**	**313,389**	**238,489**
Plan fiduciary net position:			
Contributions - employer	2,117	2,481	2,267
Contributions - plan members	13,542	11,831	8,923
Net investment income	586	714	1,219
Benefit payments, including refunds of member contributions	(8,676)	(6,459)	(10,642)
Net change in plan fiduciary net position	**7,569**	**8,567**	**1,767**
Total pension net position - beginning	56,895	64,464	73,031
Total pension net position - ending (b)	**64,464**	**73,031**	**74,798**
Net pension liability - ending (a - b)	**$ 245,656**	**$ 240,358**	**$ 163,691**
Plan fiduciary net position as a % of the total pension liability	20.79%	23.30%	31.36%
Covered payroll	$ 205,340	$ 205,340	$ 108,526
Net pension liability as a % of covered payroll	119.63%	117.05%	150.83%
Employer contributions:			
Required and actual contributions	$ 2,117	$ 2,481	$ 2,267
Actual contributions as a % of required contributions	100.00%	100.00%	100.00%

Notes to Schedule:

(A) GASB Statements No. 67 and No. 68 were implemented during Fiscal Year 2013/14 and Fiscal Year 2014/15, respectively. Additional years will be added to this schedule as they become available in the future.

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last Three Actuarial Valuations (A)

Schedule of Funding Progress

	Actuarial Valuation Dated January 1, 2014	Actuarial Valuation Dated January 1, 2016
Total pension liability	$ 313,389	$ 238,489
Total pension net position	64,464	74,798
Net pension liability (NPL)	$ 248,925	$ 163,691
Funded ratio	20.57%	31.36%
Covered payroll	$ 205,340	$ 108,526
NPL as a percentage of covered payroll	121.23%	150.83%

Notes to Schedule:

	Actuarial Valuation Dated January 1, 2014	Actuarial Valuation Dated January 1, 2016
Changes in size or composition of plan members:		
Inactive; currently receiving benefits	-	-
Inactive; entitled to but not yet receiving benefits	10	49
Active	53	19
Total plan members	63	68
Change in assumptions:		
Discount rate	3.75%	2.90%
Inflation	3.00%	2.75%

(A) GASB Statements No. 67 and No. 68 were implemented during Fiscal Year 2013/14 and Fiscal Year 2014/15, respectively. The actuarial valuation dated January 1, 2014, was the first actuarial valuation completed for the plan. Additional years will be added to this schedule as they become available in the future.

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2016
For the Last Ten Fiscal Years (A)

Schedule of Investment Returns

	Fiscal Year Ended		
	June 30, 2014	**June 30, 2015**	**June 30, 2016**
Annual money-weighted rate of return, net of investment expense	**0.97%**	**1.24%**	**1.66%**

Notes to Schedule:

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during Fiscal Year 2013/14. Additional years will be added as they become available in the future.

(B) OCFA also reports the OCERS Retirement Plan, a cost-sharing, multiple-employer defined benefit pension plan. OCERS issues a publicly available financial report that includes ten-year information regarding that Plan's money-weighted rate of return on pension plan investments. The separate OCERS report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

ORANGE COUNTY FIRE AUTHORITY

Retiree Medical Plan
A Single-Employer Defined Benefit Plan
As of June 30, 2016
Last Three Actuarial Valuations

Schedule of Funding Progress

	Actuarial Valuation Dated		
	July 1, 2010	**July 1, 2012**	**July 1, 2014**
Entry age actuarial accrued liability (AAL)	$147,709,326	$156,623,184	$179,056,290
Actuarial value of assets	21,549,574	28,910,090	36,945,371
Unfunded AAL (UAAL)	$ 126,159,752	$ 127,713,094	$ 142,110,919
Funded ratio	14.59%	18.46%	20.63%
Covered payroll	$ 81,391,495	$ 75,432,000	$ 66,021,000
UAAL as a percentage of covered payroll	155.00%	169.31%	215.25%

Notes to Schedule:

	Actuarial Valuation Dated		
	July 1, 2010	July 1, 2012	July 1, 2014
Changes in size or composition of plan members:			
Current retirees and surviving spouses	388	471	573
Current active members	896	804	697
Terminated participants entitled but not yet eligible	5	9	13
Declined	n/a	13	14
	1,289	1,297	1,297

ORANGE COUNTY FIRE AUTHORITY

Retiree Medical Plan
A Single-Employer Defined Benefit Plan
As of June 30, 2016
Last Three Fiscal Years

Schedule of Contributions from the Employer and Other Contributing Entities

	Fiscal Year Ended		
	June 30, 2014	**June 30, 2015**	**June 30, 2016**
Annual required contribution (ARC)	$14,560,117	$14,953,772	$15,161,649
Interest on Net OPEB Obligation (NOPEBO)	2,135,737	2,404,266	2,877,656
Actuary's adjustment on the ARC	(2,234,473)	(3,653,066)	(4,488,920)
Annual OPEB cost	$14,461,381	$13,704,972	$13,550,385
Actual contributions	4,693,202	4,237,163	4,460,115
Net increase to Net OPEB obligation	$ 9,768,179	$ 9,467,809	$ 9,090,270
Actual contributions as a percentage of ARC	32.23%	28.34%	29.42%

Notes to Schedule:

Changes in assumptions: The discount rate changed per the table below.

