



# ORANGE COUNTY FIRE AUTHORITY AGENDA

## Budget and Finance Committee Regular Meeting

Wednesday, November 8, 2017

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

Joe Muller, Vice Chair

Shelley Hasselbrink   Gene Hernandez   Al Murray   Beth Swift   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 Murray

## 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.

## 1. PRESENTATIONS

No items.

## 2. MINUTES

### A. Minutes for the October 11, 2017, Budget and Finance Committee Regular Meeting

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

## 3. CONSENT CALENDAR

### A. Annual Statement of Investment Policy and Investment Authorization

Submitted by: 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 16, 2017, 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, 2018.
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, 2018.

## 4. DISCUSSION CALENDAR

### A. Monthly Investment Reports

Submitted by: 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 16, 2017, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

### B. Audited Financial Reports for the Fiscal Year Ended June 30, 2017

Presented by: 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 16, 2017, 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. Service Delivery Enhancements – Phase Four**

Presented by: Mike Schroeder, Assistant Chief/Organizational Planning 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 16, 2017, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Authorize staff to increase FY 2017/18 appropriations in the General Fund (121) by \$343,340 in FY 2017/18 to fund a 4<sup>th</sup> position on Engine 13 effective December 22, 2017.
2. Authorize staff to add 3 Firefighter positions to the Master Position Control (one post position with three employees) for the Engine 13 position.

**REPORTS**

No items.

**COMMITTEE MEMBER COMMENTS**

**ADJOURNMENT** – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, January 10, 2018, 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 2<sup>nd</sup> day of November 2017.

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

**UPCOMING MEETINGS:**

|                                     |  |
|-------------------------------------|--|
| Claims Settlement Committee Meeting | Thursday, November 16, 2017, 5:00 p.m. |
| Executive Committee Meeting         | Thursday, November 16, 2017, 5:30 p.m. |
| Board of Directors Regular Meeting  | Thursday, November 16, 2017, 6:00 p.m. |



# MINUTES ORANGE COUNTY FIRE AUTHORITY

## **Budget and Finance Committee Regular Meeting**

**Wednesday, October 11, 2017**

**12:00 Noon**

**Regional Fire Operations and Training Center**

**Room AE117**

**1 Fire Authority Road**

**Irvine, CA 92602**

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### **CALL TO ORDER**

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on October 11, 2017, at 12:00 p.m. by Chair Sachs.

### **PLEDGE OF ALLEGIANCE**

Director Swift led the assembly in the Pledge of Allegiance to our Flag.

### **ROLL CALL**

**Present:** Elizabeth Swift, Buena Park  
Joseph Muller, Dana Point  
Al Murray, Tustin  
Ed Sachs, Mission Viejo  
Shelley Hasselbrink, Los Alamitos  
Tri Ta, Westminster  
Bruce Channing, Ex Officio

**Absent:** Gene Hernandez, Yorba Linda

### **Also present were:**

|                                     |                               |
|-------------------------------------|-------------------------------|
| Interim Fire Chief Patrick McIntosh | Assistant Chief Dave Anderson |
| Assistant Chief Lori Smith          | Assistant Chief Lori Zeller   |
| Assistant Chief Brian Young         | General Counsel David Kendig  |
| Clerk of the Authority Sherry Wentz |                               |

### **PUBLIC COMMENTS**

Chair Sachs opened the Public Comments portion of the meeting. Chair Sachs closed the Public Comments portion of the meeting without any comments from the general public.

## **1. PRESENTATIONS**

No items.

## **2. MINUTES**

### **A. Minutes for the August 9, 2017, Budget and Finance Committee Regular Meeting (F: 12.02B2)**

On motion of Director Hasselbrink and second by Director Murray, the Budget and Finance Committee voted unanimously by those present to approve the Minutes of the August 9, 2017, regular meeting as amended.

## **3. CONSENT CALENDAR** (Agenda Item No. 3A was pulled from the Consent Calendar for separate consideration.)

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

Director Murray pulled this item from the Consent Calendar for clarification on some of the financial investments.

On motion of Director Murray and second by Director Hasselbrink, the 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 26, 2017, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

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

On motion of Director Murray and second by Director Hasselbrink, the Committee voted unanimously by those present to receive and file the report.

### **C. Budget Adjustment and Award of RFP JA2172 for Extrication Tools (F: 19.09D7)**

On motion of Director Murray and second by Director Hasselbrink, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Board of Directors meeting of October 26, 2017, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the following:

1. Approve a budget adjustment in the General Fund CIP (12110) increasing expenditures by \$666,293 for the purchase of Extrication tools.
2. Authorize the Purchasing Manager to issue a purchase order for the initial purchase of 19 sets of extrication rescue tools to Municipal Emergency Services, Inc., in the amount of \$666,293 (amount includes tax).
3. Authorize the Purchasing Manager to issue a blanket order for a three-year term to Municipal Emergency Services, Inc., for annual preventative maintenance for a not-to-exceed amount of \$40,665 over the three-year term (\$13,555 annually).
4. Authorize the Purchasing Manager to utilize the contract pricing for future budgeted purchases of extrication tools during the term of the contract.

#### **4. DISCUSSION CALENDAR**

##### **A. Acceptance of 2017 Department of Homeland Security/Federal Emergency Management Agency's Urban Search & Rescue Readiness Cooperative Agreement Funding (F: 16.02A)**

Assistant Chief Young provided an overview of the Department of Homeland Security/Federal Emergency Management Agency's Urban Search & Rescue Readiness Cooperative Agreement Funding.

On motion of Director Murray and second by Director Ta, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Board of Directors meeting of October 26, 2017, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Approve and adopt the proposed Resolution entitled A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS ACCEPTING THE FEMA NATIONAL URBAN SEARCH AND RESCUE (US&R) PROGRAM COOPERATIVE AGREEMENT TO PURCHASE US&R EQUIPMENT AND SUPPLIES, MAINTENANCE AND REPAIR OF US&R EQUIPMENT, TRAINING, AND PROGRAM ADMINISTRATION to accept the Department of Homeland Security/Federal Emergency Management Agency's Grant Readiness Cooperative Agreement funding.
2. Direct staff to increase revenue and appropriations in the amount of \$1,255,013 in the General Fund (Fund 121).

##### **B. Updated Broker/Dealer List (F: 11.10D4)**

Treasurer Tricia Jakubiak presented an overview on the "best practices" selection process utilized by the OCFA in making its broker/dealer recommendations.

Stephen Wontrobski, Mission Viejo resident, spoke in opposition to the selection process.

On motion of Director Swift and second by Director Ta, the Committee voted unanimously by those present to direct staff to review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee Meeting of October 26, 2017, with the Budget and Finance Committee's recommendation that the Executive Committee approve the Broker/Dealer List, which includes FTN Financial Securities Corp., Raymond James Financial Services Inc., RBC Capital Markets, Stifel, Nicolaus & Company, Inc. and Wedbush Securities Inc. and authorize the List for a term of two years through October 31, 2019, as required by OCFA's Investment Policy.

##### **C. 2017 Long Term Liability Study & Accelerated Pension Payment Plan (F: 17.06A)**

Assistant Chief Lori Zeller introduced Treasurer Tricia Jakubiak who provided a PowerPoint overview of the study and the positive impact of the accelerated paydown plan.

On motion of Director Murray and second by Director Swift, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Board

of Directors meeting of October 26, 2017, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Direct staff to continue the Accelerated 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 available unencumbered funds identified in the FY 2016/17 financial audit to OCFA's unfunded pension liability.

#### **D. Special Procurement Contract for Behavioral Health Services (F: 18.10M)**

Risk Manager Jonathan Wilby provided a PowerPoint on the need and positive impacts of utilizing specialized behavioral health services for public safety employees, their families/care givers, and retirees.

On motion of Director Murray and second by Director Ta, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Board of Directors meeting of October 26, 2017, with the Committee's recommendation that the Board of Directors:

1. Approve and authorize the Purchasing Manager to enter an agreement with The Counseling Team International for behavioral health services for a three-year period with the option of two additional one-year renewals, in an amount not to exceed \$150,000 annually (\$450,000 during the initial three-year period).
2. Approve the budget adjustment in the General Fund (Fund 121) increasing appropriations in the amount of \$150,000.

#### **REPORTS**

No items.

#### **COMMITTEE MEMBER COMMENTS (F: 12.02B4)**

Director Swift thanked Public Information Officer Larry Kurtz, for his good work in reporting on the Canyon Fires, and thanked firefighters and staff for their hard work during this fire season.

Chair Sachs reminded everyone of the upcoming OCFA Fire Station Open House at selected locations on Saturday, October 14, 2017.

**ADJOURNMENT** – Chair Sachs adjourned the meeting at 1:18 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, November 8, 2017, at 12:00 noon.

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



**Orange County Fire Authority**  
**AGENDA STAFF REPORT**

**Budget and Finance Committee Meeting**  
**November 8, 2017**

**Agenda Item No. 3A**  
**Consent Calendar**

**Annual Statement of Investment Policy and Investment Authorization**

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**Contact(s) for Further Information**

Lori Zeller, Assistant Chief  
Business Services Department

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Tricia Jakubiak, Treasurer  
Treasury & Financial Planning

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**Summary**

This annual 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 16, 2017, 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, 2018.
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, 2018.

**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 last year's Investment Policy.

The Proposed Investment Policy is attached for review and approval, to be effective January 1, 2018.

***Status of Orange County Investment Pool (OCIP) Review***

On November 17, 2016, Director Bartlett (County of Orange) requested staff to explore using the Orange County Investment Pool (OCIP) as an additional investment option for OCFA. Below is the timeline of actions that have taken place to date:

OCIP Review Timeline

|          |  |
|----------|--|
| 11/17/16 | Request by Director Bartlett to explore OCIP as an investment option for OCFA  |
| 12/13/16 | A list of due diligence questions was sent to the OC Treasurer   |
| 03/09/17 | Response received from OC Treasurer  |
| 05/04/17 | OCFA staff completed review of the OC Treasurer's materials and sent the OC Treasurer a list of follow-up questions/clarifications |

Once the requested follow-up materials are received from the Orange County Treasurer, staff will bring the item forward to the Budget and Finance Committee for its review. Government sponsored Investment Pools are listed as Authorized Investments under Section 12 of OCFA's Investment Policy.

**Attachment(s)**

Proposed Investment Policy (to be effective January 1, 2018)



# **ORANGE COUNTY FIRE AUTHORITY**

## **INVESTMENT POLICY**

**Calendar Year 2018**

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## 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 last year's Investment Policy.





## INVESTMENT POLICY

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## 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 not: (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, or Fire Chief's designee.

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 agendaized 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. They 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 8, 2017**

**Agenda Item No. 4A**  
**Discussion Calendar**

**Monthly Investment Reports**

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**Contact(s) for Further Information**

|   |  |              |
|---|--|--------------|
| Tricia Jakubiak, Treasurer<br>Treasury & Financial Planning | <a href="mailto:triciajakubiak@ocfa.org">triciajakubiak@ocfa.org</a> | 714.573.6301 |
| Jane Wong, Assistant Treasurer                              | <a href="mailto:jane Wong@ocfa.org">jane Wong@ocfa.org</a>           | 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 16, 2017, 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, 2017. A preliminary investment report as of October 20, 2017, 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 2017/Preliminary Report – October 2017

# *Orange County Fire Authority Monthly Investment Report*



*Final Report – September 2017*

*Preliminary Report – October 2017*



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***Orange County Fire Authority***

***Final Investment Report***

***September 30, 2017***



## **EXECUTIVE SUMMARY**

### ***Portfolio Activity & Earnings***

During the month of September 2017, the size of the portfolio continued to decline from \$145.1 million to \$141.3 million; this declining trend in the portfolio balance is typical and will reverse with the first round of major property tax receipts expected in November & December. Significant receipts for the month included quarterly cash contract payments, the first apportionment of unsecured property taxes, intergovernmental agency payments, and charges for current services totaling \$22.0 million. Significant disbursements for the month included primarily two biweekly payrolls which were approximately \$11.5 million each with related benefits. Total September cash outflows amounted to approximately \$26.6 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) edged down by 1 basis point to 1.03%. The effective rate of return remained unchanged at 1.02% for the month and at 1.03% for the fiscal year to date. The average maturity of the portfolio shortened by 12 days to 81 days to maturity.

### ***Economic News***

The U.S. economy appeared to improve further in September 2017, despite some immediate impacts from Hurricanes Irma and Harvey. The employment report for September was weak, as expected, due to the Hurricanes, but overall conditions remained solid. A decline of 33,000 jobs was reported for September. On the other hand, the unemployment rate improved a couple of notches to 4.2% from 4.4% previously. Both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index edged down slightly, but are still at a high level. Retail sales increased nearing expectations. Both manufacturing and non-manufacturing activity continued to grow for the month. Durable goods orders picked up more than expected while industrial production also rose. Housing activity improved in September. The CPI (Consumer Price Index) continued to climb, but longer term inflation remained low. Current expectations remain that the next rate increase will take place at the Fed's December meeting.





**BENCHMARK COMPARISON AS OF SEPTEMBER 30, 2017**

3 Month T-Bill: 1.05%

1 Year T-Bill: 1.28%

6 Month T-Bill: 1.17%

LAIF: 1.11%

OCFA Portfolio: 1.02%

**PORTFOLIO SIZE, YIELD, & DURATION**

|                             | <u>Current Month</u> | <u>Prior Month</u> | <u>Prior Year</u> |
|-----------------------------|----------------------|--------------------|-------------------|
| Book Value-                 | \$141,285,259        | \$145,096,004      | \$141,183,986     |
| Yield to Maturity (365 day) | 1.03%                | 1.04%              | 0.57%             |
| Effective Rate of Return    | 1.02%                | 1.02%              | 0.62%             |
| Days to Maturity            | 81                   | 93                 | 105               |



ORANGE COUNTY FIRE AUTHORITY  
Portfolio Management  
Portfolio Summary  
September 30, 2017

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

(See Note 1 on page 9)

(See Note 2 on page 9)

| Investments                      | Par Value             | Market Value          | Book Value            | % of Portfolio | Term       | Days to Maturity | YTM/C 360 Equiv. | YTM/C 365 Equiv. |
|----------------------------------|-----------------------|-----------------------|-----------------------|----------------|------------|------------------|------------------|------------------|
| Money Mkt Mutual Funds/Cash      | 14,330,611.36         | 14,330,611.36         | 14,330,611.36         | 10.13          | 1          | 1                | 0.533            | 0.540            |
| Federal Agency Coupon Securities | 35,000,000.00         | 34,913,290.00         | 35,003,132.00         | 24.74          | 971        | 293              | 1.117            | 1.133            |
| Federal Agency Disc. -Amortizing | 9,000,000.00          | 8,995,590.00          | 8,995,653.75          | 6.36           | 183        | 19               | 0.932            | 0.945            |
| Treasury Coupon Securities       | 9,000,000.00          | 8,997,750.00          | 8,999,545.83          | 6.36           | 209        | 45               | 0.904            | 0.916            |
| Treasury Discounts -Amortizing   | 10,000,000.00         | 9,983,800.00          | 9,982,500.00          | 7.06           | 170        | 60               | 1.055            | 1.070            |
| Local Agency Investment Funds    | 64,173,154.34         | 64,111,681.01         | 64,173,154.34         | 45.36          | 1          | 1                | 1.096            | 1.111            |
| <b>Investments</b>               | <b>141,503,765.70</b> | <b>141,332,722.37</b> | <b>141,484,597.28</b> | <b>100.00%</b> | <b>278</b> | <b>81</b>        | <b>1.019</b>     | <b>1.033</b>     |

Cash

(See Note 4 on page 9)

|  |                       |                       |                       |  |            |           |              |              |
|--|-----------------------|-----------------------|-----------------------|--|------------|-----------|--------------|--------------|
| Passbook/Checking (not included in yield calculations) | 6,665.38              | 6,665.38              | 6,665.38              |  | 1          | 1         | 0.000        | 0.000        |
| <b>Total Cash and Investments</b>                      | <b>141,510,431.08</b> | <b>141,339,387.75</b> | <b>141,491,262.66</b> |  | <b>278</b> | <b>81</b> | <b>1.019</b> | <b>1.033</b> |

| Total Earnings                  | September 30 Month Ending | Fiscal Year To Date   |
|---------------------------------|---------------------------|-----------------------|
| Current Year                    | 119,923.46                | 409,957.01            |
| <b>Average Daily Balance</b>    | <b>143,080,941.48</b>     | <b>158,178,667.07</b> |
| <b>Effective Rate of Return</b> | <b>1.02%</b>              | <b>1.03%</b>          |

"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, 2017. 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."

Patricia Jakubak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)

\$ 141,491,262.66

GASB 31 Adjustment to Books (See Note 3 on page 9)

\$ (206,003.82)

Total

\$ 141,285,258.84

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**September 30, 2017**

(See Note 1 on page 9)

(See Note 2 on page 9)

| CUSIP                                   | Investment # | Issuer                                    | Average Balance       | Purchase Date       | Par Value             | Market Value          | Book Value            | Stated Rate | YTM/C 365    | Days to Maturity | Maturity Date |
|---|--------------|---|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|-------------|--------------|------------------|---------------|
| <b>Money Mkt Mutual Funds/Cash</b>      |              |   |                       |                     |                       |                       |                       |             |              |                  |               |
| (See Note 4 on page 9)                  |              |   |                       |                     |                       |                       |                       |             |              |                  |               |
| SYS528                                  | 528          | Federated Treasury Obligations            |                       |                     | 14,330,611.36         | 14,330,611.36         | 14,330,611.36         | 0.540       | 0.540        | 1                |               |
| <b>Subtotal and Average</b>             |              |   | <b>9,234,465.44</b>   |                     | <b>14,330,611.36</b>  | <b>14,330,611.36</b>  | <b>14,330,611.36</b>  |             | <b>0.540</b> | <b>1</b>         |               |
| <b>Federal Agency Coupon Securities</b> |              |   |                       |                     |                       |                       |                       |             |              |                  |               |
| 3133EFJP3                               | 869          | Federal Farm Credit Bank Callable Anytime |                       | 10/15/2015          | 10,000,000.00         | 9,976,100.00          | 10,000,000.00         | 1.100       | 1.054        | 379              | 10/15/2018    |
| 3133EGPD1                               | 921          | Federal Farm Credit Bank Callable Anytime |                       | 04/20/2017          | 7,000,000.00          | 6,946,100.00          | 7,000,000.00          | 1.180       | 1.375        | 669              | 08/01/2019    |
| 3134G7FK2                               | 863          | Fed Home Loan Mtg Corp                    |                       | 06/30/2015          | 9,000,000.00          | 8,989,560.00          | 9,000,000.00          | 1.100       | 1.065        | 173              | 03/23/2018    |
| 3134GBHT2                               | 922          | Fed Home Loan Mtg Corp Callable           |                       | 10-25-17 04/25/2017 | 9,000,000.00          | 9,001,530.00          | 9,003,132.00          | 1.625       | 1.100        | 24               | 10/25/2019    |
| <b>Subtotal and Average</b>             |              |   | <b>35,005,024.25</b>  |                     | <b>35,000,000.00</b>  | <b>34,913,290.00</b>  | <b>35,003,132.00</b>  |             | <b>1.133</b> | <b>293</b>       |               |
| <b>Federal Agency Disc. -Amortizing</b> |              |   |                       |                     |                       |                       |                       |             |              |                  |               |
| 313397NE7                               | 919          | Freddie Mac                               |                       | 04/20/2017          | 9,000,000.00          | 8,995,590.00          | 8,995,653.75          | 0.915       | 0.945        | 19               | 10/20/2017    |
| <b>Subtotal and Average</b>             |              |   | <b>17,390,627.13</b>  |                     | <b>9,000,000.00</b>   | <b>8,995,590.00</b>   | <b>8,995,653.75</b>   |             | <b>0.945</b> | <b>19</b>        |               |
| <b>Treasury Coupon Securities</b>       |              |   |                       |                     |                       |                       |                       |             |              |                  |               |
| 912828G20                               | 920          | Treasury Note                             |                       | 04/20/2017          | 9,000,000.00          | 8,997,750.00          | 8,999,545.83          | 0.875       | 0.916        | 45               | 11/15/2017    |
| <b>Subtotal and Average</b>             |              |   | <b>8,999,399.49</b>   |                     | <b>9,000,000.00</b>   | <b>8,997,750.00</b>   | <b>8,999,545.83</b>   |             | <b>0.916</b> | <b>45</b>        |               |
| <b>Treasury Discounts -Amortizing</b>   |              |   |                       |                     |                       |                       |                       |             |              |                  |               |
| 912796ME6                               | 923          | US Treasury Bill                          |                       | 06/13/2017          | 10,000,000.00         | 9,983,800.00          | 9,982,500.00          | 1.050       | 1.070        | 60               | 11/30/2017    |
| <b>Subtotal and Average</b>             |              |   | <b>9,978,270.83</b>   |                     | <b>10,000,000.00</b>  | <b>9,983,800.00</b>   | <b>9,982,500.00</b>   |             | <b>1.070</b> | <b>60</b>        |               |
| <b>Local Agency Investment Funds</b>    |              |   |                       |                     |                       |                       |                       |             |              |                  |               |
| SYS336                                  | 336          | Local Agency Invstmt Fund                 |                       |                     | 64,173,154.34         | 64,111,681.01         | 64,173,154.34         | 1.111       | 1.111        | 1                |               |
| <b>Subtotal and Average</b>             |              |   | <b>62,473,154.34</b>  |                     | <b>64,173,154.34</b>  | <b>64,111,681.01</b>  | <b>64,173,154.34</b>  |             | <b>1.111</b> | <b>1</b>         |               |
| <b>Total and Average</b>                |              |   | <b>143,080,941.48</b> |                     | <b>141,503,765.70</b> | <b>141,332,722.37</b> | <b>141,484,597.28</b> |             | <b>1.033</b> | <b>81</b>        |               |

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**September 30, 2017**

| CUSIP                              | Investment # | Issuer                 | Average<br>Balance    | Purchase<br>Date | Par Value             | Market Value          | Book Value            | Stated<br>Rate         | YTM/C<br>365 | Days to<br>Maturity |
|------------------------------------|--------------|------------------------|-----------------------|------------------|-----------------------|-----------------------|-----------------------|------------------------|--------------|---------------------|
| <b>Money Mkt Mutual Funds/Cash</b> |              |                        |                       |                  |                       |                       |                       |                        |              |                     |
| SYS10033                           | 10033        | Revolving Fund         |                       | 07/01/2017       | 20,000.00             | 20,000.00             | 20,000.00             |                        | 0.000        | 1                   |
| SYS4                               | 4            | Union Bank             |                       | 07/01/2017       | -13,334.62            | -13,334.62            | -13,334.62            | (See Note 4 on page 9) | 0.000        | 1                   |
|                                    |              | <b>Average Balance</b> | <b>0.00</b>           |                  |                       |                       |                       |                        |              | <b>1</b>            |
| <b>Total Cash and Investments</b>  |              |                        | <b>143,080,941.48</b> |                  | <b>141,510,431.08</b> | <b>141,339,387.75</b> | <b>141,491,262.66</b> |                        | <b>1.033</b> | <b>81</b>           |

“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, 2017**

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

|                 |                     |                             |                |            | Maturity<br>Par Value | Percent<br>of Portfolio | Current<br>Book Value | Current<br>Market Value |
|-----------------|---------------------|-----------------------------|----------------|------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Aging Interval: | 0 days              | ( 10/01/2017 - 10/01/2017 ) | 4 Maturities   | 0 Payments | 78,510,431.08         | 55.49%                  | 78,510,431.08         | 78,448,957.75           |
| Aging Interval: | 1 - 30 days         | ( 10/02/2017 - 10/31/2017 ) | 1 Maturities   | 0 Payments | 9,000,000.00          | 6.36%                   | 8,995,653.75          | 8,995,590.00            |
| Aging Interval: | 31 - 60 days        | ( 11/01/2017 - 11/30/2017 ) | 2 Maturities   | 0 Payments | 19,000,000.00         | 13.42%                  | 18,982,045.83         | 18,981,550.00           |
| Aging Interval: | 61 - 91 days        | ( 12/01/2017 - 12/31/2017 ) | 0 Maturities   | 0 Payments | 0.00                  | 0.00%                   | 0.00                  | 0.00                    |
| Aging Interval: | 92 - 121 days       | ( 01/01/2018 - 01/30/2018 ) | 0 Maturities   | 0 Payments | 0.00                  | 0.00%                   | 0.00                  | 0.00                    |
| Aging Interval: | 122 - 152 days      | ( 01/31/2018 - 03/02/2018 ) | 0 Maturities   | 0 Payments | 0.00                  | 0.00%                   | 0.00                  | 0.00                    |
| Aging Interval: | 153 - 183 days      | ( 03/03/2018 - 04/02/2018 ) | 1 Maturities   | 0 Payments | 9,000,000.00          | 6.36%                   | 9,000,000.00          | 8,989,560.00            |
| Aging Interval: | 184 - 274 days      | ( 04/03/2018 - 07/02/2018 ) | 0 Maturities   | 0 Payments | 0.00                  | 0.00%                   | 0.00                  | 0.00                    |
| Aging Interval: | 275 - 365 days      | ( 07/03/2018 - 10/01/2018 ) | 0 Maturities   | 0 Payments | 0.00                  | 0.00%                   | 0.00                  | 0.00                    |
| Aging Interval: | 366 - 1095 days     | ( 10/02/2018 - 09/30/2020 ) | 3 Maturities   | 0 Payments | 26,000,000.00         | 18.38%                  | 26,003,132.00         | 25,923,730.00           |
| Aging Interval: | 1096 days and after | ( 10/01/2020 - )            | 0 Maturities   | 0 Payments | 0.00                  | 0.00%                   | 0.00                  | 0.00                    |
| Total for       |                     |                             | 11 Investments | 0 Payments |                       | 100.00                  | 141,491,262.66        | 141,339,387.75          |





**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, 2017 includes a decrease of (\$68,353) to the LAIF investment and a decrease of (\$137,651) 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, 2017, OCFA has \$64,173,154 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, 2017 is 0.999042071. When applied to OCFA's LAIF investment, the fair value is \$64,111,681 or (\$61,473) below cost. Although the fair value of the LAIF investment is lower 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, 2017 is included on the following page.





**State of California**  
**Pooled Money Investment Account**  
**Market Valuation**  
**9/30/2017**

| Description                    | Carrying Cost Plus   |        |                      |                      |
|--------------------------------|----------------------|--------|----------------------|----------------------|
|                                | Accrued Interest     | Purch. | Amortized Cost       | Fair Value           |
| 1* United States Treasury:     |                      |        |                      |                      |
| Bills                          | \$ 14,674,811,264.34 |        | \$ 14,728,634,539.67 | \$ 14,723,448,000.00 |
| Notes                          | \$ 18,827,121,137.72 |        | \$ 18,825,793,811.24 | \$ 18,779,355,000.00 |
| 1* Federal Agency:             |                      |        |                      |                      |
| SBA                            | \$ 882,001,016.40    |        | \$ 882,001,016.40    | \$ 872,264,699.96    |
| MBS-REMICs                     | \$ 36,639,144.19     |        | \$ 36,639,144.19     | \$ 38,144,662.40     |
| Debentures                     | \$ 1,328,997,141.66  |        | \$ 1,328,621,620.83  | \$ 1,324,530,000.00  |
| Debentures FR                  | \$ -                 |        | \$ -                 | \$ -                 |
| Debentures CL                  | \$ 250,000,000.00    |        | \$ 250,000,000.00    | \$ 249,152,500.00    |
| Discount Notes                 | \$ 9,694,389,458.06  |        | \$ 9,721,523,694.20  | \$ 9,720,621,000.00  |
| GNMA                           | \$ -                 |        | \$ -                 | \$ -                 |
| 1* Supranational Debentures    | \$ 450,315,184.02    |        | \$ 450,217,961.80    | \$ 448,745,000.00    |
| 1* Supranational Debentures FR | \$ 50,000,000.00     |        | \$ 50,000,000.00     | \$ 50,075,500.00     |
| 2* CDs and YCDs FR             | \$ 625,000,000.00    |        | \$ 625,000,000.00    | \$ 625,000,000.00    |
| 2* Bank Notes                  | \$ 700,000,000.00    |        | \$ 700,000,000.00    | \$ 699,891,966.88    |
| 2* CDs and YCDs                | \$ 12,325,000,000.00 |        | \$ 12,325,000,000.00 | \$ 12,323,151,274.56 |
| 2* Commercial Paper            | \$ 6,177,895,486.11  |        | \$ 6,189,905,611.10  | \$ 6,189,559,750.03  |
| 1* Corporate:                  |                      |        |                      |                      |
| Bonds FR                       | \$ -                 |        | \$ -                 | \$ -                 |
| Bonds                          | \$ -                 |        | \$ -                 | \$ -                 |
| 1* Repurchase Agreements       | \$ -                 |        | \$ -                 | \$ -                 |
| 1* Reverse Repurchase          | \$ -                 |        | \$ -                 | \$ -                 |
| Time Deposits                  | \$ 5,636,740,000.00  |        | \$ 5,636,740,000.00  | \$ 5,636,740,000.00  |
| AB 55 & GF Loans               | \$ 695,865,000.00    |        | \$ 695,865,000.00    | \$ 695,865,000.00    |
| TOTAL                          | \$ 72,354,774,832.50 |        | \$ 72,445,942,399.43 | \$ 72,376,544,353.83 |

Fair Value Including Accrued Interest

\$ 72,454,529,463.68

\* 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 (0.999042071).

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 \$19,980,841.43 or \$20,000,000.00 x 0.999042071.