	Actuarial Valuation Dated		
	July 1, 2012	July 1, 2014	July 1, 2014
Discount rate	5.50%	5.00%	5.00%

Major Governmental Funds

Capital Projects Funds

Communications and Information Systems
This fund is used to account for the significant acquisition, improvement, or replacement of specialized communications and information technology systems and/or equipment.

Fire Apparatus
This fund is used to account for the significant acquisition, improvement, or replacement of fire apparatus, including vehicles, trailers, and helicopters.

Fire Stations and Facilities
This fund is used to account for the significant acquisition, improvement, replacement, or construction of fire stations and facilities.

ORANGE COUNTY FIRE AUTHORITY
Communications and Information Systems
Budgetary Comparison Schedule
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	2016				2015
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 18,655,855**	**$ 18,655,855**	**$ 18,655,855**	**$ -**	**$ 18,051,752**
Resources (inflows):					
Use of money and property	169,956	91,196	111,865	20,669	57,488
Miscellaneous	-	312,605	312,605	-	253,528
Transfers in	2,127,821	78,187	78,187	-	3,000,906
Total resources (inflows)	**2,297,777**	**481,988**	**502,657**	**20,669**	**3,311,922**
Amounts available for appropriations	**20,953,632**	**19,137,843**	**19,158,512**	**20,669**	**21,363,674**
Charges to appropriation (outflows):					
Services and supplies	-	-	84,845	(84,845)	132,460
Capital outlay	6,625,685	1,794,533	71,395	1,723,138	1,441,647
Transfers out	-	-	-	-	1,133,712
Total charges to appropriations	**6,625,685**	**1,794,533**	**156,240**	**1,638,293**	**2,707,819**
Budgetary fund balance, June 30	**$ 14,327,947**	**$ 17,343,310**	**$ 19,002,272**	**$ 1,658,962**	**$ 18,655,855**

ORANGE COUNTY FIRE AUTHORITY
Fire Apparatus
Budgetary Comparison Schedule
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	2016				2015
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 25,440,432**	**$ 25,440,432**	**$ 25,440,432**	**$ -**	**$ 29,496,881**
Resources (inflows):					
Charges for services	1,428,656	1,428,656	1,421,540	(7,116)	1,381,161
Use of money and property	221,456	97,876	131,954	34,078	87,984
Miscellaneous	-	191,832	191,832	-	155,579
Developer contributions	1,576,744	1,576,744	-	(1,576,744)	527,289
Total resources (inflows)	**3,226,856**	**3,295,108**	**1,745,326**	**(1,549,782)**	**2,152,013**
Amounts available for appropriations	**28,667,288**	**28,735,540**	**27,185,758**	**(1,549,782)**	**31,648,894**
Charges to appropriation (outflows):					
Services and supplies	-	-	248	(248)	3,072
Capital outlay	15,510,454	17,042,593	3,201,526	13,841,067	3,673,667
Principal retirement	2,276,963	2,336,279	2,336,279	-	2,276,963
Interest and fiscal charges	254,760	195,444	195,444	-	254,760
Total charges to appropriations	**18,042,177**	**19,574,316**	**5,733,497**	**13,840,819**	**6,208,462**
Budgetary fund balance, June 30	**$ 10,625,111**	**$ 9,161,224**	**$ 21,452,261**	**$ 12,291,037**	**$ 25,440,432**

ORANGE COUNTY FIRE AUTHORITY
Fire Stations and Facilities
Budgetary Comparison Schedule
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	2016				2015
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 12,520,242**	**$ 12,520,242**	**$ 12,520,242**	**$ -**	**$ 15,409,887**
Resources (inflows):					
Use of money and property	220,188	65,619	74,414	8,795	44,075
Miscellaneous	-	185,165	185,165	-	150,172
Developer contributions	-	2,112,282	3,233,082	1,120,800	7,779,918
Total resources (inflows)	**220,188**	**2,363,066**	**3,492,661**	**1,129,595**	**7,974,165**
Amounts available for appropriations	**12,740,430**	**14,883,308**	**16,012,903**	**1,129,595**	**23,384,052**
Charges to appropriation (outflows):					
Services and supplies	854,248	906,077	53,433	852,644	37,696
Capital outlay	-	-	100,823	(100,823)	10,826,114
Total charges to appropriations	**854,248**	**906,077**	**154,256**	**751,821**	**10,863,810**
Budgetary fund balance, June 30	**$ 11,886,182**	**$ 13,977,231**	**$ 15,858,647**	**$ 1,881,416**	**$ 12,520,242**

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ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Balance Sheet
June 30, 2016
(With Comparative Data for Prior Year)