*Orange County Fire Authority*

*Preliminary Investment Report*

*October 20, 2017*



ORANGE COUNTY FIRE AUTHORITY  
Portfolio Management  
Portfolio Summary  
October 20, 2017

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

(See Note 1 on page 18)

(See Note 2 on page 18)

| Investments                      | Par Value             | Market Value          | Book Value            | % of Portfolio | Term       | Days to Maturity | YTM/C 360 Equiv. | YTM/C 365 Equiv. |
|----------------------------------|-----------------------|-----------------------|-----------------------|----------------|------------|------------------|------------------|------------------|
| Money Mkt Mutual Funds/Cash      | 3,290,000.00          | 3,290,000.00          | 3,290,000.00          | 2.82           | 1          | 1                | 0.533            | 0.540            |
| Federal Agency Coupon Securities | 35,000,000.00         | 34,892,550.00         | 35,000,522.00         | 30.01          | 971        | 273              | 1.117            | 1.133            |
| Treasury Coupon Securities       | 9,000,000.00          | 8,998,830.00          | 8,999,747.68          | 7.72           | 209        | 25               | 0.904            | 0.916            |
| Treasury Discounts -Amortizing   | 10,000,000.00         | 9,989,700.00          | 9,988,333.33          | 8.56           | 170        | 40               | 1.055            | 1.070            |
| Local Agency Investment Funds    | 59,344,164.33         | 59,287,316.83         | 59,344,164.33         | 50.89          | 1          | 1                | 1.096            | 1.111            |
| <b>Investments</b>               | <b>116,634,164.33</b> | <b>116,458,396.83</b> | <b>116,622,767.34</b> | <b>100.00%</b> | <b>323</b> | <b>88</b>        | <b>1.068</b>     | <b>1.083</b>     |

Cash

|   |                       |                       |                       |  |            |           |              |              |
|---|-----------------------|-----------------------|-----------------------|--|------------|-----------|--------------|--------------|
| Passbook/Checking<br>(not included in yield calculations) | 333,961.58            | 333,961.58            | 333,961.58            |  | 1          | 1         | 0.000        | 0.000        |
| <b>Total Cash and Investments</b>                         | <b>116,968,125.91</b> | <b>116,792,358.41</b> | <b>116,956,728.92</b> |  | <b>323</b> | <b>88</b> | <b>1.068</b> | <b>1.083</b> |

| Total Earnings                  | October 20 Month Ending | Fiscal Year To Date   |
|---------------------------------|-------------------------|-----------------------|
| Current Year                    | 76,039.17               | 485,996.18            |
| <b>Average Daily Balance</b>    | <b>131,460,572.34</b>   | <b>153,407,578.72</b> |
| <b>Effective Rate of Return</b> | <b>1.06%</b>            | <b>1.03%</b>          |

"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, 2017. 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."

Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)

\$ 116,956,728.92

GASB 31 Adjustment to Books (See Note 3 on page 18)

\$ (206,003.82)

Total

\$ 116,750,725.10

# ORANGE COUNTY FIRE AUTHORITY

## Portfolio Management

### Portfolio Details - Investments

October 20, 2017

(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 |
|---|--------------|--|-----------------------|---------------|-----------------------|-----------------------|-----------------------|-------------|--------------|------------------|---------------|
| <b>Money Mkt Mutual Funds/Cash</b>      |              |  |                       |               |                       |                       |                       |             |              |                  |               |
| SYS528                                  | 528          | Federated Treasury Obligations                       |                       |               | 3,290,000.00          | 3,290,000.00          | 3,290,000.00          | 0.540       | 0.540        | 1                |               |
|   |              | <b>Subtotal and Average</b>                          | <b>6,333,993.76</b>   |               | <b>3,290,000.00</b>   | <b>3,290,000.00</b>   | <b>3,290,000.00</b>   |             | <b>0.540</b> | <b>1</b>         |               |
| <b>Federal Agency Coupon Securities</b> |              |  |                       |               |                       |                       |                       |             |              |                  |               |
| 3133EFJP3                               | 869          | Federal Farm Credit Bank Callable Anytime 10/15/2015 |                       |               | 10,000,000.00         | 9,970,000.00          | 10,000,000.00         | 1.100       | 1.054        | 359              | 10/15/2018    |
| 3133EGPD1                               | 921          | Federal Farm Credit Bank Callable Anytime 04/20/2017 |                       |               | 7,000,000.00          | 6,941,900.00          | 7,000,000.00          | 1.180       | 1.375        | 649              | 08/01/2019    |
| 3134G7FK2                               | 863          | Fed Home Loan Mtg. Corp 06/30/2015                   |                       |               | 9,000,000.00          | 8,992,170.00          | 9,000,000.00          | 1.100       | 1.065        | 153              | 03/23/2018    |
| 3134GBHT2                               | 922          | Fed Home Loan Mtg Corp Callable 10-25-17 04/25/2017  |                       |               | 9,000,000.00          | 8,988,480.00          | 9,000,522.00          | 1.625       | 1.100        | 4                | 10/25/2019    |
|   |              | <b>Subtotal and Average</b>                          | <b>35,001,761.75</b>  |               | <b>35,000,000.00</b>  | <b>34,892,550.00</b>  | <b>35,000,522.00</b>  |             | <b>1.133</b> | <b>273</b>       |               |
| <b>Federal Agency Disc. -Amortizing</b> |              |  |                       |               |                       |                       |                       |             |              |                  |               |
|   |              | <b>Subtotal and Average</b>                          | <b>8,548,044.19</b>   |               |                       |                       |                       |             |              |                  |               |
| <b>Treasury Coupon Securities</b>       |              |  |                       |               |                       |                       |                       |             |              |                  |               |
| 912828G20                               | 920          | Treasury Note  |                       | 04/20/2017    | 9,000,000.00          | 8,998,830.00          | 8,999,747.68          | 0.875       | 0.916        | 25               | 11/15/2017    |
|   |              | <b>Subtotal and Average</b>                          | <b>8,999,651.80</b>   |               | <b>9,000,000.00</b>   | <b>8,998,830.00</b>   | <b>8,999,747.68</b>   |             | <b>0.916</b> | <b>25</b>        |               |
| <b>Treasury Discounts -Amortizing</b>   |              |  |                       |               |                       |                       |                       |             |              |                  |               |
| 912796ME6                               | 923          | US Treasury Bill                                     |                       | 06/13/2017    | 10,000,000.00         | 9,989,700.00          | 9,988,333.33          | 1.050       | 1.070        | 40               | 11/30/2017    |
|   |              | <b>Subtotal and Average</b>                          | <b>9,985,562.50</b>   |               | <b>10,000,000.00</b>  | <b>9,989,700.00</b>   | <b>9,988,333.33</b>   |             | <b>1.070</b> | <b>40</b>        |               |
| <b>Local Agency Investment Funds</b>    |              |  |                       |               |                       |                       |                       |             |              |                  |               |
| SYS336                                  | 336          | Local Agency Invstmt Fund                            |                       |               | 59,344,164.33         | 59,287,316.83         | 59,344,164.33         | 1.111       | 1.111        | 1                |               |
|   |              | <b>Subtotal and Average</b>                          | <b>62,691,658.34</b>  |               | <b>59,344,164.33</b>  | <b>59,287,316.83</b>  | <b>59,344,164.33</b>  |             | <b>1.111</b> | <b>1</b>         |               |
|   |              | <b>Total and Average</b>                             | <b>131,460,672.34</b> |               | <b>116,634,164.33</b> | <b>116,458,396.83</b> | <b>116,622,767.34</b> |             | <b>1.083</b> | <b>88</b>        |               |

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**October 20, 2017**

| CUSIP                              | Investment # | Issuer                 | Average<br>Balance    | Purchase<br>Date | Par Value             | Market Value          | Book Value            | Stated<br>Rate | YTM/C<br>365 | Days to<br>Maturity |
|------------------------------------|--------------|------------------------|-----------------------|------------------|-----------------------|-----------------------|-----------------------|----------------|--------------|---------------------|
| <b>Money Mkt Mutual Funds/Cash</b> |              |                        |                       |                  |                       |                       |                       |                |              |                     |
| SYS10033                           | 10033        | Revolving Fund         |                       | 07/01/2017       | 20,000.00             | 20,000.00             | 20,000.00             |                | 0.000        | 1                   |
| SYS4                               | 4            | Union Bank             |                       | 07/01/2017       | 313,961.58            | 313,961.58            | 313,961.58            |                | 0.000        | 1                   |
|                                    |              | <b>Average Balance</b> | <b>0.00</b>           |                  |                       |                       |                       |                |              | <b>1</b>            |
| <b>Total Cash and Investments</b>  |              |                        | <b>131,460,572.34</b> |                  | <b>116,968,125.91</b> | <b>116,792,358.41</b> | <b>116,956,728.92</b> |                | <b>1.083</b> | <b>88</b>           |

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**ORANGE COUNTY FIRE AUTHORITY**  
**Aging Report**  
**By Maturity Date**  
**As of October 21, 2017**

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

|                 |                     |                             |                |            | Maturity<br>Par Value | Percent<br>of Portfolio | Current<br>Book Value | Current<br>Market Value |
|-----------------|---------------------|-----------------------------|----------------|------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Aging Interval: | 0 days              | ( 10/21/2017 - 10/21/2017 ) | 4 Maturities   | 0 Payments | 62,968,125.91         | 53.84%                  | 62,968,125.91         | 62,911,278.41           |
| Aging Interval: | 1 - 30 days         | ( 10/22/2017 - 11/20/2017 ) | 1 Maturities   | 0 Payments | 9,000,000.00          | 7.69%                   | 8,999,747.68          | 8,998,830.00            |
| Aging Interval: | 31 - 60 days        | ( 11/21/2017 - 12/20/2017 ) | 1 Maturities   | 0 Payments | 10,000,000.00         | 8.54%                   | 9,988,333.33          | 9,989,700.00            |
| Aging Interval: | 61 - 91 days        | ( 12/21/2017 - 01/20/2018 ) | 0 Maturities   | 0 Payments | 0.00                  | 0.00%                   | 0.00                  | 0.00                    |
| Aging Interval: | 92 - 121 days       | ( 01/21/2018 - 02/19/2018 ) | 0 Maturities   | 0 Payments | 0.00                  | 0.00%                   | 0.00                  | 0.00                    |
| Aging Interval: | 122 - 152 days      | ( 02/20/2018 - 03/22/2018 ) | 0 Maturities   | 0 Payments | 0.00                  | 0.00%                   | 0.00                  | 0.00                    |
| Aging Interval: | 153 - 183 days      | ( 03/23/2018 - 04/22/2018 ) | 1 Maturities   | 0 Payments | 9,000,000.00          | 7.70%                   | 9,000,000.00          | 8,992,170.00            |
| Aging Interval: | 184 - 274 days      | ( 04/23/2018 - 07/22/2018 ) | 0 Maturities   | 0 Payments | 0.00                  | 0.00%                   | 0.00                  | 0.00                    |
| Aging Interval: | 275 - 365 days      | ( 07/23/2018 - 10/21/2018 ) | 1 Maturities   | 0 Payments | 10,000,000.00         | 8.55%                   | 10,000,000.00         | 9,970,000.00            |
| Aging Interval: | 366 - 1095 days     | ( 10/22/2018 - 10/20/2020 ) | 2 Maturities   | 0 Payments | 16,000,000.00         | 13.68%                  | 16,000,522.00         | 15,930,380.00           |
| Aging Interval: | 1096 days and after | ( 10/21/2020 - )            | 0 Maturities   | 0 Payments | 0.00                  | 0.00%                   | 0.00                  | 0.00                    |
| Total for       |                     |                             | 10 Investments | 0 Payments |                       | 100.00                  | 116,956,728.92        | 116,792,358.41          |



**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, 2017 includes a decrease of (\$68,353) to the LAIF investment and a decrease of (\$137,651) 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 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.** 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**  
**November 8, 2017**

**Agenda Item No. 4B**  
**Discussion Calendar**

**Audited Financial Reports for the Fiscal Year Ended June 30, 2017**

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**Contact(s) for Further Information**

|  |  |              |
|--|--|--------------|
| Lori Zeller, Assistant Chief<br>Business Services Department | <a href="mailto:lorizeller@ocfa.org">lorizeller@ocfa.org</a>       | 714.573.6020 |
| Jim Ruane, Finance Manager/Auditor                           | <a href="mailto:jimruane@ocfa.org">jimruane@ocfa.org</a>           | 714.573.6304 |
| Tammie Pickens, General Accounting Manager                   | <a href="mailto:tammiepickens@ocfa.org">tammiepickens@ocfa.org</a> | 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, 2017, 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 16, 2017, 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, 2017
2. Financial Statements for the Year Ended June 30, 2017
3. Single Audit Report for the Year Ended June 30, 2017
4. Audit Communication Letter for the Year Ended June 30, 2017
5. Assigned Fund Balance Policy
6. Assigned Fund Balance Calculations as of June 30, 2017 for:
  - A. Capital Improvement Program
  - B. Workers Compensation
7. Calculation of Uneuncumbered Fund Balance as of June 30, 2017

## **Background**

### ***Financial Audit and Reports***

Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, performed OCFA's annual financial audit for Fiscal Year 2016/17. 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 2016/17 audit reports are being submitted for approval:

- **Comprehensive Annual Financial Report (CAFR)** (Attachment 1) – OCFA's Finance Division staff has prepared the CAFR for the fiscal year ended June 30, 2017, 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.
- **Single Audit Report** (Attachment 3) – This report includes a review of federal grant funds expended by OCFA during the fiscal year. The major program selected for more in-depth testing was the National Urban Search & Rescue Response System. 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 its major federal program. In addition, the auditors did not identify any significant deficiencies or material weaknesses in internal control over financial reporting, compliance, or other matters.
- **Audit Communication Letter** (Attachment 4) – 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 5), 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, 2017, includes assignments for the capital improvement program (\$49,146,633) and workers' compensation (\$75,375,829), with detailed calculations included as Attachments 6A and 6B.

While closing out the fiscal year, a preliminary calculation indicated that net resources had accumulated in the Communications and Information Systems fund in excess of projects identified in the upcoming five-year capital improvement program. In accordance with the *Assigned Fund Balance Policy*, this excess amount totaling \$5,552,492 was transferred back to the General Fund and has been excluded from the final calculation of fund balance assigned for the capital improvement program as of June 30, 2017. More information regarding this interfund transfer can be found in the Notes to the Financial Statements No. 14 (Attachment 1).

#### ***Net Pension Liability vs. Unfunded Actuarial Accrued Liability***

OCFA has implemented Governmental Accounting Standards Board (GASB) Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These 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 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 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, 2016, funding valuation totaled \$400 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, 2017, audited financial statements totaled \$469 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 \$69 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:

|  | <b>Rate Group<br/>#8<br/>(Safety)</b> | <b>Rate Group<br/>#10<br/>(General)</b> | <b>OCFA Total</b>      |
|--|---------------------------------------|---|------------------------|
| <b>Liability Reconciliation</b>  |                                       |   |                        |
| Actuarial accrued liability (L1)                                       | \$1,514,438,000                       | \$207,562,000                           | \$1,722,000,000        |
| Gains (losses) from lower (higher)<br>than expected:                   |                                       |   |                        |
| Salary increases   | 1,080,000                             | (298,000)                               | 782,000                |
| Cost of living increases   | 18,011,000                            | 2,191,000                               | 20,202,000             |
| Change in data and process   | 1,390,000                             | 1,316,000                               | 2,706,000              |
| Other experience gain or (loss)  | 1,982,000                             | (3,128,000)                             | (1,146,000)            |
| Gain (loss) from rolled forward to actual liabilities                  | 1,520,214                             | (6,723)                                 | 1,513,491              |
| <b>Total pension liability (L2)</b>                                    | <b>\$1,538,421,214</b>                | <b>\$207,636,277</b>                    | <b>\$1,746,057,491</b> |
|  |                                       |   |                        |
| <b>Asset Reconciliation</b>  |                                       |   |                        |
| Valuation of assets (A1)   | \$1,175,934,000                       | \$145,632,000                           | \$1,321,566,000        |
| Adjustment for deferred investment return<br>and non-valuation reserve | (39,987,028)                          | (4,952,141)                             | (44,939,169)           |
| <b>Market value of assets (A2)</b>                                     | <b>\$1,135,946,972</b>                | <b>\$140,679,859</b>                    | <b>\$1,276,626,831</b> |
|  |                                       |   |                        |
| <b>Net Reconciliation</b>  |                                       |   |                        |
| Unfunded Actuarial Accrued Liability (UAAL)<br>(L1-A1)                 | \$338,504,000                         | \$61,930,000                            | \$400,434,000          |
|  |                                       |   |                        |
| <b>Net Pension Liability (NPL) (L2-A2)</b>                             | <b>\$402,474,242</b>                  | <b>\$66,956,418</b>                     | <b>\$469,430,660</b>   |
|  |                                       |   |                        |
| <b>Net Difference</b>  | <b>\$63,970,242</b>                   | <b>\$5,026,418</b>                      | <b>\$68,996,660</b>    |
|  |                                       |   |                        |
| <b>Difference in Liabilities</b>                                       | <b>\$23,983,214</b>                   | <b>\$74,277</b>                         | <b>\$24,057,491</b>    |
| <b>Difference in Assets</b>  | <b>\$39,987,028</b>                   | <b>\$4,952,141</b>                      | <b>\$44,939,169</b>    |



### ***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 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, 2017, the unencumbered fund balance is \$14,174,516 (Attachment 7), which is 4.05% of the General Operating Fund budget for Fiscal Year 2017/18. 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 2018.

# ORANGE COUNTY FIRE AUTHORITY

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

### FISCAL YEAR ENDED JUNE 30, 2017



Orange County, California  
Business Services Department / Finance Division





# **Orange County Fire Authority Comprehensive Annual Financial Report Year ended June 30, 2017**

## **Board of Directors** As of June 2017

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

**Ed Sachs, Vice Chair**  
City of Mission Viejo  
*(Board Member Since 2015)*

**Dave Harrington**  
City of Aliso Viejo  
*(Board Member Since 2017)*

**Leah Basile**  
City of Lake Forest  
*(Board Member Since 2017)*

**David Shawver**  
City of Stanton  
*(Board Member Since 1995)*

**Rob Johnson**  
City of Cypress  
*(Board Member Since 2013)*

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

**Al Murray**  
City of Tustin  
*(Board Member Since 2011)*

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

**Craig Green**  
City of Placentia  
*(Board Member Since 2015)*

**Bill Nelson**  
City of Villa Park  
*(Board Member Since 2017)*

**Melissa Fox**  
City of Irvine  
*(Board Member Since 2017)*

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

**Tri Ta**  
City of Westminster  
*(Board Member Since 2009)*

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

**Tim Brown**  
City of San Clemente  
*(Board Member Since 2017)*

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

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

**Sergio Farias**  
City of San Juan Capistrano  
*(Board Member Since 2017)*

**Lisa Bartlett**  
County of Orange  
*(Board Member Since 2015)*

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

**Juan Villegas**  
City of Santa Ana  
*(Board Member Since 2016)*

**Todd Spitzer**  
County of Orange  
*(Board Member Since 2013)*

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

**Ellery Deaton**  
City of Seal Beach  
*(Board Member Since 2017)*

**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, 2017**

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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**

**(714) 573-6000**

**[www.ocfa.org](http://www.ocfa.org)**

October 18, 2017

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, 2017. This report consists of management's representations concerning the finances of the OCFA and is presented using the financial reporting model outlined in statements issued by the Governmental Accounting Standards Board (GASB). 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 Vavrinek, Trine, Day & Company, 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, 2017, 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.

Serving the Cities of: Aliso Viejo • Buena Park • Cypress • Dana Point • Irvine • Laguna Hills • Laguna Niguel • Laguna Woods • Lake Forest • La Palma • Los Alamitos • Mission Viejo • Placentia • Rancho Santa Margarita • San Clemente • San Juan Capistrano • Santa Ana • Seal Beach • Stanton • Tustin • Villa Park • Westminster • Yorba Linda and Unincorporated Areas of Orange County

**RESIDENTIAL SPRINKLERS AND SMOKE ALARMS SAVE LIVES**

## **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<sup>1</sup>**

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.

<sup>1</sup> Portions throughout this section obtained from the *2017 Community Indicators Report* published by the Children & Families Commission of Orange County, released May 2017. The report may be viewed in its entirety at [http://occhildrenandfamilies.com/wp-content/uploads/2014/12/OCCIR\\_2017\\_web.pdf](http://occhildrenandfamilies.com/wp-content/uploads/2014/12/OCCIR_2017_web.pdf).

### **Population and Demographics:**

Residents over the age of sixty-five currently comprise 14% of Orange County's population, a number that is expected to rise to 26% by the year 2040. All other age groups are expected to proportionately shrink in comparison. This growth in Orange County's senior population mirrors national trends, but is somewhat more pronounced and may have significant ramifications. Having fewer residents of working age may impact the long-term ability to sustain schools, pensions, and other government support to members of the community. The ratio of working age residents to dependent residents (ages 0-17 and 65+) was two-to-one in 2016, but is projected to be one-to-one by the year 2040.

### **Employment and Income:**

Orange County's unemployment rate has achieved pre-recession levels and continues to fall. The unemployment rate in December 2016 was 3.5%, which was well below the ten-year high of 10.1% from March 2010. There has been a positive trend in job growth, with Orange County's four largest employment sectors – health services, tourism, construction, and business/professional – all adding jobs since the end of the recession. The median annual salary for all occupations is \$39,769, while the medium household income is \$78,428 as most households require two incomes in order to afford housing within the county.

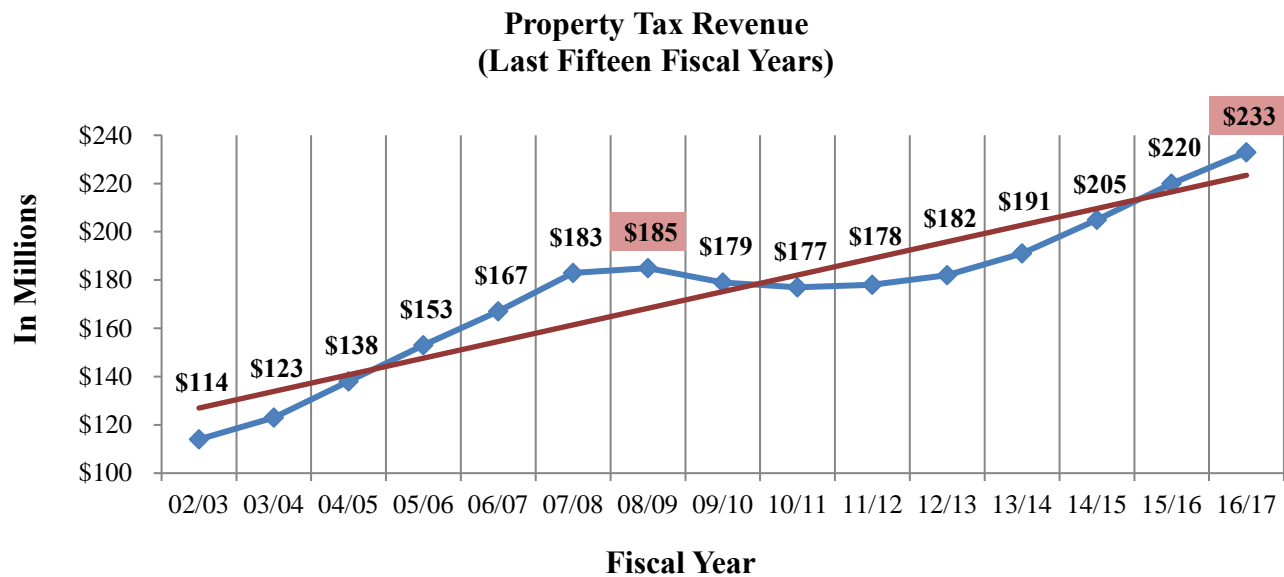
Orange County does experience geographic concentrations of wealth and poverty. Approximately 34% of neighborhoods have high concentrations of families that are considered financially challenged based on their income, employment status, and housing expenses. This is an improvement from 37% reported in the previous year, as the decline in the unemployment rate has helped to improve the financial stability of these residents.

### **Housing Affordability:**

There continues to be a shortage of affordable housing in Orange County. The median price for a single-family home in Orange County was \$745,000 in December 2016, an increase of 6.4% from the prior year. As home prices have continued to rise, the number of Orange County households that can afford to purchase at this price has remained static at 43%. First-time homebuyers need a minimum household income of \$92,000 in order to qualify to purchase a single-family home priced at 85% of the Orange County median. The issuance of building permits and new construction have not kept pace with job growth, especially for those with low or very low incomes, since most homes are being built for those with higher incomes. As housing and rental markets remain undersupplied, those with lower-paying jobs continue to be priced out of the market. Many younger and middle-aged adults and families are migrating to other parts of the state and country in search of more affordable housing and a lower cost of living. If this trend continues, there will be a greater social burden placed on the remaining workforce to support the growing older adult population.

### **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 61.9% of the OCFA's total governmental funds revenues in Fiscal Year 2016/17. As shown in the chart below, OCFA's property tax revenues have been steadily increasing post-recession for the last six fiscal years.



Property tax revenues in Fiscal Year 2016/17 totaling \$233 million surpassed the pre-recession peak from Fiscal Year 2008/09 by over \$48 million (26.1%). 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 December 2016, Orange County's median single family home price was \$745,000. 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. 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). The policy was updated in 2017 to include guidance on facilitating the accelerated payment of OCFA’s unfunded liabilities for improved fiscal health.

**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:

| <b>Strategic Objectives</b>   |
|---|
| 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.

**Emergency Medical Services (EMS) Delivery Enhancements** – 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. When a medical-related incident is dispatched, the configuration of the involved units determines how many units respond. If the unit is a four-person Paramedic Engine or Paramedic Truck, that single unit responds to the incident. However, if a three-person Basic Life Support (BLS) Unit or a Paramedic Assessment Unit (PAU) is dispatched, then a second paramedic unit is required to also respond. The need to have multiple units respond to a single incident has an impact on resource availability within the OCFA delivery area, as well as neighboring agencies. To address these and other concerns, the Board of Directors 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 annual financial impact totaled approximately \$860,000 to account for additional paramedic specialty skill compensation and the addition of one firefighter paramedic post 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 annual financial impact totaled approximately \$375,000 to account for additional paramedic specialty skill compensation.

- In March 2017, “Phase 3” was implemented in the cities of Buena Park, Cypress, Laguna Niguel, Los Alamitos, Placentia, San Clemente, Seal Beach, and Tustin. Unit reconfigurations included the conversion of four paramedic vans, eight paramedic assessment engines, and four basic life support engines to twelve paramedic engines. The annual financial impact totaled approximately \$2.1 million to account for additional paramedic specialty skill compensation and the addition of four firefighter paramedic post positions. The pro-rated financial impact of the implementation on Fiscal Year 2016/17 was approximately \$685,000.

The desired outcome of EMS delivery enhancements is measured by response data, which continues to be evaluated at six-month intervals. Following is a summary of the enhancements in effect during Fiscal Year 2016/17.

| Phase       | City                              | From  | To  |
|-------------|-----------------------------------|---|---|
| Phase One   | Dana Point                        | PAU Engine 30   | Paramedic Engine 30   |
|             | Laguna Niguel                     | PAU Truck 49  | Paramedic Truck 49  |
|             | Tustin                            | PAU Truck 43  | Paramedic Truck 43  |
|             | Yorba Linda                       | Medic 32  | Paramedic Engine 32<br>Paramedic Engine 10  |
| Phase Two   | Irvine                            | PAU Engine 4 / Medic 4<br>PAU Engine 26 / Medic 26<br>PAU Engine 28<br>PAU Engine 38 / Medic 38<br>PAU Engine 47<br>PAU Engine 55 | Paramedic Engine 4<br>Paramedic Engine 26<br>Paramedic Engine 28<br>Paramedic Engine 38<br>Paramedic Engine 47<br>Paramedic Engine 55 |
|             | Lake Forest                       | PAU Engine 54   | Paramedic Engine 54   |
|             | Mission Viejo                     | PAU Engine 31 / Medic 31  | Paramedic Engine 31   |
|             | Santa Ana                         | PAU Engine 70<br>PAU Truck 76<br>PAU Engine 77 / Medic 77<br>PAU Engine 78 / Medic 78<br>PAU Engine 79                            | Paramedic Engine 70<br>Paramedic Truck 76<br>Paramedic Engine 77<br>Paramedic Engine 78<br>Paramedic Engine 79                        |
|             | Buena Park                        | PAU Engine 63   | Paramedic Engine 63   |
|             | Cypress                           | BLS Engine 17 / Medic 17  | Paramedic Engine 17   |
| Phase Three | Laguna Niguel                     | BLS Engine 5 / Medic 5<br>PAU Engine 39   | Paramedic Engine 5<br>Paramedic Engine 39   |
|             | Los Alamitos                      | PAU Engine 2  | Paramedic Engine 2  |
|             | Placentia                         | PAU Engine 35   | Paramedic Engine 35   |
|             | San Clemente                      | PAU Engine 50   | Paramedic Engine 50   |
|             | Seal Beach                        | PAU Engine 44<br>BLS Engine 48 / Medic 48   | Paramedic Engine 44<br>Paramedic Engine 48  |
|             | Tustin /<br>Tustin Unincorporated | PAU Engine 8<br>BLS Engine 21 / Medic 21<br>PAU Engine 37   | Paramedic Engine 8<br>Paramedic Engine 21<br>Paramedic Engine 37  |

PAU = Paramedic Assessment Unit (3 Firefighters, 1 is a Paramedic)

BLS = Basic Life Support (3 Firefighters, none are Paramedics)

Medic = Paramedic Van (2 Firefighters, both are Paramedics)

Paramedic Engine or Paramedic Truck = (4 Firefighters, 2 are Paramedics)



**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 2017, 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 \$9.8 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 2017/18 budget was adopted by the Board of Directors in May 2017, reflecting a balanced General Fund; cash contract increases to member cities that were capped at the allowable maximum, with the excess banked for recapture in the subsequent fiscal year; and a flow of surplus funds from the General Fund to the Capital Improvement Program (50%) and for the pay-down of the UAAL (50%) as outlined in the Financial Stability Budget Policy approved by the Board of Directors in March 2017.