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Assets:			
Cash and investments	$ 41,784,650	$ 4,903,086	$ 608,903
Receivables:			
Accounts, net	2,442,570	-	-
Accrued interest	84,882	-	348
Prepaid costs and other assets	36,753,344	35,912	-
Due from other governments, net	10,050,255	-	-
	$ 91,115,701	**$ 4,938,998**	**$ 609,251**
Liabilities:			
Accounts payable	$ 2,143,427	$ 177,863	$ 24,787
Accrued liabilities	14,824,059	-	-
Unearned revenue	33,116	-	-
Due to other governments	123,047	-	-
Total Liabilities	**17,123,649**	**177,863**	**24,787**
Deferred Inflows of Resources:			
Unavailable revenue	-	-	-
Total Deferred Inflows of Resources	**-**	**-**	**-**
Fund Balances:			
Nonspendable - prepaid costs	36,743,933	35,912	-
Restricted for:			
Operations Department	13,867	-	-
Committed to - SFF cities enhancements	-	-	584,464
Assigned to:			
Capital improvement program	-	4,668,314	-
Workers' compensation	-	-	-
Executive Management	36,690	-	-
Operations Department	51,484	-	-
Community Risk Reduction Department	15,845	-	-
Business Services Department	162,699	-	-
Support Services Department	119,743	-	-
Organizational Planning Department	21,000	-	-
Facilities projects	69,987	-	-
Communications and IT projects	-	56,909	-
Unassigned	36,756,804	-	-
Total Fund Balances	**73,992,052**	**4,761,135**	**584,464**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 91,115,701**	**$ 4,938,998**	**$ 609,251**

		Total General Fund	
Self Insurance	Eliminations	2016	2015
$ 74,053,775	$ -	$ 121,350,414	$ 109,157,641
-	-	2,442,570	2,552,672
40,476	-	125,706	27,902
-	-	36,789,256	31,127,148
-	-	10,050,255	6,967,289
$ 74,094,251	**$ -**	**$ 170,758,201**	**$ 149,832,652**
$ 374,197	$ -	$ 2,720,274	$ 3,106,977
-	-	14,824,059	12,828,886
-	-	33,116	3,234,898
-	-	123,047	10,072,547
374,197	**-**	**17,700,496**	**29,243,308**
-	-	-	316,087
-	**-**	**-**	**316,087**
-	-	36,779,845	31,127,148
-	-	13,867	55,538
-	-	584,464	691,265
-	-	4,668,314	233,180
73,720,054	-	73,720,054	68,494,796
-	-	36,690	98,415
-	-	51,484	46,859
-	-	15,845	354
-	-	162,699	66,963
-	-	119,743	207,784
-	-	21,000	33,890
-	-	69,987	52,061
-	-	56,909	48,528
-	-	36,756,804	19,116,476
73,720,054	**-**	**153,057,705**	**120,273,257**
$ 74,094,251	**$ -**	**$ 170,758,201**	**$ 149,832,652**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2016
(With Comparative Data for Prior Year)

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Revenues:			
Taxes	$ 219,840,417	$ -	$ -
Intergovernmental	25,978,081	-	-
Charges for services	102,408,896	-	-
Use of money and property	961,795	-	3,511
Miscellaneous	2,096,571	-	-
Total Revenues	**351,285,760**	**-**	**3,511**
Expenditures:			
Current - public safety:			
Salaries and benefits	307,143,676	-	-
Services and supplies	27,411,361	751,308	110,312
Capital outlay	298,162	324,744	-
Debt service:			
Interest and fiscal charges	740,437	-	-
Total Expenditures	**335,593,636**	**1,076,052**	**110,312**
Excess (deficiency) of revenues over (under) expenditures	15,692,124	(1,076,052)	(106,801)
Other financing sources (uses):			
Transfers in	-	5,438,793	-
Transfers out	(5,516,980)	-	-
Sale of capital and other assets	24,470	-	-
Insurance recoveries	121,288	-	-
Total Other Financing Sources (uses)	**(5,371,222)**	**5,438,793**	**-**
Net change in fund balances	10,320,902	4,362,741	(106,801)
Fund balances, beginning of year, as restated	63,671,150	398,394	691,265
Fund balances, end of year	**$ 73,992,052**	**$ 4,761,135**	**$ 584,464**

Self Insurance	Eliminations	Total General Fund 2016	Total General Fund 2015
$ -	$ -	$ 219,840,417	$ 205,141,237
-	-	25,978,081	23,565,214
12,729,592	(12,729,592)	102,408,896	100,619,516
387,777	-	1,353,083	651,975
-	-	2,096,571	1,120,697
13,117,369	**(12,729,592)**	**351,677,048**	**331,098,639**
-	(12,729,592)	294,414,084	285,988,997
7,892,111	-	36,165,092	40,317,142
-	-	622,906	703,370
-	-	740,437	330,741
7,892,111	**(12,729,592)**	**331,942,519**	**327,340,250**
5,225,258	-	19,734,529	3,758,389
-	(5,438,793)	-	3,844,414
-	5,438,793	(78,187)	(3,000,906)
-	-	24,470	134,123
-	-	121,288	32,948
-	-	**67,571**	**1,010,579**
5,225,258	-	19,802,100	4,768,968
68,494,796	-	133,255,605	115,504,289
$ 73,720,054	**$ -**	**$ 153,057,705**	**$ 120,273,257**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Original Budget
Year ended June 30, 2016

	General Operating Fund	General Fund CIP	Structural Fire Entitlement	Self Insurance	Eliminations	Total General Fund 2016
Budgetary fund balance, July 1	**$ 63,671,150**	**$ 398,394**	**$ 691,265**	**$ 68,494,796**	**$ -**	**$ 133,255,605**
Resources (inflows):						
Taxes	214,445,545	-	-	-	-	214,445,545
Intergovernmental	14,942,177	-	-	-	-	14,942,177
Charges for services	101,969,304	-	-	12,729,592	(12,729,592)	101,969,304
Use of money and property	658,828	-	11,999	887,704	-	1,558,531
Miscellaneous	1,008,733	-	-	-	-	1,008,733
Transfers in	-	5,234,000	-	-	(5,234,000)	-
Sale of capital and other assets	50,000	-	-	-	-	50,000
Total resources (inflows)	**333,074,587**	**5,234,000**	**11,999**	**13,617,296**	**(17,963,592)**	**333,974,290**
Amounts available for appropriations	**396,745,737**	**5,632,394**	**703,264**	**82,112,092**	**(17,963,592)**	**467,229,895**
Charges to appropriation (outflows):						
Salaries and benefits	290,154,202	-	-	-	(12,729,592)	277,424,610
Services and supplies	35,053,663	1,242,528	-	7,702,911	-	43,999,102
Capital outlay	236,504	4,040,000	-	-	-	4,276,504
Interest and fiscal charges	318,050	-	-	-	-	318,050
Transfers out	7,361,821	-	-	-	(5,234,000)	2,127,821
Total charges to appropriations	**333,124,240**	**5,282,528**	**-**	**7,702,911**	**(17,963,592)**	**328,146,087**
Budgetary fund balance, June 30	**$ 63,621,497**	**$ 349,866**	**$ 703,264**	**$ 74,409,181**	**$ -**	**$ 139,083,808**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Final Budget
Year ended June 30, 2016

	General Operating Fund	General Fund CIP	Structural Fire Entitlement	Self Insurance	Eliminations	Total General Fund 2016
Budgetary fund balance, July 1	**$ 63,671,150**	**$ 398,394**	**$ 691,265**	**$ 68,494,796**	**$ -**	**$ 133,255,605**
Resources (inflows):						
Taxes	218,156,295	-	-	-	-	218,156,295
Intergovernmental	23,926,860	-	-	-	-	23,926,860
Charges for services	101,173,891	-	-	12,729,592	(12,729,592)	101,173,891
Use of money and property	689,516	-	2,921	315,984	-	1,008,421
Miscellaneous	2,203,027	-	-	-	-	2,203,027
Transfers in	-	5,438,793	-	-	(5,438,793)	-
Sale of capital and other assets	50,480	-	-	-	-	50,480
Insurance recoveries	79,433	-	-	-	-	79,433
Total resources (inflows)	**346,279,502**	**5,438,793**	**2,921**	**13,045,576**	**(18,168,385)**	**346,598,407**
Amounts available for appropriations	**409,950,652**	**5,837,187**	**694,186**	**81,540,372**	**(18,168,385)**	**479,854,012**
Charges to appropriations (outflows):						
Salaries and benefits	309,677,422	-	-	-	(12,729,592)	296,947,830
Services and supplies	30,433,960	1,423,143	85,524	7,702,911	-	39,645,538
Capital outlay	590,562	4,064,178	-	-	-	4,654,740
Interest and fiscal charges	754,436	-	-	-	-	754,436
Transfers out	5,516,980	-	-	-	(5,438,793)	78,187
Total charges to appropriations	**346,973,360**	**5,487,321**	**85,524**	**7,702,911**	**(18,168,385)**	**342,080,731**
Budgetary fund balance, June 30	**$ 62,977,292**	**$ 349,866**	**$ 608,662**	**$ 73,837,461**	**$ -**	**$ 137,773,281**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Orange County Fire Authority
Irvine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Orange County Fire Authority, (the "Authority") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

LSL

CPAs AND ADVISORS

To the Board of Directors
Orange County Fire Authority
Irvine, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Brea, California
September 30, 2016

ORANGE COUNTY FIRE AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2016

ORANGE COUNTY FIRE AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2016

ORANGE COUNTY FIRE AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Orange County Fire Authority
Irvine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Orange County Fire Authority, ("OCFA") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise OCFA's basic financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCFA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCFA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCFA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Orange County Fire Authority
Irvine, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCFA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCFA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Brea, California
September 30, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Orange County Fire Authority
Irvine, California

Report on Compliance for Each Major Federal Program

We have audited Orange County Fire Authority's (the "OCFA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the OCFA's major federal programs for the year ended June 30, 2016. The OCFA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the OCFA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the OCFA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the OCFA's compliance.