**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: (A) 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; (B) 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; (C) 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 (D) 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. In November 2016, the Board of Directors authorized the continuation of the “Snowball Plan,” with modifications to (1) alter the funding target from 100% to 85%; and (2) to redirect expedited payments from the UAAL to the OCFA’s unfunded liability for the Retiree Medical Plan after achieving that 85% target.

OCFA has been making additional payments toward its UAAL annually since Fiscal Year 2013/14, with additional payments made during Fiscal Year 2016/17 totaling \$16.6 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. Following is a summary of additional payments made toward the UAAL under the “Snowball Plan” since Fiscal Year 2013/14:

|             | Part A                              | Part B                | Part C                  | Part D  |                              |
|-------------|-------------------------------------|-----------------------|-------------------------|---|------------------------------|
| Fiscal Year | Unencumbered Fund Balance Available | Annual PEPPRA Savings | Annual Budget Increases | Budget Increases from Workers Compensation Assignment | Total Snowball Plan Payments |
| 2013/14     | \$ 3,000,000                        | \$2,235,753           | \$ -                    | \$ -  | \$ 5,235,753                 |
| 2014/15     | 21,290,238                          | 86,061                | -                       | -   | 21,376,299                   |
| 2015/16     | 12,609,380                          | 2,802,122             | -                       | -   | 15,411,502                   |
| 2016/17     | 9,814,477                           | 4,781,483             | 1,000,000               | 1,000,000   | 16,595,960                   |
| Total       | \$46,714,095                        | \$9,905,419           | \$1,000,000             | \$1,000,000   | \$58,619,514                 |

**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 has continued 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 2017/18 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 through the first quarter of Fiscal Year 2016/17, 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 76 authorized positions were frozen as of June 30, 2017, a decrease of 10 positions from the previous year as summarized below.

| Frozen Positions  | June 30 |      | +/- |
|---|---------|------|-----|
|   | 2017    | 2016 |     |
| 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) were frozen in Fiscal Year 2010/11, with personnel transitioning to fill vacant suppression field positions. During Fiscal Year 2016/17, the Administrative Captain positions for Divisions 3 and 5 were unfrozen.  | 4       | 6    | (2) |
| <i>(Continued)</i>  |         |      |     |

| Frozen Positions   | June 30   |           | +/-         |
|--|-----------|-----------|-------------|
|  | 2017      | 2016      |             |
| <b>(Continued)</b>   |           |           |             |
| 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. One of those positions was unfrozen during Fiscal Year 2016/17 and reclassified to a staff captain position in Emergency Medical Services. | 2         | 3         | (1)         |
| Vacancies remain frozen for an additional thirty-three suppression positions, including: Fire Apparatus Engineers (15 positions, backfilled with overtime); Fire Captains (15 positions, backfilled with overtime); Staff Battalion Chief (1 position); Heavy Fire Equipment Operator (1 position); and Fire Pilot (1 position).   | 33        | 34        | (1)         |
| <b>Subtotal – Suppression</b>  | <b>63</b> | <b>67</b> | <b>(4)</b>  |
| Vacancies remain frozen for thirteen non-suppression positions.  |           |           |             |
| ✓ Business Services  | 2         | 4         | (2)         |
| ✓ Community Risk Reduction   | 7         | 9         | (2)         |
| ✓ Executive Management (Human Resources)   | -         | 2         | (2)         |
| ✓ Operations   | 1         | 1         | -           |
| ✓ Organizational Planning (Human Resources)  | 1         | -         | 1           |
| ✓ Support Services   | 2         | 3         | (1)         |
| <b>Subtotal – Non-Suppression</b>  | <b>13</b> | <b>19</b> | <b>(6)</b>  |
| <b>Total frozen positions as of June 30</b>  | <b>76</b> | <b>86</b> | <b>(10)</b> |

### 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 2015/16 Comprehensive Annual Financial Report (CAFR), the nineteenth 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 2016/17 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.

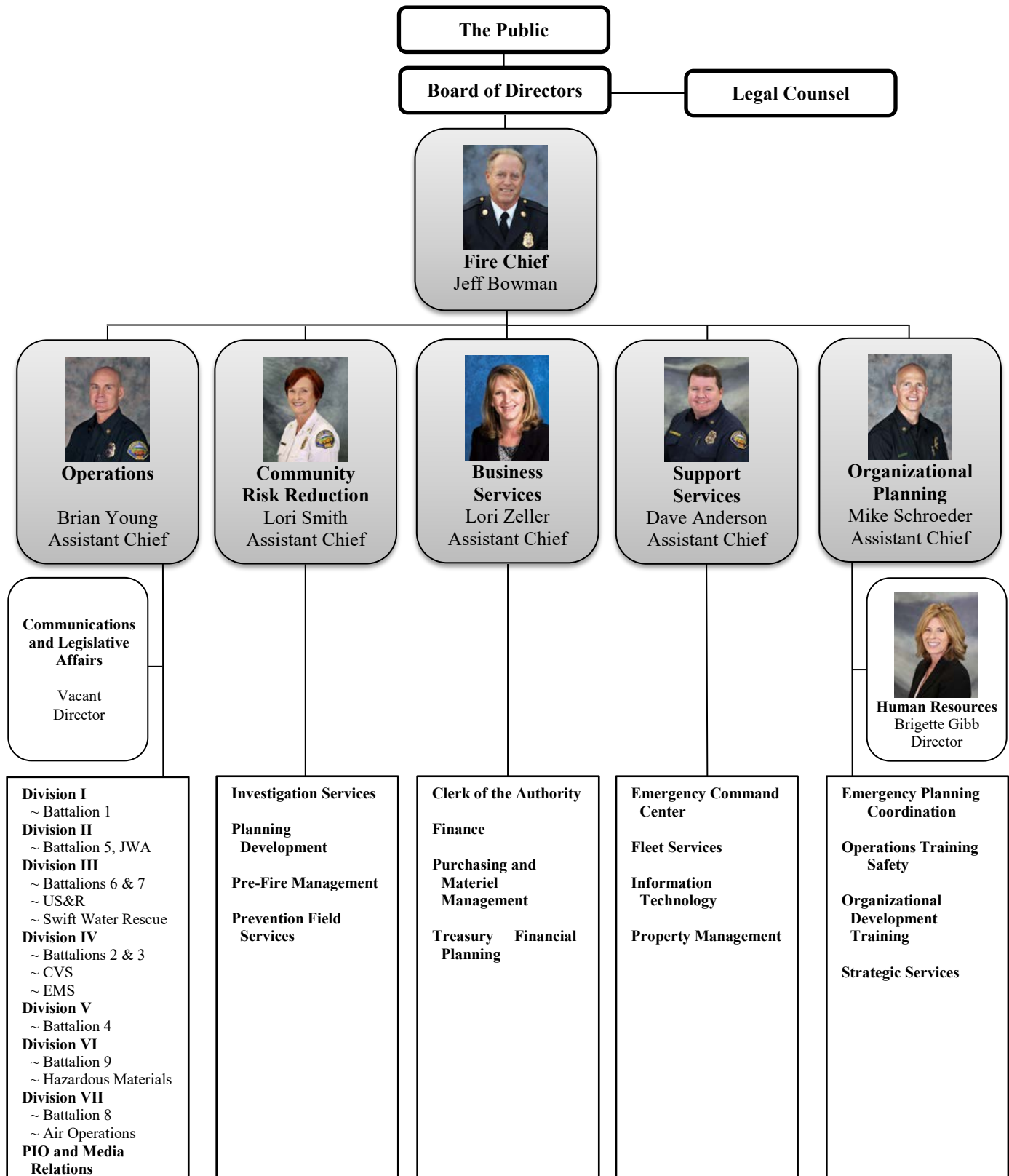
The timely preparation of the CAFR was made possible by the dedicated efforts of the staff of the Finance Division. We acknowledge the support and direction provided to OCFA staff by the accounting firm of Vavrinek, Trine, Day & Company, LLP. We would also like to express our appreciation to the Board 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,



Lori Zeller, Assistant Chief of Business Services

**ORANGE COUNTY FIRE AUTHORITY**  
**Organization Chart**  
**As of June 30, 2017**



**ORANGE COUNTY FIRE AUTHORITY**  
**Management Staff and Appointed Officials**  
**As of June 30, 2017**

|                             |  |
|-----------------------------|--|
| Jeff Bowman                 | Fire Chief   |
| Brian Young                 | Assistant Chief<br>Operations Department               |
| Lori Smith                  | Assistant Chief<br>Community Risk Reduction Department |
| Lori Zeller                 | Assistant Chief<br>Business Services Department        |
| Dave Anderson               | Assistant Chief<br>Support Services Department         |
| Mike Schroeder              | Assistant Chief<br>Organizational Planning Department  |
| Brigette Gibb               | Director<br>Human Resources Division                   |
| Vacant                      | Director<br>Communications                             |
| 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, 2017**

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

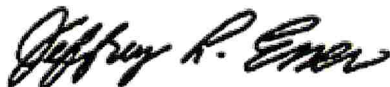
**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Orange County Fire Authority  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**



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 (Authority), as of and for the year ended June 30, 2017, 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.

### *Auditors' 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.

### *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 Authority, as of June 30, 2017, and the respective changes in financial position, and the respective 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 (pages 5 through 25), the schedule of the Authority's proportionate share of the net pension liability and schedule of contributions for the OCERS Retirement plan (pages 95 through 97), schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of money weighted rate of return for the Extra Help Retirement plan (pages 98 through 100), and schedule of funding progress for the Retiree Medical plan (page 101) 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.

### ***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, individual fund budgetary comparison schedules, combining general fund statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary comparison schedules and combining general fund statements 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. Such 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 individual fund budgetary comparison schedules and combining general fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

### ***Prior-Year Comparative Information***

We did not previously audit the 2016 financial statements of the Authority. Those statements were audited by other auditors whose report has been furnished to us, and who expressed unmodified opinions on the financial statements in their report dated September 30, 2016. The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2016, from which such summarized information was derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, 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.



Laguna Hills, California

October 18, 2017



## *Orange County Fire Authority Safety Message*

### **Electrical Fire Safety** **(Part 1 of 4)**



*Home electrical fires are responsible for an estimated 51,000 fires and \$1.3 billion in property damage each year. Protect your family and your home by following these electrical safety tips.*

#### **Appliances**

- ✓ Always plug major appliances directly into wall outlets.
- ✓ Unplug small appliances when they are not in use.
- ✓ Check electrical cords on all appliances regularly. Replace any cracked, damaged, or loose cords. Never try to fix them yourself.
- ✓ Place lamps on level surfaces, away from things that can burn. Always use bulbs that match the recommended wattage for each lamp or fixture.

*(Continued on Page 26)*

# Management's Discussion and Analysis



## Holiday Safety Press Conference

December 2016







## ORANGE COUNTY FIRE AUTHORITY Management's Discussion and Analysis Year ended June 30, 2017

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, 2017.

### Financial Highlights

**Governmental Activities:** OCFA's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$176,774,047 at the end of the current fiscal year. Net position consisted of net investment in capital assets totaling \$192,430,467; restricted for capital projects and other purposes totaling \$3,897,614; and an unrestricted deficit totaling \$373,102,128. The result of current fiscal year operations caused total net position to decrease by \$16,110,129 from the prior fiscal year.

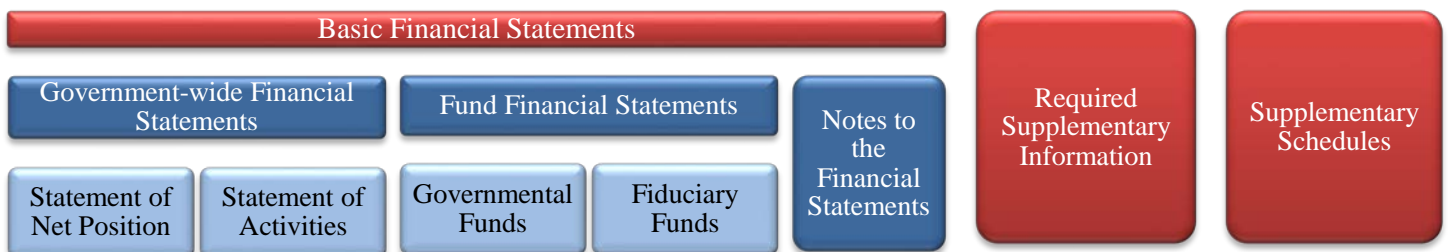
**Governmental Funds:** As of the close of the current fiscal year, OCFA's governmental funds showed combined ending fund balances totaling \$212,910,578, an increase of \$3,539,693 from the prior fiscal year. Of the total ending fund balance, \$31,346,672 (14.7%) was available for funding future operational needs.

**General Fund:** At the end of the current fiscal year, total fund balance for the General Fund was \$147,357,352, and was categorized as follows:

|  |                      |
|--|----------------------|
| ➤ Nonspendable                                       | \$ 33,750,548        |
| ➤ Restricted   | 3,364,382            |
| ➤ Committed  | 549,651              |
| ➤ Assigned   | 78,346,099           |
| ➤ Unassigned   | <u>31,346,672</u>    |
| Fund balance of the General Fund as of June 30, 2017 | <u>\$147,357,352</u> |

### 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 and the OCFA Foundation'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.

**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 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 95-101.

**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 \$176,774,047 at the end of the most recent fiscal year, a 10.0% decline from the prior fiscal year. Following is a summary of OCFA's net position as of June 30, 2017 and 2016:

**ORANGE COUNTY FIRE AUTHORITY's Net Position**

| <u>Governmental Activities</u>       | <u>June 30, 2017</u>   | <u>June 30, 2016</u>   | <u>Increase (Decrease)</u> |          |
|--------------------------------------|------------------------|------------------------|----------------------------|----------|
|                                      |                        |                        | <u>Amount</u>              | <u>%</u> |
| Assets:                              |                        |                        |                            |          |
| Current and other assets             | \$ 211,898,221         | \$ 217,743,439         | \$ (5,845,218)             | -2.7%    |
| Capital assets                       | <u>196,143,774</u>     | <u>194,021,124</u>     | <u>2,122,650</u>           | 1.1%     |
| Total assets                         | <u>408,041,995</u>     | <u>411,764,563</u>     | <u>(3,722,568)</u>         | -0.9%    |
| Deferred outflows of resources:      |                        |                        |                            |          |
| Related to pensions                  | <u>122,197,259</u>     | <u>150,278,544</u>     | <u>(28,081,285)</u>        | -18.7%   |
| Total deferred outflows of resources | <u>122,197,259</u>     | <u>150,278,544</u>     | <u>(28,081,285)</u>        | -18.7%   |
| Liabilities:                         |                        |                        |                            |          |
| Long-term liabilities                | 638,389,128            | 668,803,193            | (30,414,065)               | -4.5%    |
| Other liabilities                    | <u>13,419,726</u>      | <u>17,992,265</u>      | <u>(4,572,539)</u>         | -25.4%   |
| Total liabilities                    | <u>651,808,854</u>     | <u>686,795,458</u>     | <u>(34,986,604)</u>        | -5.1%    |
| Deferred inflows of resources:       |                        |                        |                            |          |
| Related to pensions                  | <u>55,204,447</u>      | <u>35,911,567</u>      | <u>19,292,880</u>          | 53.7%    |
| Total deferred inflows of resources  | <u>55,204,447</u>      | <u>35,911,567</u>      | <u>19,292,880</u>          | 53.7%    |
| Net position:                        |                        |                        |                            |          |
| Net investment in capital assets     | 192,430,467            | 187,910,677            | 4,519,790                  | 2.4%     |
| Restricted for capital projects      | 533,232                | 533,232                | -                          | n/a      |
| Restricted for other purposes        | 3,364,382              | 2,348,678              | 1,015,704                  | 43.2%    |
| Unrestricted                         | <u>(373,102,128)</u>   | <u>(351,456,505)</u>   | <u>(21,645,623)</u>        | 6.2%     |
| Total net position                   | <u>\$(176,774,047)</u> | <u>\$(160,663,918)</u> | <u>\$(16,110,129)</u>      | 10.0%    |

**Net Investment in Capital Assets:** At June 30, 2017, 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.

**Net Position Restricted for Capital Projects and Other Purposes:** 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, 2017, restricted net position relates to CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations; state funding restricted for drought augmentation activities; donations received for specific programs; and unperformed purchase orders for grant-funded programs.

**Unrestricted Net Position:** 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, 2017 and June 30, 2016, indicates that OCFA's obligations currently exceed its 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.

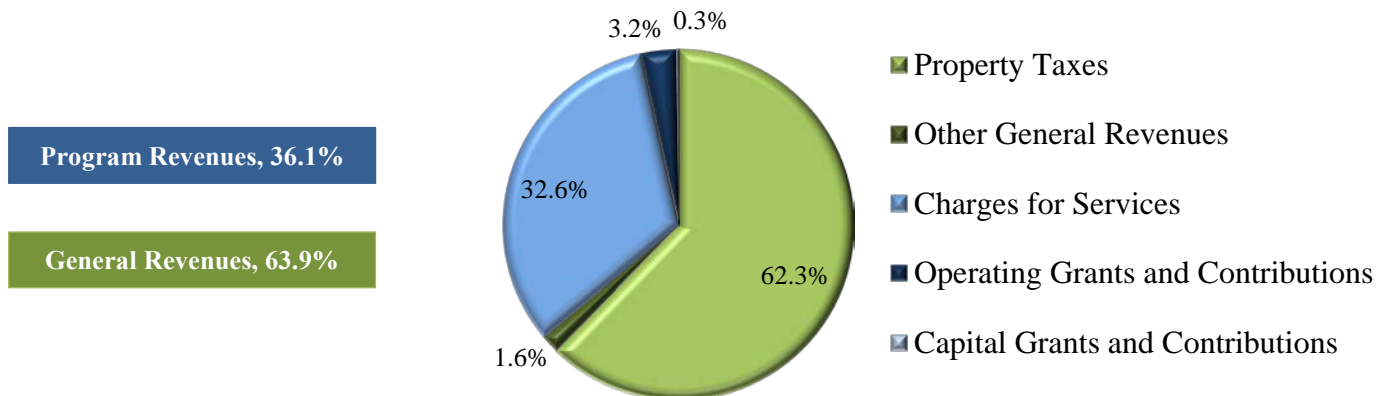
**Changes in Net Position:** Governmental activities decreased OCFA's net position by \$16,110,129 during the most recent fiscal year, an indication that OCFA's financial position has not improved. As previously noted, the reason for the overall deficit in net position is due to a change in financial 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 2016/17 and Fiscal Year 2015/16, 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, 2017          | June 30, 2016          | Increase (Decrease)   |          |
|------------------------------------|------------------------|------------------------|-----------------------|----------|
|                                    |                        |                        | Amount                | %        |
| Program revenues:                  |                        |                        |                       |          |
| Charges for services               | \$ 121,875,157         | \$ 117,263,679         | \$ 4,611,478          | 3.9%     |
| Operating grants and contributions | 11,992,438             | 12,165,015             | (172,577)             | -1.4%    |
| Capital grants and contributions   | <u>1,040,129</u>       | <u>3,331,088</u>       | <u>(2,290,959)</u>    | -68.8%   |
| Total program revenues             | <u>134,907,724</u>     | <u>132,759,782</u>     | <u>2,147,942</u>      | 1.6%     |
| General revenues:                  |                        |                        |                       |          |
| Property taxes                     | 232,832,758            | 219,840,417            | 12,992,341            | 5.9 %    |
| Investment income                  | 990,851                | 1,654,065              | (663,214)             | -40.1%   |
| Gain on disposal of capital assets | 657,944                | 6,000                  | 651,944               | 10865.7% |
| Miscellaneous                      | <u>4,480,901</u>       | <u>2,823,503</u>       | <u>1,657,398</u>      | 58.7%    |
| Total general revenues             | <u>238,962,454</u>     | <u>224,323,985</u>     | <u>14,638,469</u>     | 6.5%     |
| Total revenues                     | <u>373,870,178</u>     | <u>357,083,767</u>     | <u>16,786,411</u>     | 4.7%     |
| Public safety expenses:            |                        |                        |                       |          |
| Salaries and benefits              | 327,515,166            | 316,292,785            | 11,222,381            | 3.5%     |
| Services and supplies              | 52,819,125             | 35,127,573             | 17,691,552            | 50.4%    |
| Depreciation and amortization      | 9,512,777              | 9,267,982              | 244,795               | 2.6%     |
| Interest on long-term debt         | <u>133,239</u>         | <u>917,320</u>         | <u>(784,081)</u>      | -85.5%   |
| Total expenses                     | <u>389,980,307</u>     | <u>361,605,660</u>     | <u>28,374,647</u>     | 7.8%     |
| Change in net position             | (16,110,129)           | (4,521,893)            | (11,588,236)          |          |
| Net position, beginning of year    | (160,663,918)          | (169,124,373)          | 8,460,455             |          |
| Prior period adjustment            | -                      | <u>12,982,348</u>      | <u>(12,982,348)</u>   |          |
| Net position, end of year          | <u>\$(176,774,047)</u> | <u>\$(160,663,918)</u> | <u>\$(16,110,129)</u> | 10.0%    |

### Revenues of Governmental Activities - by Source Fiscal Year 2016/17



**Program Revenues:** Program revenues, which totaled \$134,907,724 for Fiscal Year 2016/17 and accounted for 36.1% of total revenues, increased by \$2,147,942 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 \$4,611,478 over the prior fiscal year.

| Amount<br>(Rounded) | Reason for Increase / Decrease   |
|---------------------|--|
| +\$2,385,000        | Fire service contracts increased for cash contract city charges per terms of the Joint Powers Agreement (+\$35,000); OCFA's contract with California Department of Forestry (CALFIRE) for the protection of State Responsibility Area (SRA) lands (+\$2,270,000); and the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport (+\$80,000). 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.  |
| +\$1,305,000        | Reimbursements for state and federal incidents vary each year depending on fire and emergency response activity. State assistance performed for CALFIRE and the California Emergency Management Agency (CAL EMA) increased by \$955,000. Reimbursements for state incidents were higher in the current fiscal year due to the Soberanes Fire in August 2016. Federal assistance performed for Cleveland National Forest increased by \$280,000 primarily due to the Holy Fire in September 2016. Federal responses to national incidents also increased by \$70,000 due to the response for Hurricane Matthew in October 2016. |
| +\$660,000          | Revenues for ambulance transport and supplies reimbursement were higher in Fiscal Year 2016/17 due to an increase in transport activity.   |
| +\$210,000          | Fee-based fire prevention revenues increased primarily due to an increase in assembly inspections completed in Fiscal Year 2016/17. Completion had been delayed in the prior fiscal year.  |
| +\$50,000           | Road maintenance, fuel reduction, and other contract revenues generated by the hand crew increased due to more work performed for Southern California Edison.  |
| <b>+\$4,610,000</b> | <b>Program Revenues: Charges for Services – Net Increase</b>   |

**Operating Grants and Contributions** include grants, contributions, donations, and similar items that are restricted to one or more specific program. These revenues decreased by \$172,577 from the prior fiscal year.

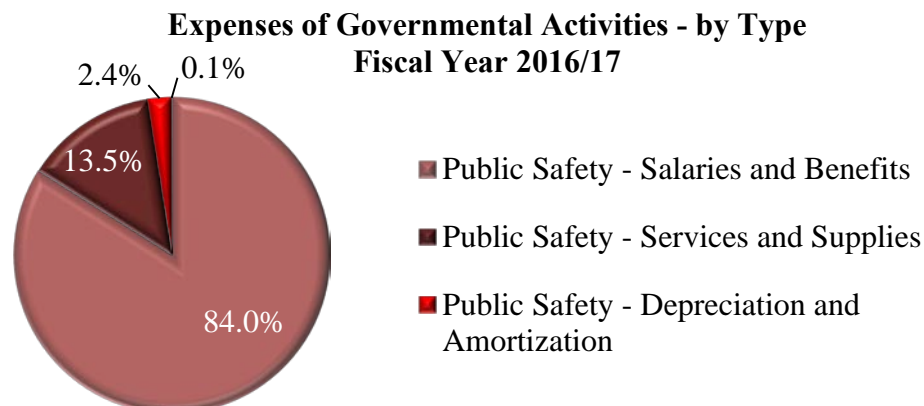
| Amount<br>(Rounded) | Reason for Increase / Decrease   |
|---------------------|--|
| -\$140,000          | Other miscellaneous operating revenues decreased, primarily due to a decline in the number of reimbursable instructional hours per a contract with Santa Ana College.  |
| -\$115,000          | Federal and state operating grants decreased due to a one-time federal grant for the development of wildland urban interface pre-fire plans (-\$50,000). In addition, there was a decline in ongoing federal grants from the Homeland Security Grant Program for regional training and a captain position at the Orange County Intelligence Assessment Center (-\$65,000).   |
| +\$80,000           | Tax increment passed through from member cities decreased by \$200,000, but one-time tax increment passed through from the County of Orange increased by \$280,000. 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. |
| <b>-\$175,000</b>   | <b>Program Revenues: Operating Grants and Contributions – Net Decrease</b>   |

**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 \$2,290,959 from the prior fiscal year.

| Amount<br>(Rounded) | Reason for Increase / Decrease  |
|---------------------|---|
| -\$2,270,000        | Revenues from developers decreased per the terms of various Secured Fire Protection Agreements. Contributions varied between prior and current fiscal years based on construction projects in County Unincorporated areas and the cities of Aliso Viejo, Dana Point, Irvine, Laguna Hills, Lake Forest, Mission Viejo, and Yorba Linda. The individual developments having the greatest impact on the decline were the Great Park (Irvine), Baker Ranch (Lake Forest), and Elements Site 1 Apartments (Irvine).   |
| -\$45,000           | Revenues from federal capital grants decreased by \$45,000. During Fiscal Year 2015/16, OCFA received a \$45,000 Assistance to Firefighters federal grant for the purchase of vehicle extrication gloves. No capital federal grants were received during Fiscal Year 2016/17.   |
| +\$25,000           | Capital assets contributed to OCFA increased primarily due to equipment items purchased by other agencies via the federal Urban Area Security Initiative (UASI) grant. During Fiscal Year 2016/17, the cities of Anaheim and Newport Beach contributed four pairs of night vision goggles and one search camera, respectively, valued at a combined \$80,000. During Fiscal Year 2015/16, the cities of Anaheim and Santa Ana acquired and contributed two search cameras and three mobile radios valued at \$45,000. In addition, during Fiscal Year 2015/16 the Orange County Fire Authority Foundation acquired and contributed the Pulsepoint software system that had been purchased for \$10,000 with a grant from Hoag Hospital. |
| <b>-\$2,290,000</b> | <b>Program Revenues: Capital Grants and Contributions – Net Decrease</b>  |

**General Revenues:** General revenues, which totaled \$238,962,454 for Fiscal Year 2016/17 and accounted for 63.9% of total revenues, increased by \$14,638,469 over the prior fiscal year.

| Amount<br>(Rounded)        | Reason for Increase / Decrease   |             |                     |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
|----------------------------|--|-------------|---------------------|------------|---------------------|--------------------|-------------|------------|-----------|--------------------------|-----------|---------|-----------|--------------|---|---------|-----------|----------------------------|---------|--------|--------|-------------------------|------------|-------------|-------------|
| +\$12,990,000              | The largest general revenue, property taxes, increased by \$12,992,341 over the prior fiscal year, primarily due to increases in secured property taxes.   |             |                     |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| +\$1,660,000               | Miscellaneous revenues increased by \$1,657,398, primarily due to amounts received 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. This increase was offset by various declines in revenues such as SB90 claims reimbursed from the State of California and bankruptcy loss recoveries from the County of Orange.   |             |                     |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| -\$660,000                 | <p>Investment income decreased by \$663,214. OCFA’s year-to-date effective rate of return on its investment portfolio was 0.74% as of June 30, 2017, as compared to 0.47% as of June 30, 2016. This increase in the annual rate of return created a \$355,000 increase to overall interest earnings. However, OCFA adjusts its investments to market value as of June 30 each year. This resulted in an overall investment loss in Fiscal Year 2016/17, and generated a \$435,000 decline 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 \$610,000 premium. No TRAN was issued during Fiscal Year 2016/17 since OCFA utilized only short-term internal borrowing to meet its cash flow needs. These components of investment income are summarized below:</p> <table><tr><td></td><td>FY 2016/17</td><td>FY 2015/16</td><td>Increase (Decrease)</td></tr><tr><td>Portfolio earnings</td><td>\$1,197,588</td><td>\$ 843,479</td><td>\$354,109</td></tr><tr><td>Market value gain (loss)</td><td>(311,586)</td><td>125,018</td><td>(436,604)</td></tr><tr><td>TRAN premium</td><td>-</td><td>612,431</td><td>(612,431)</td></tr><tr><td>Interest on property taxes</td><td>104,849</td><td>73,137</td><td>31,712</td></tr><tr><td>Total investment income</td><td>\$ 990,851</td><td>\$1,654,065</td><td>\$(663,214)</td></tr></table> |             | FY 2016/17          | FY 2015/16 | Increase (Decrease) | Portfolio earnings | \$1,197,588 | \$ 843,479 | \$354,109 | Market value gain (loss) | (311,586) | 125,018 | (436,604) | TRAN premium | - | 612,431 | (612,431) | Interest on property taxes | 104,849 | 73,137 | 31,712 | Total investment income | \$ 990,851 | \$1,654,065 | \$(663,214) |
|                            | FY 2016/17   | FY 2015/16  | Increase (Decrease) |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| Portfolio earnings         | \$1,197,588  | \$ 843,479  | \$354,109           |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| Market value gain (loss)   | (311,586)  | 125,018     | (436,604)           |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| TRAN premium               | -  | 612,431     | (612,431)           |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| Interest on property taxes | 104,849  | 73,137      | 31,712              |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| Total investment income    | \$ 990,851   | \$1,654,065 | \$(663,214)         |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| +\$650,000                 | The gain on disposal of capital assets increased by \$651,944, primarily due to capital vehicles and equipment destroyed in a fire at Fire Station No. 61 (Buena Park) in January 2017. Insurance proceeds received for these items exceeded their net book value, producing a combined \$690,000 gain on their disposal. There was also an increase in the number of vehicles and equipment sold at public auction or disposed because they were obsolete or broken beyond repair. Some of these items were not fully depreciated, generating a combined \$40,000 loss on disposal.   |             |                     |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| +\$14,640,000              | General Revenues – Net Increase  |             |                     |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |





**Public Safety Expenses:** Total public safety expenses increased by \$29,158,728 from the prior fiscal year.

| Amount<br>(Rounded)          | Reason for Increase / Decrease   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
|------------------------------|--|-------------|---------------------|------------|---------------------|--------------------|--------------|-------------|-------------|------------------------------|-----------|-------------|-----------|---------------------------|--------------|-------------|-------------|
| +\$13,175,000                | Reasons for increases and decreases to the following categories of salaries and benefits are further explained in the <b>Major Governmental Funds – General Fund</b> portion of this Management’s Discussion and Analysis: overtime costs (+\$8,470,000); other pay (+\$4,190,000); employee health insurance and other benefits (+\$1,405,000); regular pay, FICA, and Medicare (-\$1,110,000); temporary “extra help” salaries (+\$165,000); and vacation and sick leave payouts (+\$55,000).  |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| -\$7,670,000                 | Retirement contributions remitted to the Orange County Employees Retirement System (OCERS) increased by \$1,920,000. Reasons for the increase in actual plan contributions are further explained in the <b>Major Governmental Funds – General Fund</b> 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 2016/17 in order to fully capture OCFA’s share of the net pension liability and related pension expense in its governmental activities, was \$9,590,000 less than the prior fiscal year.  |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$6,520,000                 | Other post-employment benefit (OPEB) cost for the defined benefit Retiree Medical Plan increased by \$6,520,000. 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.   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| -\$800,000                   | The net change in long-term liabilities for various employee leave balances decreased by \$800,000 as compared to the prior fiscal year, and is recognized as an expense in the governmental activities. The net decrease is primarily related to a decline in balances owed for Santa Ana employees who transitioned to OCFA employment in April 2012.  |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$11,225,000                | <b>Subtotal for Public Safety Salaries and Benefits – Net Increase</b>   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$8,220,000                 | 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 increased as follows: <table><tr><td></td><td>FY 2016/17</td><td>FY 2015/16</td><td>Increase (Decrease)</td></tr><tr><td>Actual claims paid</td><td>\$10,200,000</td><td>\$7,890,000</td><td>\$2,310,000</td></tr><tr><td>Change in actuarial estimate</td><td>4,745,000</td><td>(1,165,000)</td><td>5,910,000</td></tr><tr><td>Total fiscal year expense</td><td>\$14,945,000</td><td>\$6,725,000</td><td>\$8,220,000</td></tr></table> |             | FY 2016/17          | FY 2015/16 | Increase (Decrease) | Actual claims paid | \$10,200,000 | \$7,890,000 | \$2,310,000 | Change in actuarial estimate | 4,745,000 | (1,165,000) | 5,910,000 | Total fiscal year expense | \$14,945,000 | \$6,725,000 | \$8,220,000 |
|                              | FY 2016/17   | FY 2015/16  | Increase (Decrease) |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| Actual claims paid           | \$10,200,000   | \$7,890,000 | \$2,310,000         |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| Change in actuarial estimate | 4,745,000  | (1,165,000) | 5,910,000           |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| Total fiscal year expense    | \$14,945,000   | \$6,725,000 | \$8,220,000         |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$6,500,000                 | During Fiscal Year 2016/17, OCFA purchased radios and accessories as part of the 800 MHz Countywide-Coordinated Communications (CCCS) System upgrade and replacement project, including (1050) encrypted portable radios; (460) encrypted mobile radios; (110) chargers; (1050) batteries; and (800) speaker microphones.  |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$2,970,000                 | Reasons for increases and decreases to the following categories of services and supplies are further explained in the <b>Major Governmental Funds – General Fund</b> portion of this Management’s Discussion and Analysis: clothing and personal supplies (+\$965,000); Fire Station No. 61 fire (+\$680,000); office supplies (+\$500,000); special department expenses (+\$330,000); utilities and communications (+\$215,000); equipment maintenance (+\$210,000); employee travel, training, and meetings (-\$185,000); transportation (+\$100,000); building maintenance (-\$90,000); household items (+\$90,000); food (+\$80,000); and insurance (+\$75,000).   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$17,690,000                | <b>Subtotal for Public Safety Services and Supplies – Net Increase</b>   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$245,000                   | <b>Public Safety Depreciation and Amortization Expense</b> , which had no impact on OCFA’s cash balances, increased by \$244,795, and pertained primarily to depreciation on vehicles. Fiscal Year 2016/17 was the first full year of depreciation expense for thirty vehicles, including four new type 1 engines that were placed into service in August and October 2016.  |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$29,160,000                | <b>Total Public Safety Expenses – Net Increase</b>   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |

**Interest on Long-term Debt:** Interest on long-term debt decreased by \$784,081 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. There was also a decrease totaling approximately \$725,000 for interest on Tax and Revenue Anticipation Notes (TRAN) issued during Fiscal Year 2015/16.

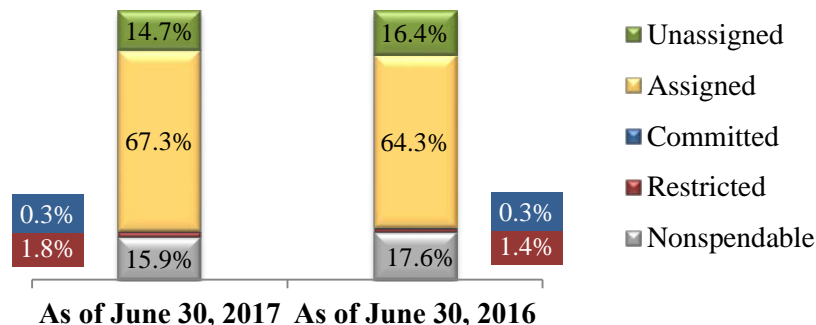
### Financial Analysis of OCFA's Governmental Funds

**Governmental Funds:** As noted earlier, OCFA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of 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 2016/17, OCFA's governmental funds reported combined ending fund balances of \$212,910,578, an increase of \$3,539,693 in comparison with the prior fiscal year. Approximately 14.7% constitutes unassigned fund balance, which is available for spending for any purpose. The remaining 85.3% 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 in impact fund balance positively, while increases to expenditures and transfers out impact fund balance negatively.



The **General Fund** is the chief operating fund of OCFA. At the end of Fiscal Year 2016/17, the General Fund's fund balance totaled \$147,357,352. Unassigned fund balance totaling \$31,346,672 (21.3%) is available for future spending. The remaining \$116,010,680 (78.7%) 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 OCFA's General Fund decreased by \$5,700,353 during the current fiscal year. The prior fiscal year's fund balance increased by \$19,802,100, a difference of \$25,502,453. The significant reason(s) for that net difference are identified in the following table.

| Impact on Fund Balance (Rounded) | Description  |
|----------------------------------|--|
| +\$12,990,000                    | Revenue from property taxes increased primarily due to secured property taxes.   |
| +\$3,090,000                     | The increase in intergovernmental revenue related primarily to additional contract revenues and drought augmentation funds for the protection of State Responsibility Area totaling \$2.3 million. Other increases included state and federal assistance by hire revenues for increased emergency response activity; tax increment passed through from member cities and the County of Orange; and federal reimbursements for emergency response on hurricanes and other disasters. These increases totaled \$3.7 million, but were offset by \$600,000 in decreases relating to SB90 claims reimbursed from the State of California, as well as various state and federal grants.   |
| +\$2,300,000                     | The most significant increase in charges for services was \$1.3 million for operating and facilities charges to cash contract cities per terms of the Joint Powers Agreement. Other revenue increases included ambulance transport and supplies reimbursements; inspection fees; the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport; and contract work generated by the hand crew.   |
| +\$2,025,000                     | 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.   |
| -\$520,000                       | The decrease in use of money and property primarily pertained to the Fiscal Year 2015/16 Tax and Revenue Anticipation Notes (TRAN) issuance premium totaling \$610,000. A TRAN was not issued during Fiscal Year 2016/17. This decline was offset by increases for investment portfolio earnings, net of a market value investment loss, allocated to the fund (+\$60,000), as well as interest earnings related to property taxes (+\$30,000).  |
| +\$19,885,000                    | <b>Subtotal – Impact of Revenues</b>   |
| -\$8,470,000                     | Overtime costs increased by over \$8.4 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 number of emergency response hours for emergency incidents increased by over 28,000 hours due to a higher volume of out-of-county incidents in Fiscal Year 2016/17.   |
| -\$4,190,000                     | Other pay – which includes pay to employees on workers' compensation, educational incentives, paramedic/EMT bonuses, bilingual pay, and other specialty pay – increased or decreased as follows: <ul style="list-style-type: none"> <li>➤ Workers' compensation pay \$1,600,000</li> <li>➤ Paramedic specialty pay \$715,000</li> <li>➤ Education incentives \$525,000</li> <li>➤ Special assignment pay for various operations specialties \$510,000</li> <li>➤ Emergency medical technician (EMT) pay \$400,000</li> <li>➤ Special assignment pay for staff positions \$355,000</li> <li>➤ Military leave \$50,000</li> <li>➤ Special assignment "on call" pay \$50,000</li> <li>➤ Miscellaneous taxable pay \$45,000</li> <li>➤ Bilingual pay \$40,000</li> </ul> |

(Continued)

| Impact on Fund Balance (Rounded) | Description  |
|----------------------------------|--|
| (Continued)                      | The number of employees on workers' compensation for all or a portion of the year increased from 206 in Fiscal Year 2015/16 to 239 in Fiscal Year 2016/17, attributing to \$1.6 million of 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 \$700,000 because various unit reconfigurations in 2016 and 2017 increased the number of paramedic post positions.   |
| -\$1,920,000                     | Retirement costs had a net increase due to additional employer contributions made toward the net unfunded pension liability (+\$1,185,000); and pension contributions based on employee compensation, net of an increase in the annual savings achieved by pre-paying a portion of the subsequent fiscal year's contributions to OCERS (+\$735,000).   |
| -\$1,405,000                     | 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.   |
| +\$1,110,000                     | Regular pay, as well as related costs such as FICA and Medicare, increased by \$9 million due to scheduled pay increases per labor contracts negotiated with various employee groups. Pay increases that went into effect during Fiscal Year 2016/17 included chief officers (4.50% effective July 2016); firefighters (4.50% effective September 2016); administrative managers (1.95% effective January 2017); and general and supervisory employees (3.00% effective March 2017). These costs were offset by a \$10.1 million decline in the year-end estimate for accrued but unpaid payroll costs. The year-end estimate varies each year depending on the timing of the bi-weekly pay period calendar. |
| -\$165,000                       | Salary costs for temporary, "extra help" employees increased by \$165,000 in the following areas: <ul style="list-style-type: none"> <li>➤ Helicopter program +\$70,000</li> <li>➤ Emergency medical services +\$60,000</li> <li>➤ Human resources +\$35,000</li> </ul> During Fiscal Year 2016/17, two helicopter pilots were hired as extra help before being transitioned to full-time employee positions. In addition, OCFA's full-time Medical Director position that had been vacated in the prior fiscal year was instead filled with an extra help employee during Fiscal Year 2016/17.  |
| -\$55,000                        | Vacation and sick leave payouts increased primarily due to a greater number of employees either opting to cash out their vacation balances or automatically being paid out vacation balances upon reaching the maximum allowable accrual during Fiscal Year 2016/17.   |
| <b>-\$15,095,000</b>             | <b>Subtotal – Impact of Salaries and Benefits</b>  |
| -\$2,375,000                     | The most significant increases in professional services pertained to workers compensation claims paid, which increased by over \$2.3 million in Fiscal Year 2016/17. Another significant increase included partnership costs paid to the Orange County Sheriff's Department for OCFA's proportionate share of the 800 MHz Countywide-Coordinated Communications System (CCCS) replacement, which increased by nearly \$700,000. These increases were offset by a \$700,000 decline in the annual property tax administrative fee paid to the County of Orange.   |
| -\$965,000                       | Clothing and personal supply costs increased due to the purchase of firefighter turnouts. In an effort to improve firefighter safety in regards to cancer risk, OCFA has set a goal to issue a second set of turnouts to every firefighter. Additional turnouts were issued to members of Academy 42 in Fiscal Year 2015/16. Roll-out of a second set to all remaining suppression personnel occurred throughout Fiscal Year 2016/17 and is expected to continue for an additional six to nine months.   |
| -\$680,000                       | OCFA incurred \$680,000 of services and supplies costs in Fiscal Year 2016/17 relating to a fire that destroyed Fire Station No. 61 (Buena Park) in January 2017, including: <ul style="list-style-type: none"> <li>➤ Employee claims for loss of personal property and tools +\$190,000</li> <li>➤ Replacement of specialized tools and supplies +\$160,000</li> <li>➤ Uniforms and other personal protective equipment +\$125,000</li> <li>➤ Establishment of a temporary fire station +\$90,000</li> <li>➤ Security services +\$85,000</li> </ul>   |

(Continued)

| Impact on Fund Balance (Rounded) | Description  |
|----------------------------------|--|
| (Continued)                      | <ul style="list-style-type: none"> <li>➤ Initial incident response +\$20,000</li> <li>➤ Other services and supplies +\$10,000</li> </ul>   |
| -\$500,000                       | During Fiscal Year 2016/17, OCFA began a project to replace its Electronic Pre-Hospital Care Report (EPCR) tablets on frontline units. The purchase of these and other tablets and related accessories was the primary reason for the increase in office supply costs (+\$250,000). Other increases included the cost to license Microsoft office products and the purchase of additional desktop computers to replenish depleting stock.  |
| -\$330,000                       | Increases in special department expenditures pertained primarily to a project to purchase and replace (180) automated external defibrillators (AED's) and (20) simulators for AED's and cardiac monitors, along with related supplies such as batteries and electrodes.  |
| -\$215,000                       | The increase in utilities and communications charges related to the monthly cost of cell phone and public broadband. The number of tablets with broadband capabilities increased due to the rollout of new EPCR tablets on all frontline units, as well as an increase in EPCR's assigned to each medic unit from one to two as part of phased-in changes to OCFA's overall EMS deployment model.  |
| -\$210,000                       | Equipment and vehicle maintenance was higher in Fiscal Year 2016/17 primarily due to replacement of tires on fire apparatus. Industry standards require tire replacement every eight years regardless of age or wear and tear. Costs were also higher due to maintenance on the Bell 412 helicopter fleet, including a hoist assembly overhaul, engine diagnostic and repairs, and removal and replacement of an engine deck.  |
| +\$185,000                       | The cost of employee travel, training, and meetings decreased for a variety of reasons, including changes to hours owed under OCFA's tuition contract with Santa Ana College; implementation of a new OCFA-wide "Crucial Conversations" program during Fiscal Year 2015/16; and a decline in the number of out-of-county training trips completed by personnel in the Training & Safety Services section.  |
| -\$100,000                       | Transportation costs increased due to an increase in diesel fuel prices. Fiscal Year 2015/16 diesel fuel purchases averaged \$2.04 per gallon, while Fiscal Year 2016/17 prices were 9% higher at an average price of \$2.23 per gallon. In addition, there was an increase in the use of OCFA's fuel cards, which are generally charged a higher rate per gallon as compared to bulk diesel and regular fuel purchases.   |
| +\$90,000                        | Decreases in building maintenance were attributed primarily to door and gate projects. There were several significant repair projects in Fiscal Year 2015/16, including removal and replacement of fencing at Fire Station No. 26 (Irvine); installation of a fence and gate at Fire Station No. 30 (Dana Point); and repairs to the front gate security system at the Regional Fire Operations and Training Center (RFOTC). Repairs and maintenance of the heating, ventilation and air conditioning (HVAC) system at the RFOTC also declined during Fiscal Year 2016/17. |
| -\$90,000                        | Expenditures increased for household items needed at OCFA's 72 fire stations. Some of the more significant purchases in Fiscal Year 2016/17 included the replacement of chairs, furniture, appliances, mattresses, and window coverings due to normal wear and tear.   |
| -\$80,000                        | Food costs were higher in Fiscal Year 2016/17 because of box lunches and catered meals for significant local fire incidents, including the Holy Jim Fire in September 2016 and the Cristianitos Fire in June 2017.   |
| -\$75,000                        | Insurance premiums increased for excess workers' compensation coverage (+\$130,000), but decreased for general liability (-\$70,000) and aviation (-\$10,000) coverage. During Fiscal Year 2016/17, there were also increases in out-of-pocket deductibles for vehicle and property damage (+\$20,000), as well as insurance benefits paid to surviving spouses (+\$5,000).  |
| -\$70,000                        | More medical, dental, and lab supplies were purchased in Fiscal Year 2016/17, including pharmaceuticals, catheters, defibrillator supplies, needles, and airway trainers. Purchases of these supplies vary each year as stock is replenished and expiring items are replaced.  |
| +\$50,000                        | Utility costs declined during Fiscal Year 2016/17, primarily due to electricity at the RFOTC during the six-month period from July 2016 through December 2016.   |
| -\$5,365,000                     | <b>Subtotal – Impact of Services and Supplies</b> (Continued)  |

| Impact on<br>Fund Balance<br>(Rounded) | Description   |
|--|---|
| (Continued)<br>-\$3,925,000            | Capital outlay varies each fiscal year based on organizational needs for new and replacement equipment. Significant equipment purchases in Fiscal Year 2016/17 included 120 frontline cardiac monitors and thirty tablets for testing as mobile data computers. In addition, the purchase and installation of various Code 3 equipment onto fire apparatus increased during Fiscal Year 2016/17. The most significant purchase in Fiscal Year 2015/16 included two storage system servers.  |
| +\$475,000                             | Interest and fiscal charges decreased due to changes in how OCFA's short-term cash flow needs were managed. During Fiscal Year 2015/16, the General Fund borrowed a combined \$46 million through the issuance of Tax and Revenue Anticipation Notes (TRAN) and short-term borrowing from other funds, with interest rates of 2.00% and 0.41%, respectively. During Fiscal Year 2016/17, the General Fund again borrowed \$46 million but utilized only short-term borrowing from other funds, with an interest rate of 0.73%. The lower interfund borrowing rate, which is based the effective rate of return on OCFA's investment portfolio, attributed to the total decline in interest and fiscal charges incurred. |
| -\$90,000                              | OCFA incurred \$90,000 of capital outlay in Fiscal Year 2016/17 relating to a fire that destroyed Fire Station No. 61 (Buena Park) in January 2017. Replacement equipment purchases included: <ul style="list-style-type: none"> <li>➤ Temporary apparatus bay <span style="float: right;">+\$35,000</span></li> <li>➤ First-in alerting system for temporary station <span style="float: right;">+\$30,000</span></li> <li>➤ Swift water boat <span style="float: right;">+\$15,000</span></li> <li>➤ Combination hydraulic tool for Truck 61 <span style="float: right;">+\$10,000</span></li> </ul>  |
| -\$3,540,000                           | <b>Subtotal – Impact of Capital Outlay, Interest, and Fiscal Charges</b>  |
| -\$24,000,000                          | <b>Subtotal – Impact of Expenditures</b>  |
| -\$22,540,000                          | Net interfund transfers increased and decreased as follows: <ul style="list-style-type: none"> <li>➤ Transfers made from the General Fund to the capital projects funds to fund current and future projects in the Capital Improvement Program increased by a combined \$28,095,000.</li> <li>➤ During Fiscal Year 2016/17, net resources that had accumulated in the Communications and Information Systems Fund exceeded projects identified in the upcoming five-year capital improvement program, resulting in a transfer back to the General Fund totaling \$5,555,000 in accordance with OCFA's <i>Assigned Fund Balance Policy</i>.</li> </ul>   |
| +\$1,100,000                           | Insurance recoveries increased in Fiscal Year 2016/17 due to property damage incurred during a fire at Fire Station No. 61 (Buena Park).  |
| +\$55,000                              | There was an increase in the proceeds from sale of capital and other assets, primarily due to the sale of three type 1 engines and miscellaneous supplies during Fiscal Year 2016/17.   |
| -\$21,385,000                          | <b>Subtotal – Impact of Other Financing Sources and Uses</b>  |
| -\$25,500,000                          | <b>General Fund – Net Impact on Fund Balance</b>  |





The *Communications and Information Systems Fund* had total fund balance of \$11,393,186 at the end of Fiscal Year 2016/17. Fund balance was assigned to the Capital Improvement Program (\$11,255,995) and communications and information technologies projects (\$132,583). The remaining \$4,608 is not available for spending on any new purpose, because it is in a nonspendable form. Total fund balance decreased by \$7,609,086 during the current fiscal year. The prior fiscal year's fund balance increased by \$346,417, a difference of \$7,955,503. The significant reason(s) for that net difference are identified in the following table.

| Impact on Fund Balance (Rounded) | Description   |
|----------------------------------|---|
| -\$7,090,000                     | <p>Expenditures for services and supplies and capital outlay increased due to three significant, multi-year capital improvement projects as follows:</p> <ul style="list-style-type: none"> <li>➤ The 800 MHz Countywide-Coordinated Communications (CCCS) System is administered by the Orange County Sheriff's Department. The upgrade and replacement of the original system, which was implemented from 1999 to 2001, is being implemented in various phases. Individual participating agencies are responsible for purchasing their own radios and dispatch consoles that are compatible with the new system. During Fiscal Year 2016/17, OCFA purchased over 1,500 encrypted portable, mobile, and base station 800 MHz radios, along with accessories such as chargers, batteries, and speaker microphones (+\$6,715,000).</li> <li>➤ 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 five classrooms. 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. Work began in Fiscal Year 2015/16, but the majority of project costs were incurred during the current fiscal year at the peak of the project's activity. All improvements were placed into service during Fiscal Year 2016/17 with the exception of the board room (+\$420,000).</li> <li>➤ 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. Some incidental costs to finalize the project were incurred during the first month of Fiscal Year 2015/16 (-\$45,000).</li> </ul> |
| -\$765,000                       | <p>Net transfers in and out of the Communications and Information Systems Fund changed as follows:</p> <ul style="list-style-type: none"> <li>➤ Transfers in from the General Fund for current and future projects in the Capital Improvement Program increased by \$4,790,000 over the amount transferred in the prior fiscal year.</li> <li>➤ During Fiscal year 2016/17, net resources that had accumulated in the Communications and Information Systems fund exceeded projects identified in the upcoming five-year capital improvement program, resulting in a transfer back to the General Fund totaling \$5,555,000 in accordance with OCFA's <i>Assigned Fund Balance Policy</i>.</li> </ul>   |
| -\$110,000                       | Miscellaneous revenues pertaining to bankruptcy proceeds decreased during Fiscal Year 2016/17.  |
| +\$10,000                        | Revenues for use of money and property increased due to portfolio earnings, net of the market value investment loss, allocated to the fund.   |
| -\$7,955,000                     | <b>Communications and Information Systems Fund – Net Impact on Fund Balance</b>   |





The **Fire Apparatus Fund** had total fund balance of \$30,004,043 at the end of Fiscal Year 2016/17. Fund balance was assigned to the Capital Improvement Program (\$13,470,899) and purchase of fire apparatus and vehicles (\$16,533,144). Total fund balance increased by \$8,551,782 during the current fiscal year. The prior fiscal year's fund balance decreased by \$3,988,171, a difference of \$12,539,953. The significant reason(s) for that net difference are identified in the following table.

| Impact on Fund Balance (Rounded) | Description  |
|----------------------------------|--|
| +\$15,405,000                    | Transfers in from the General Fund for current and future projects in the Capital Improvement Program increased by \$15,405,000 over the amount transferred in the prior fiscal year.  |
| -\$2,760,000                     | Expenditures for services and supplies and capital outlay to purchase and outfit vehicles vary each fiscal year based on organizational needs for new and replacement vehicles. Expenditures were higher in Fiscal Year 2016/17 primarily due to the purchase of four 100' tractor drawn aerials (+\$5,180,000). The most significant purchases in the prior year were for four type 1 engines (-\$2,140,000) and six sport utility vehicles for use by Executive Management (-\$280,000). |
| -\$70,000                        | Charges for services were for vehicle charges to cash contract cities, which decreased in accordance with the terms of the Joint Powers Agreement.   |
| -\$65,000                        | Miscellaneous revenues pertaining to bankruptcy proceeds decreased during Fiscal Year 2016/17.   |
| +\$30,000                        | Revenues for use of money and property increased due to portfolio earnings, net of the market value investment loss, allocated to the fund.  |
| <b>+\$12,540,000</b>             | <b>Fire Apparatus Fund – Net Impact on Fund Balance</b>  |



The **Fire Stations and Facilities Fund** had total fund balance of \$24,155,997 at the end of Fiscal Year 2016/17. 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 (\$23,312,309) and construction projects (\$310,456). Total fund balance increased by \$8,297,350 during the current fiscal year. The prior fiscal year's fund balance increased by \$3,338,405, a difference of \$4,958,945. The significant reason(s) for that net difference are identified in the following table.

| Impact on Fund Balance (Rounded) | Description   |
|----------------------------------|---|
| +\$7,900,000                     | Transfers in from the General Fund for current and future projects in the Capital Improvement Program increased by \$7,900,000 over the amount transferred in the prior fiscal year.  |
| -\$2,270,000                     | 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. Decreases in Fiscal Year 2016/17 developer activity primarily related to projects in the cities of Irvine and Lake Forest.  |
| -\$670,000                       | Expenditures for services and supplies and capital outlay increased due to three significant, multi-year capital improvement projects as follows: <ul style="list-style-type: none"> <li>➤ A warehouse was purchased during Fiscal Year 2014/15, and various tenant improvement projects have been in process since that time to convert it into a fully-functioning, centralized facility for the Urban Search and Rescue (USAR) program. Tenant improvement include engineering, expansion and installation of roll-up doors, exhaust systems, phone and information technology upgrades, and various other facility repairs. The majority of project costs were incurred during Fiscal Year 2016/17 (+\$420,000). Work is still ongoing and is expected to be completed during Fiscal Year 2017/18.</li> </ul> |

*(Continued)*

| Impact on Fund Balance (Rounded) | Description   |
|----------------------------------|---|
| (Continued)                      | <p>➤ The RFOTC Emergency Power Circuit Extension project is for the construction and installation of emergency power circuits that would energize the entire RFOTC facility in the event of a power disruption. While some initial project permits charges were incurred during the prior fiscal year, the majority of the project costs were incurred during Fiscal Year 2016/17 (+\$300,000). Work is expected to be completed in the summer of 2017.</p> <p>➤ Fire Station No. 56 (Village of Sendero) was constructed and placed into service during Fiscal Year 2015/16. Project costs incurred during the prior fiscal year included final construction, furniture, and fixtures (-\$50,000).</p> |
| <b>+\$4,960,000</b>              | <b>Fire Stations and Facilities Fund – Net Impact on Fund Balance</b>   |

### 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 2016/17.

|                             | Original Budget      | Increase (Decrease) | Final Budget         | Variance Positive (Negative) | Actual Amounts       |
|-----------------------------|----------------------|---------------------|----------------------|------------------------------|----------------------|
| Salaries and benefits       | \$283,291,422        | \$25,264,047        | \$308,555,469        | \$ (951,964)                 | \$309,507,433        |
| Services and supplies       | 36,474,966           | 10,405,800          | 46,880,766           | 5,349,560                    | 41,531,206           |
| Capital outlay              | 1,088,683            | 4,840,498           | 5,929,181            | 1,291,823                    | 4,637,358            |
| Interest and fiscal charges | 754,436              | (541,636)           | 212,800              | (53,504)                     | 266,304              |
| Transfers out               | 22,579,894           | 5,591,713           | 28,171,607           | -                            | 28,171,607           |
|                             | <u>\$344,189,401</u> | <u>\$45,560,422</u> | <u>\$389,749,823</u> | <u>\$5,635,915</u>           | <u>\$384,113,908</u> |

**Adjustments to Appropriations:** Budgeted General Fund appropriations increased by \$45,560,422 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) (Rounded) |
|---|-------------------------------|
| One-time contribution toward unfunded pension liability                 | \$9,815,000                   |
| Overtime and backfill for response to out-of-county and other incidents | 7,335,000                     |
| Transfers to Capital Improvement Program (CIP)                          | 5,540,000                     |
| Compensation changes per Memorandums of Understanding                   | 4,955,000                     |
| Various equipment (including cardiac monitors)                          | 4,105,000                     |
| Turnouts  | 2,300,000                     |
| Grant activities  | 2,160,000                     |
| Workers compensation  | 1,765,000                     |
| Firefighter and dispatcher academies                                    | 1,600,000                     |
| Staffing changes, reconfigurations, and service enhancements            | 1,435,000                     |
| Station 61 fire replacement and other costs (excludes vehicles)         | 1,405,000                     |
| Information Technology Division maintenance and support                 | 1,070,000                     |
|   | (Continued)                   |

| Reason for Adjustment to Original Budget                                      | Increase<br>(Decrease)<br>(Rounded) |
|---|-------------------------------------|
| <i>(Continued)</i>  |                                     |
| Information Technology Division CIP projects                                  | 685,000                             |
| Interest on Tax and Revenue Anticipation Notes (TRAN) and interfund borrowing | (625,000)                           |
| Structural fire entitlement projects  | 585,000                             |
| Various professional services   | 470,000                             |
| Facilities maintenance  | 390,000                             |
| Helicopter maintenance and training   | 160,000                             |
| Various other appropriations  | 410,000                             |
| <b>Total adjustments</b>  | <b>\$45,560,000</b>                 |