Opinion on Each Major Federal Program

In our opinion, the Orange County Fire Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

To the Board of Directors
Orange County Fire Authority
Irvine, California

Report on Internal Control over Compliance

Management of the OCFA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the OCFA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the OCFA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the OCFA, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise OCFA's basic financial statements. We issued our report thereon dated September 30, 2016 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

CPAs AND ADVISORS

To the Board of Directors
Orange County Fire Authority
Irvine, California

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lance, Soll & Lunghard, LLP

Brea, California
September 30, 2016

ORANGE COUNTY FIRE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Program / Project Identification Number	Expenditures
U.S. Department of Homeland Security:			
Direct assistance via Federal Emergency Management Agency			
National Urban Search and Rescue (US&R) Response System *			
2014 Cooperative Agreement	97.025	EMW-2014-CA-K00032	$ 507,479
2015 Cooperative Agreement	97.025	EMW-2015-CA-00014	773,945
Subtotal - CFDA 97.025			1,281,424
Assistance to Firefighters Grant *			
2014 Vehicle Extrication Gloves	97.044	EMW-2014-FO-05840	43,022
Subtotal - direct assistance			1,324,446
Passed through the City of Anaheim:			
Homeland Security Grant Program *			
2014 Urban Area Security Initiative - Regional Training	97.067	DHS 2014-SS-00093	3,528
Passed through the City of Santa Ana:			
Homeland Security Grant Program *			
2015 Urban Area Security Initiative - Regional Training	97.067	DHS 2015-SS-00078	6,027
2015 Urban Area Security Initiative - Wildland Urban Interface Pre-Fire Plans	97.067	DHS 2015-SS-00078	50,000
Passed through the Orange County Sheriff's Department:			
Homeland Security Grant Program *			
2014 Regional Training	97.067	DHS 2014-SS-00093	2,085
2014 Wildland Urban Interface Pre-Fire Plans	97.067	DHS 2014-SS-00093	99,980
2014 Orange County Intelligence Assessment Center	97.067	DHS 2014-SS-00093	100,099
2015 O-305 All Harzards Incident Management Team Class	97.067	DHS 2015-SS-00078	22,713
2015 Regional Training	97.067	DHS 2015-SS-00078	1,268
2015 Wildland Urban Interface Pre-Fire Plans	97.067	DHS 2015-SS-00078	8,600
2015 Orange County Intelligence Assessment Center	97.067	DHS 2015-SS-00078	32,198
Subtotal - CFDA 97.067			326,498
Total U.S. Department of Homeland Security			**1,650,944**
Total Federal Expenditures			**$ 1,650,944**

* Major Program

Note a: Refer to Note 1 to the Schedule of Expenditures of Federal Awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was $0.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Orange County Fire Authority (the Authority), that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the Authority from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the Authority becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? ____yes __X__no
- Material weaknesses identified? ____yes __X__none reported

Noncompliance material to financial statements noted? ____yes __X__no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? ____yes __X__no
- Material weaknesses identified? ____yes __X__none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ____yes __X__no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.025	National Urban Search and Rescue Response System
97.044	Assistance to Firefighters Grant
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between type A and type B program $750,000

Auditee qualified as low-risk auditee? ____yes __X__no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION IV - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION V - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

LSL

CPAs AND ADVISORS

September 30, 2016

To the Board of Directors
Orange County Fire Authority
Irvine, California

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority (the Authority) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 10, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2015-2016.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure of Net Pension Liability in Note 21 to the financial statements identifies the unfunded liability and related deferred outflows and inflows related to the Authority's proportionate share of the Orange County Employees Retirement System (OCERS). In addition, it identifies the sensitivity of the Net Pension Liability to changes in assumptions; more specifically the assumed discount rate of 7.25%. If the discount rate decreases 1%, the Authority's Net Pension Liability would increase by approximately $230,000,000. Conversely, if the discount rate increases by 1%, it would decrease the Net Pension Liability by approximately $190,000,000.

The financial statement disclosures are neutral, consistent, and clear.

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CPAs AND ADVISORS

To the Board of Directors
Orange County Fire Authority
Irvine, California

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were found.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We discussed the Authority's information technology and general computer controls with management, and made a suggestion to strengthen controls over IT by reevaluating the current policy over password controls and implementing changes that would require passwords to be changed more frequently and to have a minimum set of characters, as deemed appropriate by the IT Department.

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CPAs AND ADVISORS

To the Board of Directors
Orange County Fire Authority
Irvine, California

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedules of contributions, the schedule of changes in the net pension liability and related ratios, the schedules of funding progress, and the schedule of investment returns, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining individual schedules and statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not considered RSI or supplementary information. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2015-2016 audit:

GASB Statement No. 72, *Fair Value Measurement and Application.*

GASB Statement No. 76, *The Hierarchy of Generally accepted Accounting Principles for State and Local Governments.*

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.*

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2016-2017

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68.*

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

GASB Statement No. 77, *Tax Abatement Disclosures.*

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*

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CPAs AND ADVISORS

To the Board of Directors
Orange County Fire Authority
Irvine, California

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an Amendment of GASB Statement No. 14.*

GASB Statement No. 82, *Pension Issues an Amendment of GASB Statement Nos. 67, 68, and 73.*

Fiscal year 2017-2018

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

GASB Statement No. 81, *Irrevocable Split Interest Agreements.*

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Orange County Fire Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Soll & Lunghard, LLP

Brea, California

ASSIGNED FUND BALANCE POLICY

1. PURPOSE

The purpose of the Assigned Fund Balance Policy is to establish the authority by which OCFA may set aside cumulative resources in fund balance for an intended future use.