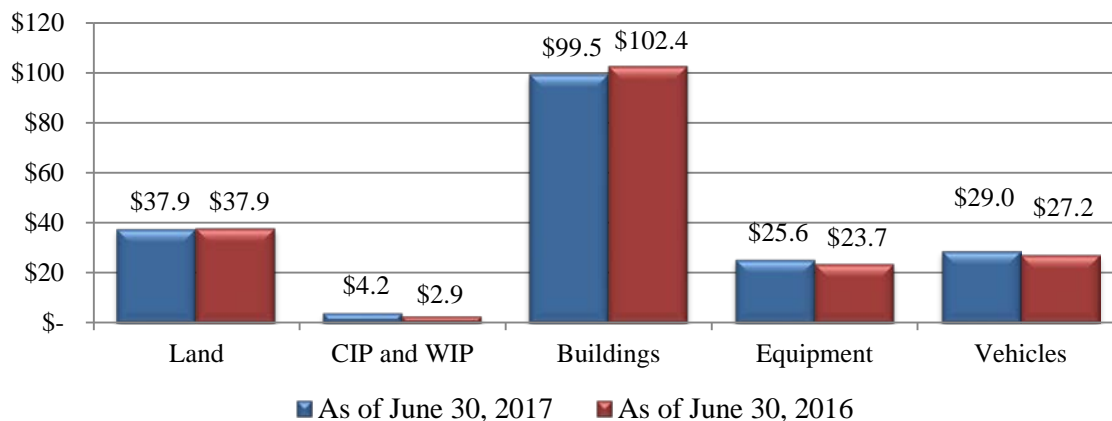
**Variance Between Final Budget and Actual Amounts:** Final, budgeted General Fund expenditures exceeded actual amounts, resulting in a positive budget variance totaling \$5,635,915. Over \$5.3 million of this variance related to various operating costs, projects, and other purchases and for services and supplies that were budgeted but not completed during Fiscal Year 2016/17. In some cases, uncompleted projects were delayed due to project complexity or time requirements and will be re-budgeted, if needed, to Fiscal Year 2017/18. Individually significant variances are summarized below:

| Department  | Amount<br>(Rounded) |
|---|---------------------|
| Service Center savings totaled over \$1.4 million, primarily related to firefighter turnouts that are being purchased in phases. In October 2016, the Board of Directors authorized \$2.3 million for the purchase of a second set of turnouts for all firefighters. Purchases are expected to continue into the next fiscal year. As of June 30, 2017, an encumbered purchase order for 535 turnout coats and pants had been issued (phases two and three), but items were not received prior to the end of the fiscal year. | \$1,420,000         |
| 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 2016/17, actual claims paid from the General Fund were \$945,000 more than the actuarial estimate, creating a negative budget variance.   | (945,000)           |
| Financial Services savings totaled \$725,000, primarily due to the annual property tax administrative fee that was much lower than originally anticipated.  | 725,000             |
| In January 2017, the Board of Directors authorized appropriations totaling \$3 million for unanticipated purchases relating to the fire at Fire Station No. 61. A balance of \$720,000 remains unspent in the General Fund. Establishment of a temporary station and replacement of additional equipment and supplies are expected to extend into Fiscal Year 2017/18.  | 720,000             |
| The entire balance of funds committed for Structural Fire Fund projects was budgeted during Fiscal Year 2016/17; however, eligible cities submitted reimbursement requests only for those projects completed.   | 545,000             |
| The Fiscal Year 2016/17 Executive Management budget included a line item for professional services relating to integration of policy manuals and training bulletins. This project was postponed to Fiscal Year 2017/18.   | 385,000             |
| Other variances combined  | 2,500,000           |
| <b>Total services and supplies variance</b>   | <b>\$5,350,000</b>  |

## Capital Assets and Debt Administration

**Capital Assets:** OCFA's investment in capital assets for its government activities at the end of Fiscal Year 2016/17 totaled \$192,430,467 (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 increased from the prior fiscal year by \$4,519,790 (2.4%). 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, 2017 and 2016**  
**(In Millions)**



**Construction in Progress (CIP) and Work in Progress (WIP):** 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. 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. CIP and WIP accounted for thirty-four projects during Fiscal Year 2016/17, twenty-two of which were placed into service and twelve of which were still in progress at year-end.

- CIP additions totaling over \$1 million included various tenant improvements at the Urban Search and Rescue (USAR) warehouse in Foothill Ranch; a generator upgrade project at the Regional Fire Operations and Training Center (RFOTC); and audio visual upgrades in the RFOTC board room. These three projects, along with a dormitory remodel project at fire Station No. 41 (Fullerton Airport), were still in progress at fiscal year-end.
- WIP additions totaled over \$3.2 million during Fiscal Year 2016/17, including costs pertaining to two 100' tractor drawn aerials (\$2.6 million); fifteen Chevrolet Colorado pickup trucks (\$330,000); one squad (\$190,000); one Chevrolet Silverado pickup truck (\$60,000); six front-line Chevrolet Suburban sport utility vehicles (\$40,000); four type one engines (\$25,000); and a temperature monitoring system for the RFOTC data center (\$10,000). Fifteen Chevrolet Colorado pickup trucks, three Chevrolet Suburban sport utility vehicles, and four type one engines were all placed into service during the fiscal year, while the remaining projects were still in progress as of June 30, 2017.

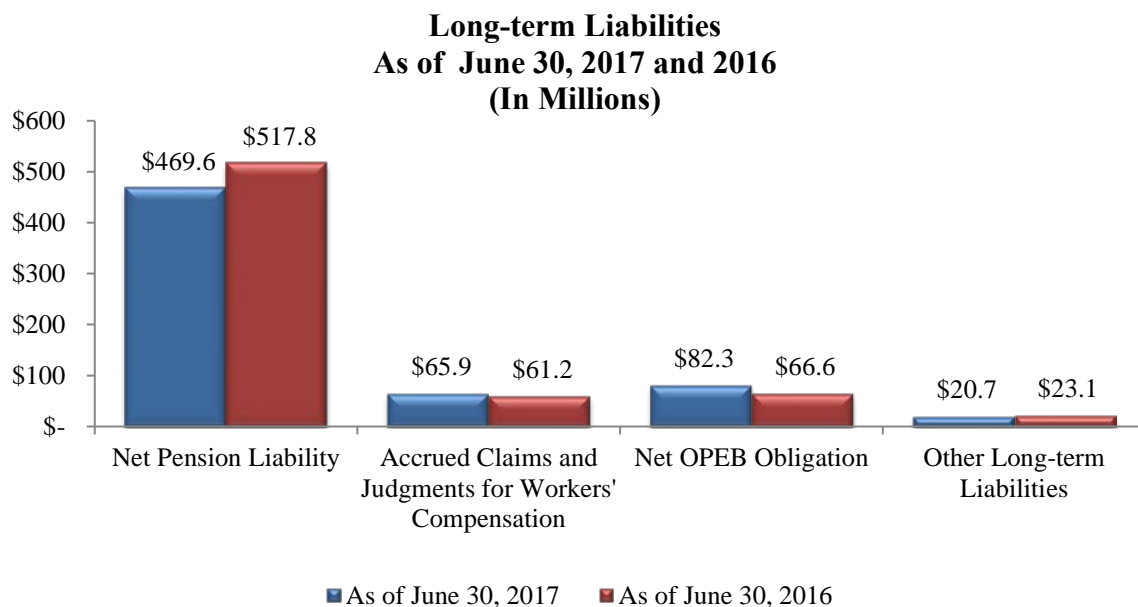
**Buildings:** Fiscal Year 2016/17 building and building improvement additions included \$270,000 for audio visual upgrades made in five classrooms at the RFOTC. Improvements were placed into service in November 2016 (Building D classrooms), January 2017 (Board breakout classroom), and March 2017 (Building A classrooms).

**Equipment:** Equipment additions totaled over \$4.7 million for 226 items during Fiscal Year 2016/17. The most individually significant additions included 127 cardiac monitors (\$3.8 million) and thirty-four encrypted base station 800 MHz radios purchased as part of the 800 MHz Countywide Coordinated Communications (CCCS) System (\$215,000). Thirty-three items were disposed of during Fiscal Year 2016/17, including twenty-one servers that were scrapped because they had reached the end of their useful service lives and were considered obsolete. An additional eight equipment items were impaired because they were destroyed during the January 2017 fire at Fire Station No. 61 in Buena Park, including a boat, two cardiac monitors, four hydraulic tools, and a thermal imaging camera.

**Vehicles:** Vehicle additions during Fiscal Year 2016/17 totaled \$5.9 million, consisting of \$2.9 million in new purchases plus \$3 million of completed vehicles transferred in from WIP. The most individually significant additions included two 100' tractor drawn aerials (\$2.6 million) and four type one engines (\$2.6 million). Ten vehicles were removed from OCFA's fleet during Fiscal Year 2016/17 as part of OCFA's ongoing vehicle replacement plan. These vehicles had reached the end of their useful service lives and were fully or mostly depreciated. Nine vehicles were sold at public auction and a type 1 engine was returned to the City of Santa Ana. An additional three vehicles were impaired because they were destroyed during the fire at Fire Station No. 61, including a 100' tractor drawn aerial (Truck 61), a Chevrolet Suburban sport utility vehicle (Battalion Chief), and a squad (Swift Water 61).

Additional information pertaining to OCFA's capital assets can be found in Notes 3 and 15 of the accompanying Notes to the Financial Statements.

**Long-term Debt:** Total long-term liabilities decreased by net \$30,414,065 (4.5%) during Fiscal Year 2016/17.



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 reported in the financial statements as a long-term liability in conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68. As of June 30, 2017, OCFA's share of the plan's net pension liability at OCERS, as determined by an actuarial valuation for the plan as a whole, totaled \$469.4 million, a net decline of \$48.2 million from the prior fiscal year's ending balance. 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.

|                           |
|---------------------------|
| <b>Next Year's Budget</b> |
|---------------------------|

The Fiscal Year 2017/18 General Operating Fund adopted expenditure budget is approximately \$350.3 million, which is a net increase of \$27.1 million (8.4%) from the final Fiscal Year 2016/17 General Operating Fund budget totaling \$323.2 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 2017/18 General Operating Fund Budget are as follow:

- Budgeted salaries and benefits increased by \$23.0 million. The budget reflects annual costs in accordance with approved Memorandums of Understanding with each labor group and merit increases for qualifying employees. The retirement budget for Fiscal Year 2017/18 is based on rates provided by the Orange County Employees Retirement System (OCERS). The retirement budget also includes approximately \$5.9 million in additional pension liability payments, in accordance with the Board's direction to continue to expedite the payment of OCFA's net pension liability.
- Budgeted services and supplies, capital outlay, and debt service increased by \$4.1 million. Overall, budgets were held flat as compared to Fiscal Year 2016/17, unless specific increases were identified by OCFA management or one-time grant proceeds were received. In general, the base Fiscal Year 2017/18 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 2017/18 budget is 1,403, which is 40 positions higher than the final, authorized position list as of June 30, 2017. Twenty-five of those new authorized positions are for members of the Board of Directors, which were converted from contractors to employees in January 2017. In addition, the budget reflects funding for only 1,346 of the 1,403 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:

| <b>Unit</b>                       | <b>FY 2017/18<br/>Budget</b> | <b>FY 2016/17<br/>Final</b> | <b>Increase<br/>(Decrease)</b> |
|-----------------------------------|------------------------------|-----------------------------|--------------------------------|
| Firefighter Unit                  | 1,034                        | 1,023                       | 11                             |
| Fire Management Unit              | 45                           | 45                          | -                              |
| General Unit                      | 218                          | 213                         | 5                              |
| Supervisory Management Unit       | 28                           | 27                          | 1                              |
| Supported Employment Unit         | 4                            | 4                           | -                              |
| Administrative Management         | 42                           | 43                          | (1)                            |
| Executive Management              | 7                            | 8                           | (1)                            |
| Board of Directors                | 25                           | -                           | 25                             |
| <b>Total authorized positions</b> | <b>1,403</b>                 | <b>1,363</b>                | <b>40</b>                      |

### Requests for Information

This financial report is designed to provide a general overview of OCFA's and the OCFA Foundation'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 Safety Message*

### **Electrical Fire Safety** **(Part 2 of 4)**

*(Continued from Page 4)*



*Home electrical fires are responsible for an estimated 51,000 fires and \$1.3 billion in property damage each year. Protect your family and your home by following these electrical safety tips.*

#### **Outlets**

- ✓ Never overload wall outlets.
- ✓ Insert plugs fully into sockets.
- ✓ Install tamper-resistant electrical outlets if you have children.

*(Continued on Page 27)*

# Government-wide Financial Statements



## Best & Bravest Awards Dinner

February 2017







## *Orange County Fire Authority Safety Message*

### **Electrical Fire Safety** **(Part 3 of 4)**

*(Continued from Page 26)*



*Home electrical fires are responsible for an estimated 51,000 fires and \$1.3 billion in property damage each year. Protect your family and your home by following these electrical safety tips.*

#### **Extension Cords, Power Strips, and Surge Protectors**

- ✓ Replace worn, old, or damaged extension cords right away.
- ✓ Extension cords are meant for short-term use only. If necessary, have a qualified electrician add more outlets to prevent long-term use.
- ✓ Do not run electrical cords across doorways or under carpets.
- ✓ Do not overload power strips.
- ✓ Use surge protectors, not power strips, with electrical devices that require a lot of electricity to operate.

*(Continued on Page 32)*

**ORANGE COUNTY FIRE AUTHORITY**  
**Statement of Net Position**  
**June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | <b>Primary Government</b>      |                         |
|---|--------------------------------|-------------------------|
|   | <b>Governmental Activities</b> |                         |
|   | <b>2017</b>                    | <b>2016</b>             |
| <b>Assets:</b>  |                                |                         |
| Cash and investments (Note 4)                                 | \$ 178,194,261                 | \$ 177,729,367          |
| Receivables:  |                                |                         |
| Accounts, net (Note 5)  | 3,132,852                      | 2,566,770               |
| Accrued interest  | 249,934                        | 224,075                 |
| Prepaid costs and other assets (Note 6)                       | 19,157,452                     | 25,551,256              |
| Due from other governments, net (Note 7)                      | 11,163,722                     | 11,671,971              |
| Capital assets (Note 15):                                     |                                |                         |
| Land  | 37,887,850                     | 37,887,850              |
| Construction in progress                                      | 1,152,458                      | 102,341                 |
| Work in progress  | 3,031,036                      | 2,795,704               |
| Capital assets, net of accumulated depreciation/amortization  | 154,072,430                    | 153,235,229             |
| <b>Total assets</b>   | <b>408,041,995</b>             | <b>411,764,563</b>      |
| <b>Deferred Outflows of Resources:</b>                        |                                |                         |
| Deferred outflows of resources related to pensions (Note 16b) | 122,197,259                    | 150,278,544             |
| <b>Total deferred outflows of resources</b>                   | <b>122,197,259</b>             | <b>150,278,544</b>      |
| <b>Liabilities:</b>   |                                |                         |
| Accounts payable  | 3,999,597                      | 3,008,616               |
| Accrued liabilities   | 8,293,131                      | 14,824,059              |
| Accrued interest  | 2,083                          | 3,427                   |
| Unearned revenue (Note 9)                                     | 972,723                        | 33,116                  |
| Due to other governments (Note 8)                             | 152,192                        | 123,047                 |
| Long-term liabilities (Note 16a):                             |                                |                         |
| Other due within one year                                     | 16,972,087                     | 13,377,381              |
| Other due in more than one year                               | 69,607,212                     | 70,948,919              |
| Proportionate share net pension liability                     | 469,555,119                    | 517,833,497             |
| Net OPEB obligation   | 82,254,710                     | 66,643,396              |
| <b>Total liabilities</b>                                      | <b>651,808,854</b>             | <b>686,795,458</b>      |
| <b>Deferred Inflows of Resources:</b>                         |                                |                         |
| Deferred inflows of resources related to pensions (Note 16b)  | 55,204,447                     | 35,911,567              |
| <b>Total deferred outflows of resources</b>                   | <b>55,204,447</b>              | <b>35,911,567</b>       |
| <b>Net position:</b>  |                                |                         |
| Net investment in capital assets (Note 15b)                   | 192,430,467                    | 187,910,677             |
| Restricted for:   |                                |                         |
| Capital projects  | 533,232                        | 533,232                 |
| Other purposes  | 3,364,382                      | 2,348,678               |
| Unrestricted  | (373,102,128)                  | (351,456,505)           |
| <b>Total net position</b>                                     | <b>\$ (176,774,047)</b>        | <b>\$ (160,663,918)</b> |

See Notes to the Financial Statements

| Component Unit    |                   |
|-------------------|-------------------|
| OCFA Foundation   |                   |
| 2017              | 2016              |
| \$ 122,585        | \$ 108,718        |
| 3,557             | 90                |
| -                 | -                 |
| 564               | 7,015             |
| -                 | -                 |
| -                 | -                 |
| -                 | -                 |
| 15,912            | -                 |
| <b>142,618</b>    | <b>115,823</b>    |
| -                 | -                 |
| -                 | -                 |
| 1,038             | 142               |
| -                 | -                 |
| -                 | -                 |
| -                 | 6,000             |
| -                 | -                 |
| -                 | -                 |
| -                 | -                 |
| -                 | -                 |
| <b>1,038</b>      | <b>6,142</b>      |
| -                 | -                 |
| -                 | -                 |
| 15,912            | -                 |
| -                 | -                 |
| 49,518            | 47,448            |
| 76,150            | 62,233            |
| <b>\$ 141,580</b> | <b>\$ 109,681</b> |

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Statement of Activities**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | <b>Primary Government</b>      |                         |
|---|--------------------------------|-------------------------|
|   | <b>Governmental Activities</b> |                         |
|   | <b>2017</b>                    | <b>2016</b>             |
| <b>Expenses:</b>                              |                                |                         |
| Public safety:                                |                                |                         |
| Salaries and benefits                         | \$ 327,515,166                 | \$ 316,292,785          |
| Services and supplies                         | 52,819,125                     | 35,127,573              |
| Depreciation and amortization (Note 15d)      | 9,512,777                      | 9,267,982               |
| Interest on long-term debt                    | 133,239                        | 917,320                 |
| <b>Total program expenses</b>                 | <b>389,980,307</b>             | <b>361,605,660</b>      |
| <b>Program revenues:</b>                      |                                |                         |
| Public safety:                                |                                |                         |
| Charges for services                          | 121,875,157                    | 117,263,679             |
| Operating grants and contributions            | 11,992,438                     | 12,165,015              |
| Capital grants and contributions              | 1,040,129                      | 3,331,088               |
| <b>Total program revenues</b>                 | <b>134,907,724</b>             | <b>132,759,782</b>      |
| Net program (expenses) revenues               | (255,072,583)                  | (228,845,878)           |
| <b>General revenues:</b>                      |                                |                         |
| Property taxes                                | 232,832,758                    | 219,840,417             |
| Investment income                             | 990,851                        | 1,654,065               |
| Gain on disposal of capital assets (Note 15e) | 657,944                        | 6,000                   |
| Miscellaneous                                 | 4,480,901                      | 2,823,503               |
| <b>Total general revenues</b>                 | <b>238,962,454</b>             | <b>224,323,985</b>      |
| Change in net position                        | (16,110,129)                   | (4,521,893)             |
| Net position at beginning of year             | (160,663,918)                  | (156,142,025)           |
| <b>Net position at end of year</b>            | <b>\$ (176,774,047)</b>        | <b>\$ (160,663,918)</b> |

See Notes to the Financial Statements



| Component Unit    |                   |
|-------------------|-------------------|
| OCFA Foundation   |                   |
| 2017              | 2016              |
| \$ -              | \$ -              |
| 31,183            | 65,230            |
| 67                | -                 |
| -                 | -                 |
| <b>31,250</b>     | <b>65,230</b>     |
| -                 | -                 |
| 55,149            | 69,997            |
| 8,000             | -                 |
| <b>63,149</b>     | <b>69,997</b>     |
| 31,899            | 4,767             |
| -                 | -                 |
| -                 | -                 |
| -                 | -                 |
| -                 | -                 |
| -                 | -                 |
| 31,899            | 4,767             |
| 109,681           | 104,914           |
| <b>\$ 141,580</b> | <b>\$ 109,681</b> |

See Notes to the Financial Statements



## *Orange County Fire Authority Safety Message*

### **Electrical Fire Safety (Part 4 of 4)**

*(Continued from Page 27)*



*Home electrical fires are responsible for an estimated 51,000 fires and \$1.3 billion in property damage each year. Protect your family and your home by following these electrical safety tips.*

#### **Electrical Fire Warning Signs**

- ✓ Frequent problems with blowing fuses or tripping circuit breakers.
- ✓ A tingling feeling when you touch an electrical appliance.
- ✓ Discolored or warm wall outlets.
- ✓ A burning or rubbery odor coming from an appliance.
- ✓ Flickering lights.
- ✓ Sparks from an outlet.

# Fund Financial Statements



## Firefighter Academy 43 Graduation

March 2017







## *Orange County Fire Authority Safety Message*

### **Dryer Safety** **(Part 1 of 2)**



*Fires can happen if there is a build-up of lint in the dryer or the exhaust duct. Lint can block the flow of air, which can cause excessive heat build-up that may result in a fire.*

#### **Safety Tips**

- ✓ Have your dryer installed and serviced by a professional.
- ✓ Make sure the right plug and outlet are used and that your dryer is connected properly.
- ✓ Make sure your dryer's air exhaust vent pipe is not restricted and that the outdoor vent flap opens when the dryer is operating.
- ✓ Follow the manufacturer's operating instructions for your dryer.
- ✓ Keep the dryer area clear of all combustibles.
- ✓ Keep your dryer in good working order. Gas dryers should be inspected by a qualified professional to make sure that the gas line and connections are intact and free of leaks.
- ✓ Replace coiled-wire foil or plastic venting with a rigid, non-ribbed metal duct which provides maximum air flow and reduces fire risk.

*(Continued on Page 46)*

**ORANGE COUNTY FIRE AUTHORITY**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017**  
**(With Comparative Data for Prior Year)**

|  |                       | <u>Capital</u>  |
|--|-----------------------|---|
|  | <u>General Fund</u>   | <u>Communications<br/>and Information<br/>Systems</u> |
| <b>Assets:</b>   |                       |   |
| Cash and investments (Note 4)  | \$ 112,350,568        | \$ 11,396,030   |
| Receivables:   |                       |   |
| Accounts, net (Note 5)   | 3,132,852             | -   |
| Accrued interest   | 153,958               | 19,341  |
| Prepaid costs and other assets (Note 6)                                    | 33,772,844            | 4,608   |
| Due from other governments, net (Note 7)                                   | 11,127,839            | -   |
| <b>Total assets</b>  | <b>\$ 160,538,061</b> | <b>\$ 11,419,979</b>                                  |
| <b>Liabilities:</b>  |                       |   |
| Accounts payable   | \$ 3,572,663          | \$ 26,793   |
| Accrued liabilities  | 8,293,131             | -   |
| Unearned revenue (Note 9)  | 972,723               | -   |
| Due to other governments (Note 8)  | 152,192               | -   |
| <b>Total liabilities</b>   | <b>12,990,709</b>     | <b>26,793</b>   |
| <b>Deferred Inflows of Resources:</b>                                      |                       |   |
| Unavailable revenue (Note 9)   | 190,000               | -   |
| <b>Total deferred inflows of resources</b>                                 | <b>190,000</b>        | <b>-</b>  |
| <b>Fund balances:</b>  |                       |   |
| Nonspendable - prepaid costs (Note 6)                                      | 33,750,548            | 4,608   |
| Restricted for (Note 10):  |                       |   |
| Capital improvement program  | -                     | -   |
| Operations Department  | 28,551                | -   |
| Community Risk Reduction Department  | 3,307,509             | -   |
| Organizational Planning Department   | 28,322                | -   |
| Committed to - SFF cities enhancements (Note 11)                           | 549,651               | -   |
| Assigned to (Note 12):   |                       |   |
| Capital improvement program  | 1,107,430             | 11,255,995  |
| Workers' compensation  | 75,375,829            | -   |
| Executive Management   | 66,396                | -   |
| Operations Department  | 236,943               | -   |
| Community Risk Reduction Department  | 34,759                | -   |
| Business Services Department   | 1,341,200             | -   |
| Support Services Department  | 23,307                | -   |
| Organizational Planning Department   | 62,047                | -   |
| Facilities projects  | 89,361                | -   |
| Communications and IT projects   | 8,827                 | 132,583   |
| Fire apparatus and other vehicles  | -                     | -   |
| Construction projects  | -                     | -   |
| Unassigned (Note 13)   | 31,346,672            | -   |
| <b>Total fund balances</b>   | <b>147,357,352</b>    | <b>11,393,186</b>                                     |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 160,538,061</b> | <b>\$ 11,419,979</b>                                  |

See Notes to the Financial Statements

| Projects Funds       |                                 | Total Governmental Funds |                       |
|----------------------|---------------------------------|--------------------------|-----------------------|
| Fire Apparatus       | Fire Stations<br>and Facilities | 2017                     | 2016                  |
| \$ 30,146,090        | \$ 24,301,573                   | \$ 178,194,261           | \$ 177,729,367        |
| -                    | -                               | 3,132,852                | 2,566,770             |
| 12,915               | 63,720                          | 249,934                  | 224,075               |
| -                    | -                               | 33,777,452               | 36,789,256            |
| 35,883               | -                               | 11,163,722               | 10,050,255            |
| <b>\$ 30,194,888</b> | <b>\$ 24,365,293</b>            | <b>\$ 226,518,221</b>    | <b>\$ 227,359,723</b> |
| \$ 190,845           | \$ 209,296                      | \$ 3,999,597             | \$ 3,008,616          |
| -                    | -                               | 8,293,131                | 14,824,059            |
| -                    | -                               | 972,723                  | 33,116                |
| -                    | -                               | 152,192                  | 123,047               |
| <b>190,845</b>       | <b>209,296</b>                  | <b>13,417,643</b>        | <b>17,988,838</b>     |
| -                    | -                               | 190,000                  | -                     |
| -                    | -                               | <b>190,000</b>           | -                     |
| -                    | -                               | 33,755,156               | 36,779,845            |
| -                    | 533,232                         | 533,232                  | 533,232               |
| -                    | -                               | 28,551                   | 13,867                |
| -                    | -                               | 3,307,509                | 2,334,811             |
| -                    | -                               | 28,322                   | -                     |
| -                    | -                               | 549,651                  | 584,464               |
| 13,470,899           | 23,312,309                      | 49,146,633               | 53,746,805            |
| -                    | -                               | 75,375,829               | 73,720,054            |
| -                    | -                               | 66,396                   | 36,690                |
| -                    | -                               | 236,943                  | 51,484                |
| -                    | -                               | 34,759                   | 15,845                |
| -                    | -                               | 1,341,200                | 162,699               |
| -                    | -                               | 23,307                   | 119,743               |
| -                    | -                               | 62,047                   | 21,000                |
| -                    | -                               | 89,361                   | 69,987                |
| -                    | -                               | 141,410                  | 81,624                |
| 16,533,144           | -                               | 16,533,144               | 6,663,607             |
| -                    | 310,456                         | 310,456                  | 13,135                |
| -                    | -                               | 31,346,672               | 34,421,993            |
| <b>30,004,043</b>    | <b>24,155,997</b>               | <b>212,910,578</b>       | <b>209,370,885</b>    |
| <b>\$ 30,194,888</b> | <b>\$ 24,365,293</b>            | <b>\$ 226,518,221</b>    | <b>\$ 227,359,723</b> |

See Notes to the Financial Statements



**ORANGE COUNTY FIRE AUTHORITY**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2017**  
**(With Comparative Data for Prior Year)**

|  | <u>2017</u>           | <u>2016</u>           |
|--|-----------------------|-----------------------|
| <b>Fund balances of governmental funds</b> | <b>\$ 212,910,578</b> | <b>\$ 209,370,885</b> |

**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                        | 327,630,789   | 318,064,366   |
| Accumulated depreciation/amortization | (131,487,015) | (124,043,242) |

**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 was reimbursable by the City of Santa Ana as of June 30, 2016, and therefore was 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          | (469,430,660) | (517,669,806) |
| Prepaid costs and other assets | (14,620,000)  | (11,238,000)  |
| Deferred outflows of resources | 122,180,027   | 150,243,504   |
| Deferred inflows of resources  | (55,142,127)  | (35,819,433)  |
| Extra Help pension plan:       |               |               |
| Net pension liability          | (124,459)     | (163,691)     |
| Deferred outflows of resources | 17,232        | 35,040        |
| Deferred inflows of resources  | (62,320)      | (92,134)      |