2. ADOPTION AND REVIEW

2.1. This policy shall be reviewed periodically for recommended revisions in order to maintain the policy in a manner that reflects the ongoing financial goals of the OCFA. Staff shall revise the policy upon approval by the Board of Directors.

2.2. Each year at the time the audited financial statements are approved, the Budget and Finance Committee shall review the calculations used to determine the amounts assigned to workers' compensation and the capital improvement program, and shall confirm the calculations' consistency with the Assigned Fund Balance Policy.

3. POLICY

3.1. In accordance with Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance amounts intended to be used by a government for a specific purpose should be presented in the financial statements as "assigned" fund balance. Assigned balance includes resources that are set aside for an intended use and represents current intentions (subject to change) as to how the resources will be expended.

3.2. The Board of Directors has the authority to assign fund balance. The Board of Directors shall delegate its authority to assign amounts for *workers' compensation* and the *capital improvement program* to the Assistant Chief of Business Services, or her designee.

3.3. The Assistant Chief of Business Services, or her designee, shall assign and un-assign fund balance for the specific purposes of *workers' compensation* and the *capital improvement program*, in accordance with the guidelines described in this policy. The authority to assign and un-assign fund balance for any other specific purposes shall be retained by the Board of Directors.

3.4. The assignment for *workers' compensation* will reflect the cumulative difference between actual workers' compensation expenditures incurred (cash-flow basis) and budgeted costs, which are based on an annual actuarial valuation prepared by an external actuary and a confidence level set by the Board of Directors.

3.4.1 The amount of the assignment will be calculated annually in conjunction with the fiscal year-end closing process.

3.5. The assignment for the *capital improvement program* will reflect cumulative amounts transferred from the General Fund to the OCFA's capital projects funds in accordance with the *Financial Stability Budget Policy*, net of actual cumulative project expenditures and other revenue sources accounted for in those funds. The assignment for the *capital improvement program* may also include net resources accumulated within the General Fund itself in order to fund purchases and projects that are capital in nature but do not necessarily meet the criteria to be reported in one of OCFA's three capital projects funds.

3.5.1 The amount of the assignment will be calculated annually in conjunction with the fiscal year-end closing process.

3.5.2 The amount of the assignment will not exceed projects currently identified in the OCFA's five-year capital improvement program, including projects that have been identified as deferred pending improved financial conditions.

3.6. Assigned funds must be expended in conjunction with the spending authority provided by the annual budget and any subsequent amendments.

ORANGE COUNTY FIRE AUTHORITY **Attachment 7A**

Fund Balance Assigned for Capital Improvement Program

Final Calculation

As of June 30, 2016

	Source	General Fund CIP Fund 12110	Communications and Information Systems Fund 124	Fire Apparatus Fund 133	Fire Stations and Facilities Fund 123	Total
Actual Fund Balance Available for CIP Assignment						
Total actual fund balance @ 6/30/2016	FYE 6/30/2016 CAFR, pages 34-35, 108-109	4,761,135	19,002,272	21,452,261	15,858,647	61,074,315
Less nonspendable fund balance - prepaid items	FYE 6/30/2016 CAFR, pages 34-35, 108-109	(35,912)	-	-	-	(35,912)
Less restricted fund balance - CALFIRE station(s)	FYE 6/30/2016 CAFR, pages 34-35, 108-109	-	-	-	(533,232)	(533,232)
Less outstanding encumbrances:						
Pertaining to assigned resources	FYE 6/30/2016 CAFR, pages 34-35, 108-109	(56,909)	(24,715)	(6,663,607)	(13,135)	(6,758,366)
Actual fund balance available for CIP assignment @ 6/30/2016 (A)		**4,668,314**	**18,977,557**	**14,788,654**	**15,312,280**	**53,746,805**
Possible CIP Expenditures, Net of Offsetting Revenues and Funding Sources						
Possible CIP Expenditures						
Re-budgeted appropriations	Board of Directors approval 9/22/2016, Item #3A	4,168,410	1,609,482	7,175,845	738,686	13,692,423
Subtotal		4,168,410	1,609,482	7,175,845	738,686	13,692,423
Planned project expenditures:						
Projects in five-year CIP plan	FY 2015/16 Draft/Adopted Budget, page 31	7,510,500	19,945,995	36,451,256	15,460,000	79,367,751
Projects beyond five-year plan - helicopter lease debt service	FYE 6/30/2016 CAFR, page 69	-	-	-	-	-
Subtotal		7,510,500	19,945,995	36,451,256	15,460,000	79,367,751
Deferred project expenditures:						
Deferred five-year CIP plan	FY 2015/16 Draft/Adopted Budget, page 70	-	-	2,949,862	-	2,949,862
Subtotal		-	-	2,949,862	-	2,949,862
Possible CIP expenditures		**11,678,910**	**21,555,477**	**46,576,963**	**16,198,686**	**96,010,036**
Offsetting Revenues and Funding Sources						
Re-budgeted revenues	Board of Directors approval 9/22/2016, Item #3A	-	-	-	-	-
Subtotal		-	-	-	-	-
Restricted fund balance for projects in 5-year CIP and deferred plans:						
CALFIRE station(s)	N/A	-	-	-	-	-
Subtotal		-	-	-	-	-
Cash Contract City revenues:						
Vehicle replacement charges (5 years)	Cash Contract City annual vehicle charge, as prepared by GA Unit	-	-	(6,934,044)	-	(6,934,044)
Subtotal		-	-	(6,934,044)	-	(6,934,044)
Other budgeted developer/grant/CALFIRE funding:						
Station 67 - developer funded vehicles	Cost-reimbursable budgeted costs	-	-	(2,791,260)	-	(2,791,260)
Subtotal		-	-	(2,791,260)	-	(2,791,260)
Possible offsetting revenues		**-**	**-**	**(9,725,304)**	**-**	**(9,725,304)**
Possible CIP expenditures, net of offsetting revenues (B)		**11,678,910**	**21,555,477**	**36,851,659**	**16,198,686**	**86,284,732**
Over (under) funded as of 6/30/2016 (A-B)		**(7,010,596)**	**(2,577,920)**	**(22,063,005)**	**(886,406)**	**(32,537,927)**
Final Fund Balance Assignment						
Actual fund balance available for CIP assignment @ 6/30/2016		4,668,314	18,977,557	14,788,654	15,312,280	53,746,805
Less: Over funded amount to be transferred back to the General Fund		-	-	-	-	-
Final fund balance assignment @ 6/30/2016		**4,668,314**	**18,977,557**	**14,788,654**	**15,312,280**	**53,746,805**

ORANGE COUNTY FIRE AUTHORITY **Attachment 7B**

Fund Balance Assigned for Workers Compensation

Final Calculation

As of June 30, 2016

Description	Source	Self Insurance Fund: Final Budget	Self Insurance Fund: Positive (Negative) Variance	Self Insurance Fund: Actual
Revenues:				
Interest	FYE 6/30/2016 CAFR, pages 111,115	$ 315,984	71,793	$ 387,777
Workers' compensation charges	FYE 6/30/2016 CAFR, pages 111,115	12,729,592	-	12,729,592
Subtotal - revenues		13,045,576	71,793	13,117,369
Expenditures:				
Workers' compensation claims paid	FYE 6/30/2016 CAFR, pages 111,115	(7,702,911)	(189,200)	(7,892,111)
Subtotal - expenditures		(7,702,911)	(189,200)	(7,892,111)
Total change in fund balance		**$ 5,342,665**	**$ (117,407)**	**$ 5,225,258**
		(A)	(B)	
Assignment for Workers' Compensation:				
Actual assignment @ 6/30/2015	FYE 6/30/2015 CAFR, page 35		$ 68,494,796	
Budgeted change in fund balance	(A)		5,342,665	
Budgeted assignment @ 6/30/2016			73,837,461	
Variance between final budget and actual amounts	(B)		(117,407)	
Actual assignment @ 6/30/2016	FYE 6/30/2016 CAFR, page 35		**$ 73,720,054**	

Attachment 8

Orange County Fire Authority
Calculation of Unencumbered Fund Balance
General Operating Fund*
Fiscal Year 2015/16

		Final Budget	Actual	Difference
Property tax revenue (Structural Fire Fund - SFF)		$ 218,156,295	$ 219,840,417	$ 1,684,122
Other revenues		128,123,207	131,591,101	3,467,894
Transfers in		-	-	-
Subtotal revenues and transfers in	(A)	346,279,502	351,431,518	5,152,016
Expenditures		341,456,380	335,593,636	5,862,744
Transfers out		5,516,980	5,516,980	-
Subtotal expenditures and transfers out		346,973,360	341,110,616	5,862,744
Less: Prior year encumbrances		(557,293)	(547,371)	(9,922)
Subtotal		346,416,067	340,563,245	5,852,822
Plus: Current year encumbrances		-	488,736	(488,736)
Subtotal budgetary expenditures	(B)	346,416,067	341,051,981	5,364,086
Total unencumbered fund balance before adjustments	(A+B)			10,516,102
Reconciling items:				
Rebudget of FY 2015/16 uncompleted projects:				
Increase budgeted FY 2016/17 revenues				686,889
Increase budgeted FY 2016/17 appropriations				(1,356,822)
Subtotal				(669,933)
GASB 31 interest adjustment				(31,692)
Total reconciling items	(C)			(701,625)
Total unencumbered fund balance with adjustments	**(A+B+C)**			**$ 9,814,477**

FY 2016/17 General Operating Fund budget (expenditures, other uses, and transfers out)	$ 347,594,201
Unencumbered fund balance as a percentage of next year's General Operating Fund budget	2.82%