**See Notes to the Financial Statements**

**ORANGE COUNTY FIRE AUTHORITY**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2017**  
**(Continued)**

|  | <u>2017</u>                    | <u>2016</u>                    |
|--|--------------------------------|--------------------------------|
| <b><u>Long-term Liabilities and Receivables, (Continued)</u></b>   |                                |                                |
| Capital lease purchase agreements  | (3,713,307)                    | (6,110,447)                    |
| Accrued claims and judgments   | (65,928,152)                   | (61,196,645)                   |
| Compensated absences   | (16,937,840)                   | (17,019,208)                   |
| Long-term receivable for compensated absences  | -                              | 1,621,716                      |
| Net OPEB obligation  | (82,254,710)                   | (66,643,396)                   |
| <b><u>Accrued Interest</u></b>   |                                |                                |
| 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.  | (2,083)                        | (3,427)                        |
| <b><u>Unavailable Revenues</u></b>   |                                |                                |
| 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. |                                |                                |
| Accounts receivable, net - Station 61 fire insurance claim   | 190,000                        | -                              |
| <b>Net position of governmental activities</b>   | <b><u>\$ (176,774,047)</u></b> | <b><u>\$ (160,663,918)</u></b> |

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, 2017**  
**(With Comparative Data for Prior Year)**

|  |                       | <u>Capital</u>  |
|--|-----------------------|---|
|  | <u>General Fund</u>   | <u>Communications<br/>and Information<br/>Systems</u> |
| <b>Revenues:</b>   |                       |   |
| Taxes  | \$ 232,832,758        | \$ -  |
| Intergovernmental  | 29,069,065            | -   |
| Charges for services   | 104,710,870           | -   |
| Use of money and property                                    | 830,271               | 120,120   |
| Miscellaneous  | 4,123,033             | 203,512   |
| Developer contributions                                      | -                     | -   |
| <b>Total revenues</b>  | <b>371,565,997</b>    | <b>323,632</b>  |
| <b>Expenditures:</b>   |                       |   |
| Current - public safety:                                     |                       |   |
| Salaries and benefits  | 309,507,433           | -   |
| Services and supplies  | 41,531,206            | 6,536,197   |
| Capital outlay   | 4,637,358             | 710,336   |
| Debt service:  |                       |   |
| Principal retirement   | -                     | -   |
| Interest and fiscal charges                                  | 266,304               | -   |
| <b>Total expenditures</b>                                    | <b>355,942,301</b>    | <b>7,246,533</b>                                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | 15,623,696            | (6,922,901)   |
| <b>Other financing sources (uses):</b>                       |                       |   |
| Transfers in (Note 14)                                       | 5,552,492             | 4,866,307   |
| Transfers out (Note 14)                                      | (28,171,607)          | (5,552,492)   |
| Sale of capital and other assets (Note 15e)                  | 76,633                | -   |
| Insurance recoveries (Note 15e)                              | 1,218,433             | -   |
| <b>Total other financing sources (uses)</b>                  | <b>(21,324,049)</b>   | <b>(686,185)</b>                                      |
| Net change in fund balances                                  | (5,700,353)           | (7,609,086)   |
| Fund balances, beginning of year                             | 153,057,705           | 19,002,272  |
| <b>Fund balances, end of year</b>                            | <b>\$ 147,357,352</b> | <b>\$ 11,393,186</b>                                  |

See Notes to the Financial Statements

| Projects Funds       |                              | Total Governmental Funds |                       |
|----------------------|------------------------------|--------------------------|-----------------------|
| Fire Apparatus       | Fire Stations and Facilities | 2017                     | 2016                  |
| \$ -                 | \$ -                         | \$ 232,832,758           | \$ 219,840,417        |
| -                    | -                            | 29,069,065               | 25,978,081            |
| 1,350,190            | -                            | 106,061,060              | 103,830,436           |
| 165,829              | 140,935                      | 1,257,155                | 1,671,316             |
| 124,886              | 120,546                      | 4,571,977                | 2,786,173             |
| -                    | 962,627                      | 962,627                  | 3,233,082             |
| <b>1,640,905</b>     | <b>1,224,108</b>             | <b>374,754,642</b>       | <b>357,339,505</b>    |
| -                    | -                            | 309,507,433              | 294,414,084           |
| 9,358                | 10,857                       | 48,087,618               | 36,303,618            |
| 5,953,342            | 815,901                      | 12,116,937               | 3,996,650             |
| 2,397,140            | -                            | 2,397,140                | 2,336,279             |
| 134,583              | -                            | 400,887                  | 935,881               |
| <b>8,494,423</b>     | <b>826,758</b>               | <b>372,510,015</b>       | <b>337,986,512</b>    |
| (6,853,518)          | 397,350                      | 2,244,627                | 19,352,993            |
| 15,405,300           | 7,900,000                    | 33,724,099               | 78,187                |
| -                    | -                            | (33,724,099)             | (78,187)              |
| -                    | -                            | 76,633                   | 24,470                |
| -                    | -                            | 1,218,433                | 121,288               |
| <b>15,405,300</b>    | <b>7,900,000</b>             | <b>1,295,066</b>         | <b>145,758</b>        |
| 8,551,782            | 8,297,350                    | 3,539,693                | 19,498,751            |
| 21,452,261           | 15,858,647                   | 209,370,885              | 189,872,134           |
| <b>\$ 30,004,043</b> | <b>\$ 24,155,997</b>         | <b>\$ 212,910,578</b>    | <b>\$ 209,370,885</b> |

See Notes to the Financial Statements

**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, 2017**  
**(With Comparative Data for Prior Year)**

|   | <u>2017</u>         | <u>2016</u>          |
|---|---------------------|----------------------|
| <b>Net change in fund balances - total governmental funds</b> | <b>\$ 3,539,693</b> | <b>\$ 19,498,751</b> |

**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                    | 12,116,937  | 3,996,650   |
| Depreciation/amortization expense | (9,512,777) | (9,267,982) |

Capital assets received through grant or donation are recognized as revenue in the Statement of Activities at their estimated acquisition value at time of receipt.

|                                |        |        |
|--------------------------------|--------|--------|
| From OCFA Foundation           | -      | 10,000 |
| From other grantors and donors | 77,502 | 44,984 |

Governmental funds report the proceeds from disposal 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                            | (2,628,016) | (340,820) |
| Accumulated depreciation/amortization on disposals | 2,069,004   | 331,450   |

**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.

|  |           |           |
|--|-----------|-----------|
|  | 2,397,140 | 2,336,279 |
|--|-----------|-----------|

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                                   | (2,529,025) | (12,090,983) |
| Extra Help pension plan                              | 51,238      | 25,659       |
| Accrued claims and judgments - workers' compensation | (4,731,507) | 1,176,045    |

**See Notes to the Financial Statements**

**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, 2017**  
**(Continued)**

|  | <u>2017</u>                   | <u>2016</u>                  |
|--|-------------------------------|------------------------------|
| Compensated absences - Santa Ana general leave   | 1,621,716                     | 113,772                      |
| Compensated absences - other leave balances  | (1,540,348)                   | (836,879)                    |
| A long-term receivable was established in the Statement of Net Position for the portion of compensated absences reimbursable by the City of Santa Ana. The receivable balance was reduced over time as leave balances were used by employees and subsequently reimbursed by the city. Those reimbursements were reported as revenue in the governmental funds. | (1,621,716)                   | (113,772)                    |
| 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.  | (15,611,314)                  | (9,090,270)                  |
| <b><u>Accrued Interest</u></b>   |                               |                              |
| 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.   | 1,344                         | 1,310                        |
| <b><u>Unavailable Revenues</u></b>   |                               |                              |
| 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.  |                               |                              |
| Charges for services - Santa Ana start-up costs  | -                             | (316,087)                    |
| Insurance recoveries - Station 61 fire insurance claim   | 190,000                       | -                            |
| <b><u>Interfund Transactions</u></b>   |                               |                              |
| Transactions between governmental funds are eliminated for presentation in the government-wide financial statements.   |                               |                              |
| Transfers in   | (33,724,099)                  | (78,187)                     |
| Transfers out  | 33,724,099                    | 78,187                       |
| Use of money and property  | (266,304)                     | (17,251)                     |
| Interest and fiscal charges  | 266,304                       | 17,251                       |
| <b>Change in net position of governmental activities</b>   | <b><u>\$ (16,110,129)</u></b> | <b><u>\$ (4,521,893)</u></b> |

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**General Fund**  
**Budgetary Comparison Statement**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | 2017                  |                       |                       |                               | 2016                  |
|---|-----------------------|-----------------------|-----------------------|-------------------------------|-----------------------|
|   | Budget Amounts        |                       | Actual                | Variance with<br>Final Budget | Actual                |
|   | Original              | Final                 | Amounts               | Positive<br>(Negative)        | Amounts               |
| <b>Budgetary fund<br/>balance, July 1</b>       | <b>\$ 153,057,705</b> | <b>\$ 153,057,705</b> | <b>\$ 153,057,705</b> | <b>\$ -</b>                   | <b>\$ 133,255,605</b> |
| <b>Resources (inflows):</b>                     |                       |                       |                       |                               |                       |
| Taxes   | 227,439,867           | 230,301,459           | 232,832,758           | 2,531,299                     | 219,840,417           |
| Intergovernmental                               | 15,392,901            | 27,567,139            | 29,069,065            | 1,501,926                     | 25,978,081            |
| Charges for services                            | 102,840,465           | 102,816,931           | 104,710,870           | 1,893,939                     | 102,408,896           |
| Use of money<br>and property                    | 1,535,797             | 785,775               | 830,271               | 44,496                        | 1,353,083             |
| Miscellaneous                                   | 1,062,197             | 3,873,324             | 4,123,033             | 249,709                       | 2,096,571             |
| Transfers in                                    | -                     | -                     | 5,552,492             | 5,552,492                     | -                     |
| Sale of capital<br>and other assets             | 50,000                | 38,000                | 76,633                | 38,633                        | 24,470                |
| Insurance recoveries                            | -                     | 51,130                | 1,218,433             | 1,167,303                     | 121,288               |
| <b>Total resources<br/>(inflows)</b>            | <b>348,321,227</b>    | <b>365,433,758</b>    | <b>378,413,555</b>    | <b>12,979,797</b>             | <b>351,822,806</b>    |
| <b>Amounts available<br/>for appropriations</b> | <b>501,378,932</b>    | <b>518,491,463</b>    | <b>531,471,260</b>    | <b>12,979,797</b>             | <b>485,078,411</b>    |
| <b>Charges to<br/>appropriation (outflows):</b> |                       |                       |                       |                               |                       |
| Salaries and benefits                           | 283,291,422           | 308,555,469           | 309,507,433           | (951,964)                     | 294,414,084           |
| Services and supplies                           | 36,474,966            | 46,880,766            | 41,531,206            | 5,349,560                     | 36,165,092            |
| Capital outlay                                  | 1,088,683             | 5,929,181             | 4,637,358             | 1,291,823                     | 622,906               |
| Interest and<br>fiscal charges                  | 754,436               | 212,800               | 266,304               | (53,504)                      | 740,437               |
| Transfers out                                   | 22,579,894            | 28,171,607            | 28,171,607            | -                             | 78,187                |
| <b>Total charges<br/>to appropriations</b>      | <b>344,189,401</b>    | <b>389,749,823</b>    | <b>384,113,908</b>    | <b>5,635,915</b>              | <b>332,020,706</b>    |
| <b>Budgetary fund<br/>balance, June 30</b>      | <b>\$ 157,189,531</b> | <b>\$ 128,741,640</b> | <b>\$ 147,357,352</b> | <b>\$ 18,615,712</b>          | <b>\$ 153,057,705</b> |

See Notes to the Financial Statements



**ORANGE COUNTY FIRE AUTHORITY**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | <b>Pension<br/>Trust Funds</b>   | <b>Total Pension Trust Funds</b> |                  |
|---|----------------------------------|----------------------------------|------------------|
|   | <b>Extra Help<br/>Retirement</b> | <b>2017</b>                      | <b>2016</b>      |
| <b>Assets:</b>                              |                                  |                                  |                  |
| Cash and investments (Note 4):              |                                  |                                  |                  |
| Local Agency Investment Fund -              |                                  |                                  |                  |
| Domestic fixed income securities            | \$ 67,754                        | \$ 67,754                        | \$ 74,798        |
| <b>Total assets</b>                         | <b>67,754</b>                    | <b>67,754</b>                    | <b>74,798</b>    |
| <br>  |                                  |                                  |                  |
| <b>Net position restricted for pensions</b> | <b>\$ 67,754</b>                 | <b>\$ 67,754</b>                 | <b>\$ 74,798</b> |

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|  | <b>Pension<br/>Trust Funds</b>   | <b>Total Pension Trust Funds</b> |                         |
|--|----------------------------------|----------------------------------|-------------------------|
|  | <b>Extra Help<br/>Retirement</b> | <b>2017</b>                      | <b>2016</b>             |
| <b>Additions:</b>  |                                  |                                  |                         |
| Contributions:   |                                  |                                  |                         |
| Employer   | \$ 839                           | \$ 839                           | \$ 2,267                |
| Plan members   | 21,080                           | 21,080                           | 8,923                   |
| Total contributions  | <u>21,919</u>                    | <u>21,919</u>                    | <u>11,190</u>           |
| Net investment income:   |                                  |                                  |                         |
| Interest   | 2,407                            | 2,407                            | 1,219                   |
| Total net investment income                                    | <u>2,407</u>                     | <u>2,407</u>                     | <u>1,219</u>            |
| <b>Total additions</b>   | <b><u>24,326</u></b>             | <b><u>24,326</u></b>             | <b><u>12,409</u></b>    |
| <b>Deductions:</b>   |                                  |                                  |                         |
| Benefits and refunds paid to<br>plan members and beneficiaries | 31,370                           | 31,370                           | 10,642                  |
| <b>Total deductions</b>  | <b><u>31,370</u></b>             | <b><u>31,370</u></b>             | <b><u>10,642</u></b>    |
| Change in net position   | (7,044)                          | (7,044)                          | 1,767                   |
| Net position, beginning of year                                | 74,798                           | 74,798                           | 73,031                  |
| <b>Net position, end of year</b>                               | <b><u>\$ 67,754</u></b>          | <b><u>\$ 67,754</u></b>          | <b><u>\$ 74,798</u></b> |

See Notes to the Financial Statements

# Notes to the Financial Statements



Fire Apparatus Engineer Academy

March 2017





**ORANGE COUNTY FIRE AUTHORITY**

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**Year ended June 30, 2017**

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## *Orange County Fire Authority Safety Message*

### **Dryer Safety (Part 2 of 2)**

*(Continued from Page 33)*



*Fires can happen if there is a build-up of lint in the dryer or the exhaust duct. Lint can block the flow of air, which can cause excessive heat build-up that may result in a fire.*

### **Things to Remember**

- ✓ Do not use a dryer that doesn't have a lint filter.
- ✓ Clean the lint filter before or after drying each load of clothes.
- ✓ If clothing is still damp at the end of a typical drying cycle or if drying your clothes requires a longer time than normal, this may be a sign that the lint filter or exhaust duct is blocked.
- ✓ Be sure to clean behind the dryer, where lint can build up.
- ✓ Don't dry items that have come into contact with anything flammable such as alcohol, cooking oils, or gasoline. Dry these items outdoors or in a well-ventilated area away from heat.
- ✓ Never overload your dryer.
- ✓ Turn your dryer off if you leave home or when you go to bed.
- ✓ If you plan to be away from home for a long period of time, unplug or disconnect your dryer.

## ORANGE COUNTY FIRE AUTHORITY

### Notes to the Financial Statements

Year ended June 30, 2017

#### **(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 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 OCFA will be conveyed or distributed to each member in proportion to all funds provided to 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 discretely presented 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 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, 2017, 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 OCFA as a whole, excluding its fiduciary activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. During the course of operations, OCFA has activity between its governmental funds for various purposes. Residual balances at the end of the fiscal year, interfund transfers, and other transactions between governmental funds, if any, are eliminated in the preparation of the government-wide financial 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 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 or

more. 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 acquisition 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. Capital assets received in a service concession arrangement, if any, are reported at acquisition value. 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. 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) have been accrued when incurred in the government-wide 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 effective interest 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, 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"), 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 sub-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, 2017.

|   | Fund Balance<br>as of<br>June 30, 2017 |
|---|--|
| Budgetary basis:                                  |  |
| General Operating Fund                            | \$ 70,222,900                          |
| General Fund Capital Improvement Program (CIP)    | 1,208,972                              |
| Structural Fire Entitlement                       | 549,651                                |
| Self Insurance                                    | <u>75,375,829</u>                      |
| General Fund for financial statement presentation | <u>\$147,357,352</u>                   |

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<br>Budget   | Increase/<br>(Decrease) | Final<br>Budget      |
|--|----------------------|-------------------------|----------------------|
| General Fund                           | \$344,189,401        | \$45,560,422            | \$389,749,823        |
| Communications and Information Systems | 9,619,832            | (145,635)               | 9,474,197            |
| Fire Apparatus                         | 16,511,788           | 11,951,401              | 28,463,189           |
| Fire Stations and Facilities           | <u>8,388,135</u>     | <u>547,569</u>          | <u>8,935,704</u>     |
| Total budgeted governmental funds      | <u>\$378,709,156</u> | <u>\$57,913,757</u>     | <u>\$436,622,913</u> |

(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.

(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 governmental 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 fiscal year. All appropriations lapse at year-end with the exception of encumbered appropriations, which are effectually re-appropriated in the ensuing year's budget.

(d) Expenditures in Excess of Appropriations

For the year ended June 30, 2017, actual expenditures exceeded appropriations in the Communications and Information Systems Fund by \$3,324,828. The variance was caused primarily by an unbudgeted transfer out to the General Fund totaling \$5,552,492, which was reported in accordance with OCFA's *Assigned Fund Balance Policy*.

**(3) Impairment of Capital Assets**

On January 12, 2017, a significant and unexpected fire occurred at Fire Station No. 61 in Buena Park, resulting in extensive damage to the station and its contents. Although the station itself is owned by the City of Buena Park, vehicles and equipment items located within the station at the time of the fire were owned by OCFA. The physical damage sustained by these capital assets resulted in a significant and unexpected decline in their utility service. Although still in the possession of OCFA as of June 30, 2017, capital assets meeting the criteria for impairment are reported in the financial statements as follows:

| Capital Asset Category<br>and Description                            | Original<br>Cost   | Accumulated<br>Depreciation as of<br>January 12, 2017 | Amount of<br>Impairment | Carrying Value as<br>of June 30, 2017 | Insurance Recoveries |                              |  |
|--|--------------------|---|-------------------------|---------------------------------------|----------------------|------------------------------|--|
|  |                    |   |                         |                                       | Cash<br>Received     | Estimated<br>Receivable, Net | Impairment<br>Gain (Loss) on<br>Capital Assets |
| Vehicles:  |                    |   |                         |                                       |                      |                              |  |
| Squad, Ford F550   | \$ 82,159          | \$ 68,466   | \$ 13,693               | \$ -                                  | \$ 74,850            | \$ -                         | \$ 61,157                                      |
| SUV, Chevrolet Suburban<br>Truck, 100' Tractor<br>Drawn Aerial Quint | 64,170             | 64,170  | -                       | -                                     | 80,000               | -                            | 80,000   |
|  | 898,655            | 449,327   | 449,328                 | -                                     | 1,000,000            | -                            | 550,672  |
| Equipment:   |                    |   |                         |                                       |                      |                              |  |
| Boat   | 11,706             | 11,706  | -                       | -                                     | 11,706               | -                            | 11,706   |
| Camera, Thermal Imaging  | 8,117              | 2,503   | 5,614                   | -                                     | -                    | 2,000                        | (3,614)  |
| Defibrillator, Zoll E-Series   | 12,776             | 12,168  | 608                     | -                                     | -                    | 2,500                        | 1,892  |
| Defibrillator, Zoll E-Series   | 12,776             | 12,168  | 608                     | -                                     | -                    | 2,500                        | 1,892  |
| Hydraulic Tool, Combination  | 10,897             | 1,635   | 9,262                   | -                                     | -                    | 2,000                        | (7,262)  |
| Hydraulic Tool, Cutter   | 5,962              | 2,037   | 3,925                   | -                                     | -                    | 1,000                        | (2,925)  |
| Hydraulic Tool, Power Unit   | 6,753              | 6,753   | -                       | -                                     | -                    | 1,000                        | 1,000  |
| Hydraulic Tool, Spreader   | 7,881              | 4,334   | 3,547                   | -                                     | -                    | 2,000                        | (1,547)  |
| Total  | <u>\$1,121,852</u> | <u>\$635,267</u>                                      | <u>\$486,585</u>        | <u>\$ -</u>                           | <u>\$1,166,556</u>   | <u>\$13,000</u>              | <u>\$692,971</u>                               |

Insurance recoveries are reported as other financing sources in the General Fund of the governmental fund



financial statements. The capital asset impairment gain is reported as a general revenue in the governmental activities of the government-wide financial statements.

During Fiscal Year 2016/17, OCFA received \$1,166,556 from its insurance carrier for capital assets that were covered under the auto liability coverage. For all items covered under the general liability policy, including those capital equipment items identified above, OCFA has established an estimated receivable from its insurance carrier as of June 30, 2017, in the amount of \$952,000. That receivable is offset by an 80% allowance for doubtful accounts in the amount of \$762,000. The net difference of \$190,000 is reported as accounts receivable in the governmental activities of the government-wide financial statements, with the portion pertaining to capital assets totaling \$13,000.

In the fund financial statements, OCFA's non-property tax revenues are only recognized when they are collected or expected to be collected within 180 days of the end of the fiscal year. As such, the \$190,000 estimated net receivable from the insurance carrier is offset by unavailable revenue in the General Fund, rather than being recognized as insurance recoveries (other financing sources).

#### **(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 balance sheet as cash and investments.

Cash and investments as of June 30, 2017, are reported in the financial statements as follows:

|   |                      |
|---|----------------------|
| Statement of Net Position:                            |                      |
| Governmental activities                               | \$178,194,261        |
| Discretely presented component unit – OCFA Foundation | 122,585              |
| Statement of Fiduciary Net Position:                  |                      |
| Fiduciary funds                                       | <u>67,754</u>        |
| Total cash and investments                            | <u>\$178,384,600</u> |

Cash and investments consist of the following as of June 30, 2017:

|                            |                      |
|----------------------------|----------------------|
| Petty cash / cash on hand  | \$ 16,074            |
| Demand deposits            | 198,993              |
| Investments                | <u>178,169,533</u>   |
| Total cash and investments | <u>\$178,384,600</u> |

##### **(b) Demand Deposits**

At June 30, 2017, the carrying amount of OCFA's demand deposits was \$198,993 and the bank balance was \$1,023,332. The \$824,339 difference represents outstanding checks and other reconciling items.

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% <sup>(1)</sup>                        | 75% <sup>(1)</sup>                      |
| Bankers' acceptances               | 180 days         | 25% <sup>(1)</sup>                        | 25% <sup>(1)</sup>                      |
| Commercial paper                   | 270 days         | 15% <sup>(1)</sup>                        | 15% <sup>(1)</sup>                      |
| Negotiable certificates of deposit | 5 years          | 25% <sup>(1)</sup>                        | 25% <sup>(1)</sup>                      |
| Repurchase agreements              | 14 days          | 15% <sup>(1)</sup>                        | 15% <sup>(1)</sup>                      |
| Money market mutual funds          | n/a              | 15% <sup>(1,2)</sup>                      | 15% <sup>(1,2)</sup>                    |
| Local Agency Investment Fund       | n/a              | 75% <sup>(1)</sup>                        | 75% <sup>(1)</sup>                      |

(1) Based on OCFA investment policy requirement, which is more restrictive than state law

(2) No limit on automatic overnight sweep

(d) Local Agency Investment Fund

OCFA is a voluntary participant in the 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 and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of OCFA's investment in this pool, which approximates cost, is reported in the accompanying financial statements based on OCFA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the

accounting records maintained by LAIF, which are recorded on an amortized cost basis and reported as cash equivalents in the Statement of Net Position. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. Deposits and withdrawals to and from LAIF are made on the basis of \$1 and not at fair value. Accordingly, under the fair value hierarchy, the investment with LAIF is uncategorized.

The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. The value of OCFA's LAIF deposits as of June 30, 2017, was \$64,456,210 and had a weighted average maturity of 194 days. LAIF is not rated as to credit risk by a nationally recognized statistical rating organization.

LAIF is administered by the State Treasurer's Office and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office, 915 Capitol Mall, Sacramento, California 95814.

(e) GASB Statement No. 72

GASB Statement No. 72, *Fair Value Measurement and Application*, 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 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 as of June 30, 2017:

|                            | Fair Value Hierarchy Level |                      |             | Total                |
|----------------------------|----------------------------|----------------------|-------------|----------------------|
|                            | Level 1                    | Level 2              | Level 3     |                      |
| U.S. Treasury obligations  | \$ -                       | \$ 18,947,900        | \$ -        | \$ 18,947,900        |
| Federal agency securities  | -                          | 82,795,940           | -           | 82,795,940           |
| Money market mutual funds  | -                          | 11,969,483           | -           | 11,969,483           |
|                            | <u>\$ -</u>                | <u>\$113,713,323</u> | <u>\$ -</u> | 113,713,323          |
| Uncategorized investments: |                            |                      |             |                      |
| LAIF                       |                            |                      |             | <u>64,456,210</u>    |
|                            |                            |                      |             | <u>\$178,169,533</u> |

U.S. Treasury obligations and 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*.

(f) 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<br>Rating<br>Required | Rating at Year-End   |                     |                      |
|---------------------------|-------------------------------|----------------------|---------------------|----------------------|
|                           |                               | Aaa/ AA+/<br>AAA     | Unrated             | Total                |
| U.S. Treasury obligations | N/A                           | \$ 18,947,900        | \$ -                | \$ 18,947,900        |
| Federal agency securities | N/A                           | 82,795,940           | -                   | 82,795,940           |
| Money market mutual funds | Aaa/AAA                       | -                    | 11,969,483          | 11,969,483           |
| LAIF                      | N/A                           | -                    | 64,456,210          | 64,456,210           |
| Total                     |                               | <u>\$101,743,840</u> | <u>\$76,425,693</u> | <u>\$178,169,533</u> |

(g) 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, 2017, none of the OCFA's deposits or investments was exposed to disclosable custodial credit risk.

(h) 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, 2017, 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, 2017, are summarized below.

| Issuer  | Fair Value   | % of Portfolio |
|---|--------------|----------------|
| Federal Home Loan Mortgage Corp (Freddie Mac) | \$44,922,150 | 25.2%          |
| Federal Home Loan Bank (FHLB)                 | 20,976,990   | 11.8%          |
| Federal Farm Credit Bank (FFCB)               | 16,896,800   | 9.5%           |

(i) 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, 2017, the OCFA had the following investments and maturities:

|                           | Investment Maturities in Months |                     |                     | Total                |
|---------------------------|---------------------------------|---------------------|---------------------|----------------------|
|                           | 6 or Less                       | 7 to 12             | 13 to 60            |                      |
| U.S. Treasury obligations | \$18,947,900                    | \$ -                | \$ -                | \$ 18,947,900        |
| Federal agency securities | 47,909,940                      | 8,985,150           | 25,900,850          | 82,795,940           |
| Money market mutual funds | 11,969,483                      | -                   | -                   | 11,969,483           |
| LAIF                      | -                               | 64,456,210          | -                   | 64,456,210           |
| Total                     | <u>\$78,827,323</u>             | <u>\$73,441,360</u> | <u>\$25,900,850</u> | <u>\$178,169,533</u> |

As of June 30, 2017, 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  |
|---|--------------|---------------|---------------|-------------|
| Federal Farm Credit Bank (FFCB)               | Anytime      | 0.559%        | 10/15/2018    | \$9,956,300 |
| Federal Home Loan Mortgage Corp (Freddie Mac) | 10/25/2017   | 1.100%        | 10/25/2019    | 9,004,050   |
| Federal Farm Credit Bank (FFCB)               | 8/1/2017     | 1.375%        | 8/1/2019      | 6,940,500   |

**(5) Accounts Receivable**

Accounts receivable, net of an allowance for doubtful accounts, consists of the following as of June 30, 2017:

|                                 | Governmental Funds | Component Unit  |
|---------------------------------|--------------------|-----------------|
|                                 | General Fund       | OCFA Foundation |
| Fire prevention/late fees       | \$ 825,630         | \$ -            |
| Ambulance/other reimbursements  | 2,172,082          | -               |
| Station 61 fire insurance claim | 952,000            | -               |
| Other/miscellaneous             | 54,508             | 3,557           |
| Accounts receivable             | 4,004,220          | 3,557           |
| Allowance for doubtful accounts | <u>(871,368)</u>   | <u>-</u>        |
| Accounts receivable, net        | <u>\$3,132,852</u> | <u>\$3,557</u>  |

**(6) Prepaid Costs, Other Assets, and Nonspendable Fund Balance of Governmental Funds**

Prepaid costs and other assets consist of the following as of June 30, 2017:

|                               | Governmental Funds  |  | Primary Government      | Component Unit  |
|-------------------------------|---------------------|--|-------------------------|-----------------|
|                               | General Fund        | Communications and Information Systems | Governmental Activities | OCFA Foundation |
| Prepaid costs:                |                     |  |                         |                 |
| Retirement contributions:     |                     |  |                         |                 |
| Fiscal Year 2017/18           | \$31,676,810        | \$ -                                   | \$17,056,810            | \$ -            |
| Fiscal Year 2016/17           | 1,376,158           | -                                      | 1,376,158               | -               |
| Maintenance and support       | 580,277             | 4,608                                  | 584,885                 | -               |
| Subscriptions and memberships | 27,508              | -                                      | 27,508                  | -               |
| Warranties                    | 5,746               | -                                      | 5,746                   | -               |
| Other                         | 84,049              | -                                      | 84,049                  | 564             |
| Total prepaid costs           | 33,750,548          | 4,608                                  | 19,135,156              | 564             |
| Other assets:                 |                     |  |                         |                 |
| Health spending deposits      | 22,296              | -                                      | 22,296                  | -               |
| Total                         | <u>\$33,772,844</u> | <u>\$4,608</u>                         | <u>\$19,157,452</u>     | <u>\$564</u>    |

In October 2015 and January 2016, OCFA prepaid a portion of its Fiscal Year 2016/17 retirement contributions to the Orange County Employees Retirement System (OCERS) totaling a combined \$35,000,000. In January 2017, OCFA prepaid a portion of its Fiscal Year 2017/18 retirement contributions to OCERS totaling \$31,676,810. In the governmental funds, the unamortized balance of the January 2016 prepayment totaled \$1,376,158 as of June 30, 2017, due to the timing of the pay period calendar. The entire amount of the January 2017 prepayment was unamortized as of June 30, 2017. In the governmental activities, a portion of Fiscal Year 2017/18 prepaid retirement contributions totaling \$14,620,000 was reported as a deferred outflow of resources related to pensions, since the contributions will reduce the net pension liability with OCERS prior to the Plan's next measurement date.

Other prepaid costs and assets as of June 30, 2017, included various equipment warranties on laptops, computers, and tablets; other amounts such as annual maintenance and support fees, subscriptions, and professional memberships; and deposits with the third party administrator of an employee benefit flexible health spending program.

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 totaled \$33,755,156 as of June 30, 2017, and is reported in the General Fund (\$33,750,548) and the Communications and Information Systems Fund (\$4,608).

**(7) Due from Other Governments**

Amounts due from other governments, net of an allowance for doubtful accounts, consist of the following as of June 30, 2017:

|                                     | Governmental Funds  |                 |                     | Primary Government      |
|-------------------------------------|---------------------|-----------------|---------------------|-------------------------|
|                                     | General Fund        | Fire Apparatus  | Total               | Governmental Activities |
| Fire protection and other services: |                     |                 |                     |                         |
| Cash contract cities                | \$ 1,486,535        | \$35,883        | \$ 1,522,418        | \$ 1,522,418            |
| State responsibility area           | 2,614,000           | -               | 2,614,000           | 2,614,000               |
| Airport rescue firefighting         | 376,253             | -               | 376,253             | 376,253                 |
| Other services                      | 149,320             | -               | 149,320             | 149,320                 |
| Subtotal                            | 4,626,108           | 35,883          | 4,661,991           | 4,661,991               |
| Assistance by hire/activation       | 2,388,715           | -               | 2,388,715           | 2,388,715               |
| Grants                              | 307,254             | -               | 307,254             | 307,254                 |
| Property tax/tax increment          | 3,840,465           | -               | 3,840,465           | 3,840,465               |
| Other/miscellaneous                 | 25,922              | -               | 25,922              | 25,922                  |
| Due from other governments          | 11,188,464          | 35,883          | 11,224,347          | 11,224,347              |
| Allowance for doubtful accounts     | (60,625)            | -               | (60,625)            | (60,625)                |
| Due from other governments, net     | <u>\$11,127,839</u> | <u>\$35,883</u> | <u>\$11,163,722</u> | <u>\$11,163,722</u>     |

**(8) Due to Other Governments**

As of June 30, 2017, due to other governments totaling \$152,192, 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.

**(9) Unearned and Unavailable Revenue**

Revenue amounts that have been collected but are *unearned* are reported as liabilities of both the governmental activities and the governmental funds. Revenue amounts that have been earned but are considered *unavailable* to finance the expenditures of the current fiscal period are reported as deferred inflows of resources of the governmental funds. Unearned and unavailable revenues consist of the following as of June 30, 2017:

|  | Governmental Funds | Primary Government      |
|--|--------------------|-------------------------|
|  | General Fund       | Governmental Activities |
| Unearned revenue:  |                    |                         |
| Helicopter hangar rental deposits                              | \$ 16,612          | \$ 16,612               |
| Helicopter hangar rent – July 2017                             | 5,302              | 5,302                   |
| Cell tower rent – July 2017                                    | 3,679              | 3,679                   |
| Hazardous materials course registration – July and August 2017 | 18,900             | 18,900                  |
| Zoll Medical Corp trade-in credit                              | 917,045            | 917,045                 |
| Miscellaneous cash advances                                    | 11,185             | 11,185                  |
| Total  | <u>\$972,723</u>   | <u>\$972,723</u>        |
| Unavailable revenue:   |                    |                         |
| Station 61 fire insurance claim recoveries                     | <u>\$190,000</u>   |                         |

**(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; donations for specific programs; and state funding restricted for drought augmentation activities. 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, 2017:

| Purpose of<br>encumbrances:                            | General Fund             |  |  | Fire Stations<br>and Facilities   | Total              |
|--|--------------------------|--|--|-----------------------------------|--------------------|
|  | Operations<br>Department | Community<br>Risk<br>Reduction<br>Department | Organizational<br>Planning<br>Department | Capital<br>Improvement<br>Program |                    |
| Urban Search and<br>Rescue and other<br>grant programs | \$26,073                 | \$ -   | \$21,620                                 | \$ -                              | \$ 47,693          |
| California Joint<br>Apprenticeship<br>Committee        | -                        | -  | 6,702                                    | -                                 | 6,702              |
|  | 26,073                   | -  | 28,322                                   | -                                 | 54,395             |
| Donations – disaster<br>preparation academy            | 2,478                    | -  | -  | -                                 | 2,478              |
| Drought augmentation                                   | -                        | 3,307,509                                    | -  | -                                 | 3,307,509          |
| CALFIRE station(s)                                     | -                        | -  | -  | 533,232                           | 533,232            |
| Total  | <u>\$28,551</u>          | <u>\$3,307,509</u>                           | <u>\$28,322</u>                          | <u>\$533,232</u>                  | <u>\$3,897,614</u> |

**(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, 2017, the remaining unspent amount, plus accrued interest earnings, totaling \$549,651 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   | \$ 282           |
| Irvine        | 500,415          |
| Laguna Niguel | 48,954           |
| Total         | <u>\$549,651</u> |



**(12) Fund Balance of Governmental Funds – Assigned**

Assigned fund balance includes the following as of June 30, 2017:

|                                   |                      |
|-----------------------------------|----------------------|
| Capital Improvement Program       | \$ 49,146,633        |
| Workers' compensation             | 75,375,829           |
| Assigned, unexpended encumbrances | <u>18,839,023</u>    |
| Total                             | <u>\$143,361,485</u> |

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 \$49,146,633 as of June 30, 2017, and is reported in the General Fund (\$1,107,430), Communications and Information Systems Fund (\$11,255,995), Fire Apparatus Fund (\$13,470,899) and Fire Stations and Facilities Fund (\$23,312,309).
- 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 \$75,375,829 as of June 30, 2017.

Assigned fund balance pertaining to unexpended encumbrances outstanding as of June 30, 2017, totaled \$18,839,023 and is summarized below for each governmental fund:

| Purpose of Encumbrance                    | Communications and<br>Information Systems | Fire Apparatus                       | Fire Stations<br>and Facilities |
|---|---|--------------------------------------|---------------------------------|
|   | Communications<br>and IT Projects         | Fire Apparatus and<br>Other Vehicles | Construction<br>Projects        |
| 100' tractor drawn aerial quint           | \$ -                                      | \$ 9,650,863                         | \$ -                            |
| Type 1 engines                            | -   | 5,677,517                            | -                               |
| Type 6 brush patrols and paramedic squads | -   | 1,013,050                            | -                               |
| Suburbans                                 | -   | 191,714                              | -                               |
| Urban Search and Rescue                   |   |                                      |                                 |
| warehouse improvements                    | -   | -                                    | 196,766                         |
| RFOTC emergency power extension           | -   | -                                    | 113,690                         |
| 800 MHz radio programming                 | 71,132                                    | -                                    | -                               |
| RFOTC audio visual upgrade project        | <u>61,451</u>                             | -                                    | -                               |
| Total                                     | <u>\$132,583</u>                          | <u>\$16,533,144</u>                  | <u>\$310,456</u>                |

| Purpose of Encumbrance  | General Fund         |                       |                                     |                    |                             |                                    |                     |                                |                    |
|---|----------------------|-----------------------|-------------------------------------|--------------------|-----------------------------|------------------------------------|---------------------|--------------------------------|--------------------|
|   | Executive Management | Operations Department | Community Risk Reduction Department | Business Services  | Support Services Department | Organizational Planning Department | Facilities Projects | Communications and IT Projects | Total              |
| Turnout coats and pants   | \$ -                 | \$ -                  | \$ -                                | \$1,011,663        | \$ -                        | \$ -                               | \$ -                | \$ -                           | \$1,011,663        |
| Installation of flight director systems on Bell 412 helicopters | -                    | 179,793               | -                                   | -                  | -                           | -                                  | -                   | -                              | 179,793            |
| Fire shelters   | -                    | -                     | -                                   | 163,524            | -                           | -                                  | -                   | -                              | 163,524            |
| Legal advice on pension liability                               | 66,396               | -                     | -                                   | -                  | -                           | -                                  | -                   | -                              | 66,396             |
| Other   | -                    | 57,150                | 34,759                              | 166,013            | 23,307                      | 62,047                             | 89,361              | 8,827                          | 441,464            |
| Total   | <u>\$66,396</u>      | <u>\$236,943</u>      | <u>\$34,759</u>                     | <u>\$1,341,200</u> | <u>\$23,307</u>             | <u>\$62,047</u>                    | <u>\$89,361</u>     | <u>\$8,827</u>                 | <u>\$1,862,840</u> |

**(13) Fund Balance of Governmental Funds – Unassigned**

Unassigned fund balance in the General Fund consists of the following as of June 30, 2017:

|  |                     |
|--|---------------------|
| 10% Operating Contingency                            | \$29,923,608        |
| All other residual amounts available for any purpose | <u>1,423,064</u>    |
| Total  | <u>\$31,346,672</u> |

**(14) Interfund Transfers**

Interfund transfers are used to move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them. Interfund transfers for the year ended June 30, 2017, are as follows:

| Fund                                   | Transfers In        | Transfers Out       |
|--|---------------------|---------------------|
| General Fund                           | \$ 5,552,492        | \$28,171,607        |
| Communications and Information Systems | 4,866,307           | 5,552,492           |
| Fire Apparatus                         | 15,405,300          | -                   |
| Fire Stations and Facilities           | <u>7,900,000</u>    | <u>-</u>            |
| Total                                  | <u>\$33,724,099</u> | <u>\$33,724,099</u> |

Transfers totaling \$28,171,607 were made from the General Fund to the Communications and Information Systems (\$4,866,307), Fire Apparatus (\$15,405,300), and Fire Stations and Facilities (\$7,900,000) funds for current and future capital improvement projects identified in the Capital Improvement Plan.

At the close of the fiscal year, net resources that had accumulated in the Communications and Information Systems fund exceeded projects identified in the upcoming five-year capital improvement program by \$5,552,492, and were transferred back to the General Fund in accordance with OCFA's *Assigned Fund Balance Policy*.

**(15) Capital Assets**

**(a) Changes in Capital Asset Balances by Asset Class**

Capital asset activity of OCFA's governmental activities for the year ended June 30, 2017, was as follows:

| <u>Primary Government/<br/>Governmental Activities</u> | <u>Beginning<br/>Balances</u> | <u>Increases</u>   | <u>Decreases</u>   | <u>Transfers</u>   | <u>Ending<br/>Balances</u> |
|--|-------------------------------|--------------------|--------------------|--------------------|----------------------------|
| Capital assets not<br>depreciated/amortized:           |                               |                    |                    |                    |                            |
| Land   | \$ 37,887,850                 | \$ -               | \$ -               | \$ -               | \$ 37,887,850              |
| Construction in progress                               | 102,341                       | 1,050,117          | -                  | -                  | 1,152,458                  |
| Work in progress                                       | <u>2,795,704</u>              | <u>3,247,488</u>   | <u>-</u>           | <u>(3,012,156)</u> | <u>3,031,036</u>           |
| Total capital assets not<br>depreciated/amortized      | <u>40,785,895</u>             | <u>4,297,605</u>   | <u>-</u>           | <u>(3,012,156)</u> | <u>42,071,344</u>          |
| Capital assets<br>depreciated/amortized:               |                               |                    |                    |                    |                            |
| Buildings  | 142,864,133                   | 267,939            | -                  | -                  | 143,132,072                |
| Equipment  | 59,874,567                    | 4,739,128          | (699,140)          | -                  | 63,914,555                 |
| Vehicles   | <u>74,539,771</u>             | <u>2,889,767</u>   | <u>(1,928,876)</u> | <u>3,012,156</u>   | <u>78,512,818</u>          |
| Subtotal   | <u>277,278,471</u>            | <u>7,896,834</u>   | <u>(2,628,016)</u> | <u>3,012,156</u>   | <u>285,559,445</u>         |
| Less accumulated<br>depreciation/amortization:         |                               |                    |                    |                    |                            |
| Buildings  | (40,488,856)                  | (3,169,686)        | -                  | -                  | (43,658,542)               |
| Equipment  | (36,215,000)                  | (2,671,309)        | 610,802            | -                  | (38,275,507)               |
| Vehicles   | <u>(47,339,386)</u>           | <u>(3,671,782)</u> | <u>1,458,202</u>   | <u>-</u>           | <u>(49,552,966)</u>        |
| Subtotal   | <u>(124,043,242)</u>          | <u>(9,512,777)</u> | <u>2,069,004</u>   | <u>-</u>           | <u>(131,487,015)</u>       |
| Total capital assets<br>depreciated/amortized, net     | <u>153,235,229</u>            | <u>(1,615,943)</u> | <u>(559,012)</u>   | <u>3,012,156</u>   | <u>154,072,430</u>         |
| Capital assets, net                                    | <u>\$194,021,124</u>          | <u>\$2,681,662</u> | <u>\$(559,012)</u> | <u>\$ -</u>        | <u>\$196,143,774</u>       |

Capital asset activity of the OCFA Foundation for the year ended June 30, 2017, was as follows:

| Component Unit/<br>OCFA Foundation             | Beginning<br>Balances | Increases       | Decreases | Transfers | Ending<br>Balances |
|--|-----------------------|-----------------|-----------|-----------|--------------------|
| Capital assets<br>depreciated/amortized:       |                       |                 |           |           |                    |
| Equipment                                      | \$ -                  | \$15,979        | \$ -      | \$ -      | \$15,979           |
| Less accumulated<br>depreciation/amortization: |                       |                 |           |           |                    |
| Equipment                                      | -                     | (67)            | -         | -         | (67)               |
| Capital assets, net                            | <u>\$ -</u>           | <u>\$15,912</u> | <u>-</u>  | <u>-</u>  | <u>\$15,912</u>    |

(b) Net Investment in Capital Assets

The portion of net position that is invested in net capital assets is calculated as follows:

|  | Primary<br>Government<br>Governmental<br>Activities | Component<br>Unit<br>OCFA<br>Foundation |
|--|---|---|
| Capital assets, net of accumulated depreciation/amortization | \$196,143,774                                       | \$15,912                                |
| Capital-related debt – 2011 aircraft lease refinance         | (3,713,307)   | -                                       |
| Net investment in capital assets                             | <u>\$192,430,467</u>                                | <u>\$15,912</u>                         |

(c) Capital Assets Acquired Under Capital Lease

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

|             | As of June 30, 2017 |                                     |                        | Fiscal Year<br>2016/17<br>Depreciation<br>Expense |
|-------------|---------------------|-------------------------------------|------------------------|---|
| Asset Class | Capital<br>Assets   | Less<br>Accumulated<br>Depreciation | Capital<br>Assets, Net |   |
| Equipment   | \$22,060,494        | \$ (9,408,857)                      | \$12,651,637           | \$1,104,914                                       |
| Vehicles    | <u>15,992,482</u>   | <u>(13,552,600)</u>                 | <u>2,439,882</u>       | <u>604,064</u>                                    |
| Total       | <u>\$38,052,976</u> | <u>\$(22,961,457)</u>               | <u>\$15,091,519</u>    | <u>\$1,708,978</u>                                |

(d) Depreciation/Amortization Expense

Depreciation/amortization expense in the amounts of \$9,512,777 and \$67 were charged to public safety in the Statement Activities of the primary government and the component unit, respectively.

(e) Gain on Disposal of Capital Assets

The gain on disposal of capital assets reported in the government-wide Statement of Activities for the year ended June 30, 2017, was calculated as follows:

|   | Fire Station No.<br>61 Impaired<br>Assets | Other Capital<br>Assets | Total Capital<br>Assets |
|---|---|-------------------------|-------------------------|
| Equipment                                 | \$ 76,868                                 | \$ 622,272              | \$ 699,140              |
| Vehicles                                  | 1,044,984                                 | 883,892                 | 1,928,876               |
| Subtotal                                  | 1,121,852                                 | 1,506,164               | 2,628,016               |
| Accumulated depreciation                  | (635,267)                                 | (1,433,737)             | (2,069,004)             |
| Net book value                            | 486,585                                   | 72,427                  | 559,012                 |
| Sale of capital and other assets          | -   | 37,400                  | 37,400                  |
| Insurance recoveries                      | 1,166,556                                 | -                       | 1,166,556               |
| Estimated receivable, net                 | 13,000                                    | -                       | 13,000                  |
| Subtotal                                  | 1,179,556                                 | 37,400                  | 1,216,956               |
| Gain (loss) on disposal of capital assets | \$ 692,971                                | \$ (35,027)             | \$ 657,944              |

For the year ended June 30, 2017, sale of capital and other assets reported in the General Fund totaled \$76,633, which included \$37,400 and \$39,233 for capital and non-capital assets, respectively. Insurance recoveries reported in the General Fund totaled \$1,218,433, which included \$1,166,556 and \$51,877 for capital and non-capital assets, respectively.

## **(16) Long-term Liabilities**

### **(a) Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2017, is summarized in the table below.

| <u>Governmental Activities</u>    | <u>Beginning<br/>Balances</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balances</u> | <u>Due Within<br/>One Year</u> |
|-----------------------------------|-------------------------------|------------------|------------------|----------------------------|--------------------------------|
| Net pension liability:            |                               |                  |                  |                            |                                |
| OCERS pension plan                | \$517,669,806                 | \$36,408,591     | \$(84,647,737)   | \$469,430,660              | \$ -                           |
| Extra Help pension plan           | 163,691                       | -                | (39,232)         | 124,459                    | -                              |
|                                   | 517,833,497                   | 36,408,591       | (84,686,969)     | 469,555,119                | -                              |
| Capital lease purchase agreement: |                               |                  |                  |                            |                                |
| Aircraft Lease                    |                               |                  |                  |                            |                                |
| Refinance-2011                    | 6,110,447                     | -                | (2,397,140)      | 3,713,307                  | 2,459,589                      |
| Accrued claims and judgments:     |                               |                  |                  |                            |                                |
| Workers' compensation             | 61,196,645                    | 14,933,512       | (10,202,005)     | 65,928,152                 | 10,990,788                     |
| Compensated absences              | 17,019,208                    | 15,553,921       | (15,635,289)     | 16,937,840                 | 3,521,710                      |
| Net OPEB obligation               | 66,643,396                    | 20,492,153       | (4,880,839)      | 82,254,710                 | -                              |
| Total                             | \$668,803,193                 | \$87,388,177     | \$(117,802,242)  | \$638,389,128              | \$16,972,087                   |

The capital lease purchase agreement is liquidated by the Fire Apparatus 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 plan information is provided 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, 2017:

| Description   | OCERS<br>Pension Plan | Extra Help<br>Pension Plan | Total         |
|---|-----------------------|----------------------------|---------------|
| Net pension liability   | \$469,430,660         | \$124,459                  | \$469,555,119 |
| Deferred outflows of resources<br>related to pensions   | 122,180,027           | 17,232                     | 122,197,259   |
| Deferred inflows of resources<br>related to pensions  | (55,142,127)          | (62,320)                   | (55,204,447)  |
| Pension expense associated with<br>net pension liabilities (as reported in the<br>government-wide financial statements) | 79,967,025            | (47,544)                   | 79,919,481    |

**(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 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.

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, 2017, OCFA made principal and interest payments totaling \$2,397,140 and \$134,583, respectively. The outstanding balance of the capital lease liability was \$3,713,307 as of June 30, 2017. Future annual lease payment requirements are as follows:

| Fiscal Year<br>Ended June 30 | Principal          | Interest        | Total              |
|------------------------------|--------------------|-----------------|--------------------|
| 2018                         | \$2,459,589        | \$72,134        | \$2,531,723        |
| 2019                         | 1,253,718          | 12,144          | 1,265,862          |
| Total                        | <u>\$3,713,307</u> | <u>\$84,278</u> | <u>\$3,797,585</u> |

(d) Compensated Absences

OCFA is obligated to its employees for accumulated earned but unused leave benefits as of June 30, 2017. Sick leave includes only those amounts that OCFA is obligated to reimburse employees at the end of their active service life.

|                 | <u>Vacation</u>     | <u>Comp/Other</u> | <u>Sick Leave</u>  | <u>Total</u>        |
|-----------------|---------------------|-------------------|--------------------|---------------------|
| Safety Members  | \$10,526,513        | \$178,419         | \$1,791,681        | \$12,496,613        |
| General Members | <u>2,176,577</u>    | <u>393,087</u>    | <u>1,871,563</u>   | <u>4,441,227</u>    |
| Total           | <u>\$12,703,090</u> | <u>\$571,506</u>  | <u>\$3,663,244</u> | <u>\$16,937,840</u> |

**(17) Commitments and Contingencies**

As of June 30, 2017, commitments with vendors for outstanding encumbrances (unperformed purchase orders and contracts for goods and services) by major governmental fund are as follows:

|  |                     |
|--|---------------------|
| General Fund                           | \$ 1,917,235        |
| Communications and Information Systems | 132,583             |
| Fire Apparatus                         | 16,533,144          |
| Fire Stations and Facilities           | <u>310,456</u>      |
| Total outstanding encumbrances         | <u>\$18,893,418</u> |

Significant individual commitments with vendors as of June 30, 2017 are identified below.

| <u>Fund / Vendor</u>                           | <u>Description</u>  | <u>Original<br/>Commitment</u> | <u>Spent-to-<br/>Date</u> | <u>Remaining<br/>Commitment</u> |
|--|---|--------------------------------|---------------------------|---------------------------------|
| <u>General Fund:</u>                           |   |                                |                           |                                 |
| Allstar Fire Equipment                         | Turnout coats and pants   | \$1,011,663                    | \$ -                      | \$1,011,663                     |
| Rotorcraft Support, Inc.                       | Installation of flight director systems on Bell 412 helicopters | 179,793                        | -                         | 179,793                         |
| Linegear Fire & Rescue                         | Fire shelters   | 163,524                        | -                         | 163,524                         |
| Meyers, Nave, Riback, Silver & Wilson          | Legal advice on pension liability                               | 100,000                        | 33,604                    | 66,396                          |
| <u>Communications and Information Systems:</u> |   |                                |                           |                                 |
| County of Orange                               | 800 MHz radio programming                                       | 77,200                         | 6,068                     | 71,132                          |
| Western A/V                                    | RFOTC audio visual upgrade project                              | 554,117                        | 502,156                   | 51,961                          |

| <u>Fund / Vendor</u>                        | <u>Description</u>  | <u>Original<br/>Commitment</u> | <u>Spent-to-<br/>Date</u> | <u>Remaining<br/>Commitment</u> |
|---|---|--------------------------------|---------------------------|---------------------------------|
| <i><u>Fire Apparatus:</u></i>               |   |                                |                           |                                 |
| KME Fire Apparatus                          | (6) 100' tractor drawn aerial quints                            | 8,278,103                      | -                         | 8,278,103                       |
| KME Fire Apparatus                          | (10) Type 1 engines   | 5,677,517                      | -                         | 5,677,517                       |
| KME Fire Apparatus                          | (1) 100' tractor drawn aerial quint                             | 1,372,760                      | -                         | 1,372,760                       |
| Boise Mobile Equipment                      | (1) Type 6 brush patrol;<br>(5) paramedic squads                | 1,203,215                      | 190,165                   | 1,013,050                       |
| <i><u>Fire Stations and Facilities:</u></i> |   |                                |                           |                                 |
| Hoffman Management & Construction           | Construction for Urban Search and Rescue warehouse improvements | 651,961                        | 473,763                   | 178,198                         |
| GA Technical Services, Inc.                 | RFOTC emergency power extension                                 | 409,556                        | 298,866                   | 110,690                         |

**(18) Lessor in Operating Lease Agreements**

**(a) Aircraft Hangar Leases**

OCFA 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 portion was \$2,201,950, and the net book value was \$2,006,222 as of June 30, 2017. Fiscal Year 2016/17 depreciation expense was \$48,932. Terms of the agreements are as follows:

| <u>Lessee/Tenant</u>  | <u>Agreement Date</u>                    | <u>Term</u> | <u>Initial<br/>Monthly<br/>Rent</u> | <u>Automatic<br/>Annual Rent<br/>Increase</u> |
|-----------------------|--|-------------|-------------------------------------|---|
| 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;<br>Amended June 1, 2016 | Three Years | \$5,750                             | 0.0%  |



Rental revenue totaled \$202,406 for Fiscal Year 2016/17. 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            |
|-------------|----------------------|--------------------|-----------------------|------------------|
| 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           |
| Total       | <u>\$86,428</u>      | <u>\$203,388</u>   | <u>\$132,250</u>      | <u>\$422,066</u> |

(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 \$43,482 for Fiscal Year 2016/17. Future potential rental revenue, assuming rent for the three additional carriers may commence January 1, 2018, is as follows:

| Fiscal Year(s)    | Carriers 1-3       | Carriers 4-6       | Total              |
|-------------------|--------------------|--------------------|--------------------|
| 2017/18           | \$ 44,799          | \$ 20,268          | \$ 65,067          |
| 2018/19           | 46,143             | 41,760             | 87,903             |
| 2019/20           | 47,533             | 43,020             | 90,553             |
| 2020/21           | 48,961             | 44,316             | 93,277             |
| 2021/22           | 50,425             | 45,648             | 96,073             |
| 2022/23 - 2026/27 | 275,703            | 249,588            | 525,291            |
| 2027/28 - 2031/32 | 319,589            | 289,332            | 608,921            |
| 2032/33 - 2036/37 | 370,601            | 335,484            | 706,085            |
| 2037/38 - 2041/42 | <u>5,401</u>       | <u>6,105</u>       | <u>11,506</u>      |
| Total             | <u>\$1,209,155</u> | <u>\$1,075,521</u> | <u>\$2,284,676</u> |

**(19) Lessee in Operating Lease Agreements**

OCFA is obligated under operating lease agreements as follows:

- 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. Fiscal Year 2016/17 rent expenditures totaled \$71,013.
- 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. Fiscal Year 2016/17 rent expenditures totaled \$19,944.

Future minimum lease payments for the OCFA's operating lease obligations are as follows:

| <u>Fiscal Year(s)</u> | <u>Airport Land<br/>Lease</u> | <u>Airport Training<br/>Tower</u> | <u>Total</u>       |
|-----------------------|-------------------------------|-----------------------------------|--------------------|
| 2017/18               | \$ 73,140                     | \$20,160                          | \$ 93,300          |
| 2018/19               | 75,324                        | 20,376                            | 95,700             |
| 2019/20               | 77,592                        | 20,592                            | 98,184             |
| 2020/21               | 79,920                        | 20,808                            | 100,728            |
| 2021/22               | 82,308                        | 3,474                             | 85,782             |
| 2022/23 - 2026/27     | 450,108                       | -                                 | 450,108            |
| 2027/28 - 2031/32     | 521,856                       | -                                 | 521,856            |
| 2032/33 - 2036/37     | 605,004                       | -                                 | 605,004            |
| 2037/38 - 2041/42     | 701,352                       | -                                 | 701,352            |
| 2042/43 - 2046/47     | 813,036                       | -                                 | 813,036            |
| 2047/48 - 2051/52     | <u>645,732</u>                | <u>-</u>                          | <u>645,732</u>     |
| Total                 | <u>\$4,125,372</u>            | <u>\$85,410</u>                   | <u>\$4,210,782</u> |

**(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  |                     |
| Auto Liability                         | \$1,000,000 combined limit                                       | \$1,000 - \$3,000   |
| Umbrella Liability                     | \$10,000,000 each occurrence;<br>\$20,000,000 aggregate          |                     |
| Property Liability:                    |  |                     |
| Real and Business Personal<br>Property | Scheduled replacement cost;<br>\$783,545,979 limit               | \$5,000             |
| Coverage Extension Blanket             | \$2,000,000  |                     |
| Volunteer Accident:                    |  |                     |
| Accidental Death<br>and Dismemberment  | \$25,000 each occurrence;<br>\$250,000 aggregate per<br>accident |                     |
| Accident Medical Expense<br>Dental     | \$100,000 per occurrence<br>\$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   |                     |

There have been no significant changes in insurance coverage as compared to last year. Settlements have not exceeded coverage in each of the past three fiscal years, except as follows:

- OCFA is expected to seek reimbursement for personal property and tools lost in the fire at Station No. 61 that belonged to its employees. As of June 30, 2017, the estimated loss for personal property and tools totaled \$189,000, of which \$171,000 had been reimbursed by OCFA directly to its employees. OCFA's insurance policy limits for personal property and tools are \$50,000 and \$25,000, respectively. As of June 30, 2017, general claims pertaining to the Station No. 61 fire have not yet been submitted to the insurance carrier; however, OCFA anticipates that claims for this portion of the policy will exceed insurance coverage by approximately \$114,000.