*** In the 2015/16 Financial Statements, the Combined General Fund includes the General Fund CIP Fund (12110), Structural Fire Entitlement Fund (171), and the Workers' Compensation Fund (190), which should not be included in the calculations of unencumbered fund balance. Therefore, activities in these three funds have been eliminated from this calculation. The General Operating Fund includes only the General Fund (121) and the Property Management Sub-Fund (12150).**

Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting | **Agenda Item No. 4C**
November 9, 2016 | **Discussion Calendar**

Community Risk Reduction Fee Development

Contact(s) for Further Information

Lori Smith, Assistant Chief (Presenter) lorismith@ocfa.org 714.573.6016
Community Risk Reduction Department

Lori Zeller, Assistant Chief (Presenter) lorizeller@ocfa.org 714.573.6020
Business Services Department

Summary

This item is submitted for review of the Community Risk Reduction (CRR) Fee Exemption Policy and to further review time allocated to the category titled "Pre/Post Plan Review."

Prior Board/Committee Action

At the October 12, 2016 Budget and Finance Committee meeting, staff reviewed cost allocation options for the FY 2016/17 Fee Study, and was directed to proceed with a modified Option 2, focused specifically on time allocated to "Pre/Post Plan Review" to determine if any of these activities should be categorized as Frontline Services instead of Support. The Committee also directed staff to return for review of the CRR Fee Exemption Policy.

RECOMMENDED ACTION(S)

1. Provide direction to staff regarding desired modifications to the Exemption Policy (if any), for future review by the Board of Directors when the FY 2016/17 Fee Study is submitted for approval.
2. Direct staff to proceed in categorizing the "Pre/Post Plan Review" time as further detailed herein for completion of the FY 2016/17 Fee Study.

Impact to Cities/County

Not applicable.

Fiscal Impact

Not applicable.

Background

The Board of Directors approved the current 2015 Community Risk Reduction Fee Schedule on July 23, 2015, with the exception of the hourly rate. Discussion at the Board of Directors meeting questioned the fee formula specifically in relation to the hourly rate, due to concerns initially raised by the building industry. Director Gamble requested staff to conduct research and provide additional details relating to the components within the hourly rate.

Staff performed follow-up research, engaged in discussions with Director Gamble, and ultimately reviewed cost allocation details, methods, and options with the Budget and Finance Committee at its October 12, 2016, meeting. The Committee directed staff to return for further discussion of the Fee Exemption Policy and the time allocated to "Pre/Post Plan Review."

Fee Exemption Policy
The CRR Fee Exemption Policy is updated by staff and adopted by the Board of Directors with each Fee Study. The current Exemption Policy (Attachment 1) was adopted by the Board in July 2015. Per direction from the Budget and Finance Committee, staff is submitting the Exemption Policy for Committee review. Staff is not recommending any changes at this time.

Pre/Post Plan Review Time Allocation
Pre/Post Plan Review is a category used for time allocation in the Planning and Development Section (P&D) of CRR. During the most recent time study, 27% of time logged by Fire Prevention Analysts was allocated to Pre/Post Plan Review. Time allocated to this category is currently considered "Direct Support" which means the cost associated with the time is spread across all fee activities.

Per Committee direction, staff has reviewed the details for time logged to Pre/Post Plan Review (Attachment 2) to determine if any of these activities should be categorized as Frontline Services instead of Support. Based on this additional review, dialogue with our external fee consultant (Revenue and Cost Specialists), and internal staff discussion, we are not recommending any changes to this category of time within the fee structure.

Attachment(s)
1. Fee Exemption Policy
2. Pre/Post Plan Review Time Allocation Details

Orange County Fire Authority

ORANGE COUNTY FIRE AUTHORITY

EXEMPTIONS AND EXCEPTIONS POLICY
COMMUNITY RISK REDUCTION
Effective July 23, 2015

The following activities and/or entities shall be exempt from fees charged for Community Risk Reduction services on the attached fee schedules:

1. Facilities owned and operated by OCFA Partner Agencies (including the County of Orange) and funded from the Partner Authority's general fund. Enterprise funded departments of Partner Agencies (such as Orange County Integrated Waste Management) are not exempt.

2. Day-care facilities owned and operated by public schools and unified school districts.

3. Official Services to include all plan checking, fire permits and inspection activities at public schools, unified school districts, community colleges and universities whose policy-making body is subject to the Brown Act. Special events funded by an entity other than the policy-making body, false alarms, and additional services not described herein are subject to fees.

4. Construction of unenclosed accessory structure within a wildland interface area (e.g. patio cover, fire pit, gazebo, etc.)

5. Automotive Compressed Natural Gas refueling stations installed within a residential structure. (added in 2008)

6. Fire false alarm response at single-family homes.

7. Projects and activities related to the Orange County Fire Authority Nonprofit Foundation.

8. Businesses storing propane in quantities less than or equal to 125 gallons.

The Fire Marshal may exempt any Community Risk Reduction fee when, in the opinion of the Fire Marshal, the fee is determined to be a minimal risk to the community or environment and a single issuance permit/penalty. The request must be submitted and approved in writing.

Attachment 2

27% Pre and Post Plan Review Time Allocation Details