(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, 2017, accrued claims and judgments for workers' compensation totaled \$65,928,152 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, 2016, 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, 2017 and 2016, including the current and long-term portions at year-end.

|   | Fiscal Year Ended   |                     |
|---|---------------------|---------------------|
|   | June 30, 2017       | June 30, 2016       |
| Unpaid claims at beginning of fiscal year | \$61,196,645        | \$62,372,690        |
| Incurred claims (including IBNR's)        | 14,933,512          | 6,716,066           |
| Claim payments                            | (10,202,005)        | (7,892,111)         |
| Unpaid claims at end of fiscal year       | <u>\$65,928,152</u> | <u>\$61,196,645</u> |
| Current portion                           | \$10,990,788        | \$ 7,743,304        |
| Long-term portion                         | <u>54,937,364</u>   | <u>53,453,341</u>   |
| Unpaid claims at end of fiscal year       | <u>\$65,928,152</u> | <u>\$61,196,645</u> |
| Confidence level at end of fiscal year    | 50%                 | 50%                 |
| Discount rate                             | 1%                  | 1%                  |

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 \$75,375,829. 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. The OCERS Board of Retirement is responsible for establishing policies governing the administration of the retirement plan; making disability determinations; assuring benefit payments; establishing investment policy for the retirement system; and monitoring execution of its policies. 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:

| <b>Years of Service Credit</b>  | <b>Eligible Age</b> |
|---|---------------------|
| 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              |

Retired member monthly allowances are adjusted annually in accordance with changes in the cost-of-living, as determined by the average annual change in the Consumer Price Index (CPI) for the prior calendar year. The cost-of-living adjustment is limited to a maximum increase or decrease of three percent per year as established by the OCERS Board of Retirement.

The OCFA's Board establishes and amends benefit plan formulas for active OCFA members through negotiations with its labor bargaining units. The provisions and benefits provided by OCFA to its safety and general members as of June 30, 2017, are summarized below:

| <b>Benefits Provided to Safety Members</b> |             |                        |  |  |   |
|--|-------------|------------------------|--|--|---|
| <b>Plan</b>                                | <b>Tier</b> | <b>Benefit Formula</b> | <b>Representation / Bargaining Unit / Employee Hire Date</b> |  |   |
|  |             |                        | <b>Orange County Professional Firefighters Association</b>   | <b>Orange County Fire Authority Chief Officers Association</b> | <b>Unrepresented</b>                            |
|  |             |                        | <b>Firefighter Unit</b>                                      | <b>Fire Management Unit</b>                                    | <b>Executive Management in Safety Positions</b> |
| 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)      |

| <b>Benefits Provided to General Members</b> |             |                        |  |  |  |
|---|-------------|------------------------|--|--|--|
| <b>Plan</b>                                 | <b>Tier</b> | <b>Benefit Formula</b> | <b>Representation / Bargaining Unit / Employee Hire Date</b> |  |  |
|   |             |                        | <b>Orange County Employees Association</b>                   | <b>Orange County Fire Authority Management Association</b> | <b>Unrepresented</b>                             |
|   |             |                        | <b>General and Supervisory Management</b>                    | <b>Administrative Management</b>                           | <b>Executive Management in General Positions</b> |
| 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, 2017:

| Category | Plan | Tier | Benefit Formula    | Employer Contribution Rates |        |        |                       | Employee Contribution Rates<br>(See Below) |
|----------|------|------|--------------------|-----------------------------|--------|--------|-----------------------|--|
|          |      |      |                    | Normal Cost                 | UAAL   | Total  | Total After Phase-In* |  |
| Safety   | E    | I    | 3.0% at 50         | 27.05%                      | 24.42% | 51.47% | 48.60%                | 10.49% - 14.11%                            |
| Safety   | F    | II   | 3.0% at 50         | 27.05%                      | 24.42% | 51.47% | 48.60%                | 14.32% - 20.22%                            |
| Safety   | R    | II   | 3.0% at 55         | 22.38%                      | 24.42% | 46.80% | 43.93%                | 13.70% - 19.35%                            |
| Safety   | V    | II   | 2.7% at 57 (PEPRA) | 15.71%                      | 24.42% | 40.13% | 38.08%                | 13.04% - 20.53%                            |
| General  | I    | I    | 2.7% at 55         | 13.53%                      | 20.28% | 33.81% | N/A                   | 9.67% - 15.99%                             |
| General  | J    | II   | 2.7% at 55         | 13.53%                      | 20.28% | 33.81% | N/A                   | 9.22% - 15.99%                             |
| General  | N    | II   | 2.0% at 55         | 12.47%                      | 20.28% | 32.75% | N/A                   | 6.84% - 12.95%                             |
| General  | U    | II   | 2.5% at 67 (PEPRA) | 9.63%                       | 20.28% | 29.91% | N/A                   | 7.29% - 14.02%                             |

\* The OCERS Board adopted a three-year phase-in of the impact of the change in economic assumptions on the employer contribution rates for safety members.

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, 2017.

| Employee Hire Date                          | Benefit Formula    | Employee Contribution Rate                         |
|---|--------------------|--|
| <b>Safety – Firefighter Unit</b>            |                    |  |
| Prior to 1/1/2011                           | 3.0% at 50         | 9.0% as of 11/14/2014<br>14.5% as of 9/16/2016 **^ |
| 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         | 14.5% as of 9/16/2016 **^                          |
| On or After 1/1/2013 (without reciprocity)  | 2.7% at 57 (PEPRA) | 50% of Normal Cost                                 |
| <b>Safety – Firefighter Management Unit</b> |                    |  |
| Prior to 7/1/2012                           | 3.0% at 50         | 12.5% as of 7/1/2016^                              |
| 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                                 |
| <b>Safety – Executive Management</b>        |                    |  |
| Prior to 7/1/2011                           | 3.0% at 50         | 13.5% as of 3/4/2016^                              |
| On or After 7/1/2011 (with reciprocity)     | 3.0% at 55         | 50% of Normal Cost as of 3/3/2017^                 |
| On or After 1/1/2013 (without reciprocity)  | 2.7% at 57 (PEPRA) | 50% of Normal Cost                                 |

| Employee Hire Date                                  | Benefit Formula    | Employee Contribution Rate         |
|---|--------------------|------------------------------------|
| <b>General – General and Supervisory Management</b> |                    |                                    |
| Prior to 7/1/2011                                   | 2.7% at 55         | 13.5% as of 3/4/2016^              |
| On or After 7/1/2011 (with reciprocity)             | 2.0% at 55         | 16.5% as of 3/3/2017^              |
| On or After 1/1/2013 (without reciprocity)          | 2.5% at 67 (PEPRA) | 50% of Normal Cost                 |
| <b>General – Administrative Management</b>          |                    |                                    |
| Prior to 12/1/2012                                  | 2.7% at 55         | 14.25% as of 1/8/2016^             |
| On or After 12/1/2012 (with reciprocity)            | 2.0% at 55         | 16.5% as of 1/6/2017^              |
| On or After 1/1/2013 (without reciprocity)          | 2.5% at 67 (PEPRA) | 50% of Normal Cost                 |
| <b>General – Executive Management</b>               |                    |                                    |
| Prior to 12/1/2012                                  | 2.7% at 55         | 13.5% as of 3/4/2016^              |
| On or After 12/1/2012 (with reciprocity)            | 2.0% at 55         | 50% of Normal Cost as of 3/3/2017^ |
| 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.

\*\* Consists of a 12.5% 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, 2017, employer and employee contributions remitted to OCERS were as follows:

|                                 | Employer Contributions | Employee Contributions | Total Contributions  |
|---------------------------------|------------------------|------------------------|----------------------|
| Contributions paid by OCFA      | \$82,880,775           | \$ 1,766,962           | \$ 84,647,737        |
| Contributions paid by employees | -                      | 17,102,899             | 17,102,899           |
| Contributions remitted to OCERS | <u>\$82,880,775</u>    | <u>\$18,869,861</u>    | <u>\$101,750,636</u> |

(b) Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources

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, 2016, 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, 2015, rolled forward to December 31, 2016, 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, 2016 and 2017 was as follows:

| Member Type | OCFA's Proportionate Share of the Total OCERS Net Pension Liability |             |                       |               |                      |             |
|-------------|---|-------------|-----------------------|---------------|----------------------|-------------|
|             | At June 30, 2016  |             | Increase (Decrease)   |               | At June 30, 2017     |             |
|             | Amount  | %           | Amount                | %             | Amount               | %           |
| Safety      | \$449,472,023   | 7.9%        | \$(46,997,781)        | (0.1%)        | \$402,474,242        | 7.8%        |
| General     | 68,197,783  | 1.2%        | (1,241,365)           | 0.0%          | 66,956,418           | 1.2%        |
| Total       | <u>\$517,669,806</u>  | <u>9.1%</u> | <u>\$(48,239,146)</u> | <u>(0.1%)</u> | <u>\$469,430,660</u> | <u>9.0%</u> |



For the year ended June 30 2017, OCFA recognized pension expense of \$79,967,025. At June 30, 2017, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between actual and expected experience in the Total Pension Liability | \$ 1,181,288                         | \$(52,828,035)                      |
| Changes in assumptions  | 18,503,614                           | (2,314,092)                         |
| Net differences between projected and actual earnings on plan investments         | <u>45,677,125</u>                    | <u>-</u>                            |
|   | 65,362,027                           | (55,142,127)                        |
| Employer contributions subsequent to measurement date                             | <u>56,818,000</u>                    | <u>-</u>                            |
| Total   | <u>\$122,180,027</u>                 | <u>\$(55,142,127)</u>               |

Deferred outflows of resources related to contributions subsequent to the measurement date totaling \$56,818,000 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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<br>June 30 | Amount               |
|-----------------------|----------------------|
| 2018                  | \$ 11,179,230        |
| 2019                  | 11,179,227           |
| 2020                  | 5,615,645            |
| 2021                  | (12,597,825)         |
| 2022                  | <u>(5,156,377)</u>   |
| Total                 | <u>\$ 10,219,900</u> |

(c) Actuarial Assumptions

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions:

|                             |  |
|-----------------------------|--|
| Valuation Date              | December 31, 2015  |
| Measurement Date            | December 31, 2016, 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   |
| • Date of experience study  | Actuarial assumptions were based on the results of an experience study for the period January 1, 2011 through December 31, 2013. |

| • Mortality:                  | Safety   | General   |
|-------------------------------|--|---|
| ○ 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.   |
| ○ 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. |
| ○ 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. |   |
| ○ 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 above were determined to contain about a 10% margin to reflect future mortality improvement, based on a review of the mortality experience by OCERS, as of December 31, 2016.

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25% as of December 31, 2016, and December 31, 2015. 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, 2016, and December 31, 2015.

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                                | <u>100.00%</u>    |  |

*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<br>(6.25%) | Current Discount<br>Rate (7.25%) | 1% Increase<br>(8.25%) |
|--|------------------------|----------------------------------|------------------------|
| Total proportionate share of net pension liability | <u>\$709,796,767</u>   | <u>\$469,430,660</u>             | <u>\$271,606,264</u>   |

*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 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, 2017, lump sum distributions totaling \$31,370 were made to sixteen participants. Currently, there are no participants collecting retirement benefits.

*Plan Membership*

As of June 30, 2017, Plan membership consisted of the following:

| Plan Members (or Beneficiaries)                      | Balance as of June 30, 2017 |                      |           |
|--|-----------------------------|----------------------|-----------|
|  | \$3,500 or<br>Less          | More than<br>\$3,500 | Total     |
| Inactive; currently receiving benefits               | -                           | -                    | -         |
| Inactive; entitled to but not yet receiving benefits | 43                          | 3                    | 46        |
| Active   | <u>31</u>                   | -                    | <u>31</u> |
| Total plan members                                   | <u>74</u>                   | <u>3</u>             | <u>77</u> |

*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, 2017, employee and employer contributions totaled \$21,080 and \$839, respectively.

(b) Investments

*Method Used to Value Investments*

All Plan assets are invested in the Local Agency Investment Fund (LAIF), which is reported based on OCFA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

Investment Policy

Contributions are deposited into 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 and the Pooled Money Investment Board. Additional LAIF information is provided within these notes as Note 4(e).

Concentrations

All Plan assets are invested in the Local Agency Investment Fund (LAIF).

(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, 2017, using an actuarial valuation as of January 1, 2016, rolled forward to June 30, 2017, using standard update procedures. A summary of components of the Plan's net pension liability as of June 30, 2017, is shown below, followed by principal assumptions and methods used to determine the net pension liability.

|   |                  |
|---|------------------|
| Total pension liability   | \$192,213        |
| Plan fiduciary net position                                       | <u>(67,754)</u>  |
| Net pension liability   | <u>\$124,459</u> |
| Plan fiduciary net position as a % of the total pension liability | 35.25%           |

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, 2017, actuarial valuation was determined using the following actuarial assumptions:

|                             |   |
|-----------------------------|---|
| Valuation Date              | January 1, 2016   |
| Measurement Date            | June 30, 2017, rolled forward on an actuarial basis   |
| Actuarial Cost Method       | Entry age normal  |
| Actuarial Assumptions:      |   |
| • Discount rate             | 3.40%, net of pension investment expense, including inflation; average of 3-20 year municipal bond rate indices, rounded to 5 basis points (S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA 20 Year Bond Index) |
| • Inflation                 | 2.75%   |
| • Investment rate of return | 0.50%   |

|   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Salary increases</li> <li>• Mortality</li> </ul> | 3.00%, including merit, seniority, and inflation; annual salary for the current year assumed to be equal to the average annual salary over the last 3 years<br>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. Assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. 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 0 years, Rate 30%; Service 1-3 years, Rate 50%; Service 4 years, Rate 25%; Service 5+ years, Rate 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.  |

### Changes of Assumptions

Following is a comparison of actuarial assumptions for the years ended June 30, 2017 and 2016:

|                           | As of June 30, 2017 | As of June 30, 2016 | Change |
|---------------------------|---------------------|---------------------|--------|
| Discount rate             | 3.40%               | 2.90%               | 0.50%  |
| Inflation                 | 2.75%               | 2.75%               | n/a    |
| Investment rate of return | 0.50%               | 0.50%               | n/a    |
| Salary increases          | 3.00%               | 3.00%               | n/a    |

### Discount Rate

The discount rate used to measure the total pension liability was 3.40% (an increase of 0.50% since the prior measurement date). 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.

### Rate of Return

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 pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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 and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

| Asset Class                  | Target Allocation | Long-term Expected Real Rate of Return |
|------------------------------|-------------------|--|
| Local Agency Investment Fund | 100.00%           | 0.50%                                  |

The annual money-weighted rate of return was 3.43%, and was an estimate based on mid-year timing of contributions and benefit payments. The money rate of return expresses investment performance, net of pension plan investment expenses, adjusted for changing amounts actually invested.

(d) Changes in the Net Pension Liability

Changes in the Plan's net pension liability for the year ended June 30, 2017, were as follows:

|   | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/ (Asset) |
|---|-------------------------|-----------------------------|--------------------------------|
| Balance at June 30, 2016                                      | <u>\$238,489</u>        | <u>\$74,798</u>             | <u>\$163,691</u>               |
| Changes in the year:  |                         |                             |                                |
| Service cost  | 6,050                   | -                           | 6,050                          |
| Interest  | 6,637                   | -                           | 6,637                          |
| Changes of assumptions  | (27,593)                | -                           | (27,593)                       |
| Contributions – employer                                      | -                       | 839                         | (839)                          |
| Contributions – plan members                                  | -                       | 21,080                      | (21,080)                       |
| Net investment income   | -                       | 2,407                       | (2,407)                        |
| Benefit payments, including refunds of employee contributions | <u>(31,370)</u>         | <u>(31,370)</u>             | <u>-</u>                       |
| Net changes   | <u>(46,276)</u>         | <u>(7,044)</u>              | <u>(39,232)</u>                |
| Balance at June 30, 2017                                      | <u>\$192,213</u>        | <u>\$ 67,754</u>            | <u>\$124,459</u>               |

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 3.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.40%) or one percentage point higher (4.40%) than the current rate:

|                       | 1% Decrease (2.40%) | Current Discount Rate (3.40%) | 1% Increase (4.40%) |
|-----------------------|---------------------|-------------------------------|---------------------|
| Net pension liability | <u>\$287,819</u>    | <u>\$124,459</u>              | <u>\$80,198</u>     |

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

For the year ended June 30 2017, OCFA recognized pension expense (credit) of \$(47,544). At June 30, 2017, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between actual and expected experience in the Total Pension Liability | \$ -                                 | \$(43,925)                          |
| Changes in assumptions  | 15,775                               | (18,395)                            |
| Net differences between projected and actual earnings on plan investments         | <u>618</u>                           | <u>-</u>                            |
|   | 16,393                               | (62,320)                            |
| Employer contributions subsequent to measurement date                             | <u>839</u>                           | <u>-</u>                            |
| Total   | <u>\$17,232</u>                      | <u>\$(62,320)</u>                   |

Deferred outflows of resources related to contributions subsequent to the measurement date totaling \$839 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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<br>June 30 | Amount            |
|-----------------------|-------------------|
| 2018                  | \$(37,117)        |
| 2019                  | (8,966)           |
| 2020                  | 231               |
| 2021                  | <u>(75)</u>       |
| Total                 | <u>\$(45,927)</u> |

**(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. 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.



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.

All retirees and full-time employees hired prior to January 1, 2007, are eligible to participate in the Plan. As of June 30, 2017, there were 1,257 active Plan participants (excluding any terminated/declined participants), which consisted of 567 active employees; and 690 current retirees and survivors.

(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, 2017, there were 690 eligible retirees and survivors who received monthly benefits aggregating to an annual total of \$5,178,437. In addition, there were two deferred retirees who received benefits directly from the OCFA during Fiscal Year 2016/17 totaling \$871.

(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). For the year ended June 30, 2017, OCFA's annual OPEB cost was \$20,492,153, as determined by an actuarial valuation with a measurement date as of July 1, 2016, and was calculated as follows:

|  |                     |
|--|---------------------|
| Annual Required Contribution (ARC)           | \$22,707,032        |
| Interest on the Net OPEB Obligation (NOPEBO) | 2,732,379           |
| Actuary's adjustment on the ARC              | <u>(4,947,258)</u>  |
| Annual OPEB Cost                             | <u>\$20,492,153</u> |

During the year ended June 30, 2017, actual contributions totaled \$4,880,839 resulting in an increase to the NOPEBO of \$15,611,314 (the difference between the Annual OPEB Cost and actual contributions). The outstanding balance of the NOPEBO as of June 30, 2017, was \$82,254,710. 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<br>June 30 | Annual<br>OPEB Cost | Actual<br>Contributions | % of<br>Annual<br>OPEB Cost<br>Contributed | Net Increase<br>to<br>Net OPEB<br>Obligation | Cumulative<br>Net OPEB<br>Obligation<br>at June 30 |
|----------------|---------------------|-------------------------|--|--|--|
| 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   |
| 2017           | 20,492,153          | 4,880,839               | 23.82%                                     | 15,611,314                                   | 82,254,710   |

The Annual OPEB Cost includes an implicit subsidy for safety members under the age of 65. Accordingly, the Actual Contributions also reflect the implicit subsidy for the current and previous two fiscal years:

|   | 2017               | 2016               | 2015               |
|---|--------------------|--------------------|--------------------|
| Amounts irrevocably transferred to OCERS trust:           |                    |                    |                    |
| Active employees  | \$2,491,681        | \$2,454,900        | \$2,601,233        |
| Retirees and other plan members                           | <u>879,640</u>     | <u>939,826</u>     | <u>714,338</u>     |
| Subtotal  | 3,371,321          | 3,394,726          | 3,315,571          |
| Implicit insurance premiums paid<br>on behalf of retirees | 1,508,647          | 1,058,599          | 916,573            |
| Amounts paid directly to retirees                         | <u>871</u>         | <u>6,790</u>       | <u>5,019</u>       |
| Total actual contributions                                | <u>\$4,880,839</u> | <u>\$4,460,115</u> | <u>\$4,237,163</u> |

(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.

|                 | (a)                             | (b)   | (b-a)                     | (a/b)           | (c)                | (b-a)/c<br>UAAL as<br>a % of<br>Covered<br>Payroll |
|-----------------|---------------------------------|---|---------------------------|-----------------|--------------------|--|
| As of<br>July 1 | Actuarial<br>Value of<br>Assets | Entry Age<br>Actuarial Accrued<br>Liability (AAL) | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | Covered<br>Payroll                                 |
| 2016            | 35,857,649                      | 263,303,006                                       | 227,445,357               | 13.62%          | 61,161,000         | 371.88%  |

(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, 2017, was determined by an actuarial valuation of the Plan dated July 1, 2016. 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, 2016   |
| Actuarial cost method                                   | Entry age normal   |
| Amortization method                                     | 30 years beginning July 1, 2006, closed, level dollar  |
| Remaining amortization period                           | 20 years as of July 1, 2016  |
| Asset valuation method                                  | Market value   |
| Actuarial assumptions:                                  |  |
| • Discount rate   | 4.1%, blended using a short-term rate of 4.0% for portion of expected benefits not expected to be paid from contributions and return on assets |
| • Wage inflation  | 3.25%  |
| • Asset rate of return                                  | 7.25%  |
| • Projected salary increases                            | N/A  |
| • Medical trend rates                                   | 5.00% - 7.00%  |
| • Increase in retiree medical grant                     | 5.0%   |
| Plan membership:  |  |
| • Current retirees and survivor                         | 662  |
| • Current active members                                | 602  |
| • Terminated participants entitled but not yet eligible | 39   |
| • Declined  | 15   |

**(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 \$2,326,102 for the year ended June 30, 2017.

# Required Supplementary Information



## Fire Station 61 Ground-Breaking Ceremony

May 2017





## **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*

### **Disaster Supply Kit and Go! Bag**



*A Disaster Supply Kit and a Go! Bag contain a collection of basic items your family may need during or after a wildfire. Creating a Disaster Supply Kit in advance will prepare your family, not only for an evacuation, but for a long stay at home if escape routes are blocked during or after a wildfire.*

#### **6 P's for Immediate Evacuation**

- |   |   |
|---|---|
| ✓ <b>People and Pets</b>                        | ✓ <b>Pictures</b>                               |
| ✓ <b>Papers</b>                                 | ✓ <b>Personal Computer Hard Drive and Disks</b> |
| ✓ <b>Prescription Medication and Eyeglasses</b> | ✓ <b>Personal Supplies</b>                      |

#### **Disaster Supply Kit**

The American Red Cross, FEMA, and the California Emergency Management Agency recommend putting together a Disaster Supply Kit with supplies for at least 72 hours, including food, water, and supplies for pets. Keeping extra supply kits in your car and at work is also a great idea in case a wildfire or other disaster stops you from going home.

#### **Go! Bag**

If you're forced to evacuate and can grab only your Go! Bag, the items inside will make it easier for you during and after a wildfire, earthquake, or other disaster. A Go! Bag should contain some of the 6 P's like prescription medication, copies of important documents (papers), and personal supplies (credit cards, toothbrush/toothpaste, phone lists, maps, etc.).



**ORANGE COUNTY FIRE AUTHORITY**  
**OCERS Retirement Plan**  
**A Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan**  
**As of June 30, 2017**  
**Last Ten Fiscal Years (A)**  
**Schedule of OCFA's Proportionate Share of the Net Pension Liability**

|   | Fiscal Year Ended June 30 |                   |                   |                   |
|---|---------------------------|-------------------|-------------------|-------------------|
|   | 2014                      | 2015              | 2016              | 2017              |
| OCFA's proportion of the collective net pension liability   | 8.366%                    | 9.188%            | 9.056%            | 9.043%            |
| OCFA's proportionate share of the collective net pension liability                                    | \$ 442,651,348            | \$ 466,968,323    | \$ 517,669,806    | \$ 469,430,660    |
| OCFA's covered payroll  | \$ 129,689,221            | \$ 129,187,729    | \$ 129,452,647    | \$ 124,514,004    |
| OCFA's proportionate share of the collective net pension liability as a percentage of covered payroll | 341.32%                   | 361.46%           | 399.89%           | 377.01%           |
| Plan's fiduciary net position   | \$ 10,821,318,000         | \$ 11,536,106,000 | \$ 11,657,318,000 | \$ 12,809,208,000 |
| Plan's fiduciary net position as a percentage of the total pension liability                          | 67.16%                    | 69.42%            | 67.10%            | 71.16%            |

**Notes to Schedule:**

(A) Fiscal year ended June 30, 2015 was the first year of implementation; therefore only four 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, 2017**  
**Last Ten Fiscal Years**  
**Schedule of Contributions**

|  | <b>Fiscal Year Ended June 30</b> |                    |                    |                    |
|--|----------------------------------|--------------------|--------------------|--------------------|
|  | <b>2008</b>                      | <b>2009</b>        | <b>2010</b>        | <b>2011</b>        |
| Required contributions<br>(actuarially determined)             | \$ 35,709,526                    | \$ 37,183,082      | \$ 42,331,507      | \$ 45,543,856      |
| Actual contributions   | 35,709,526                       | 37,183,082         | 42,331,507         | 45,543,856         |
| Contribution excess (deficiency)                               | \$ -                             | \$ -               | \$ -               | \$ -               |
| <br>Covered payroll  | <br>\$ 100,313,038               | <br>\$ 104,571,731 | <br>\$ 106,718,627 | <br>\$ 107,268,263 |
| <br>Actual contributions as a<br>percentage of covered payroll | <br>35.60%                       | <br>35.56%         | <br>39.67%         | <br>42.46%         |

---

**Notes to Schedule:**

(A) Beginning in Fiscal Year 2014/15, required and actual contributions presented in the above schedule exclude any employer-paid member contributions. Since it was not practical to obtain data in this format prior to Fiscal Year 2014/15, earlier periods have not been restated. Required and actual contributions presented for Fiscal Year 2013/14 and prior include any employer-paid member contributions.

| <b>2012</b>    | <b>2013</b>    | <b>2014</b>         | <b>2015</b>          | <b>2016</b>          | <b>2017</b>          |
|----------------|----------------|---------------------|----------------------|----------------------|----------------------|
| \$ 55,756,764  | \$ 61,206,670  | \$ 57,795,043       | \$ 61,323,319        | \$ 63,297,103        | \$ 66,284,815        |
| 55,756,764     | 61,206,670     | 63,030,796          | 82,699,618           | 78,708,605           | 82,880,775           |
| <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 5,235,753</u> | <u>\$ 21,376,299</u> | <u>\$ 15,411,502</u> | <u>\$ 16,595,960</u> |
| (A)            |                |                     |                      |                      |                      |
| \$ 111,444,130 | \$ 128,121,447 | \$ 125,869,628      | \$ 128,215,528       | \$ 132,248,620       | \$ 144,564,215       |
| 50.03%         | 47.77%         | 50.08%              | 64.50%               | 59.52%               | 57.33%               |

**ORANGE COUNTY FIRE AUTHORITY**  
**Extra Help Retirement Plan**  
**A Single-Employer Defined Benefit Pension Plan**  
**As of June 30, 2017**  
**For the Last Ten Fiscal Years (A)**  
**Schedule of Changes in Net Pension Liability and Related Ratios**

|  | <b>Fiscal Year Ended June 30</b> |                   |                   |                   |
|--|----------------------------------|-------------------|-------------------|-------------------|
|  | <b>2014</b>                      | <b>2015</b>       | <b>2016</b>       | <b>2017</b>       |
| Total pension liability (TPL):                                 |                                  |                   |                   |                   |
| Service cost   | \$ 8,030                         | \$ -              | \$ 8,331          | \$ 6,050          |
| Interest   | 11,484                           | -                 | 11,865            | 6,637             |
| Differences between expected and actual experience             | (3,269)                          | 9,728             | (131,777)         | -                 |
| Changes of assumptions   | -                                | -                 | 47,323            | (27,593)          |
| Benefit payments, including refunds<br>of member contributions | (8,676)                          | (6,459)           | (10,642)          | (31,370)          |
| Net change in total pension liability                          | 7,569                            | 3,269             | (74,900)          | (46,276)          |
| Total pension liability - beginning                            | 302,551                          | 310,120           | 313,389           | 238,489           |
| Total pension liability - ending                               | 310,120                          | 313,389           | 238,489           | 192,213           |
| Plan fiduciary net position (FNP):                             |                                  |                   |                   |                   |
| Contributions - employer                                       | 2,117                            | 2,481             | 2,267             | 839               |
| Contributions - plan members                                   | 13,542                           | 11,831            | 8,923             | 21,080            |
| Net investment income  | 586                              | 714               | 1,219             | 2,407             |
| Benefit payments, including refunds<br>of member contributions | (8,676)                          | (6,459)           | (10,642)          | (31,370)          |
| Net change in plan fiduciary net position                      | 7,569                            | 8,567             | 1,767             | (7,044)           |
| Total plan fiduciary net position - beginning                  | 56,895                           | 64,464            | 73,031            | 74,798            |
| Total plan fiduciary net position - ending                     | 64,464                           | 73,031            | 74,798            | 67,754            |
| Net pension liability (NPL)                                    | <u>\$ 245,656</u>                | <u>\$ 240,358</u> | <u>\$ 163,691</u> | <u>\$ 124,459</u> |
| Plan FNP as a % of the TPL                                     | 20.79%                           | 23.30%            | 31.36%            | 35.25%            |
| Covered payroll  | \$ 205,340                       | \$ 205,340        | \$ 108,526        | \$ 108,526        |
| NPL as a % of covered payroll                                  | 119.63%                          | 117.05%           | 150.83%           | 114.68%           |

**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 as they become available in the future.

Change in actuarial assumptions:

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Discount rate and investment rate of return | 3.75% | 3.75% | 2.90% | 3.40% |
| Inflation                                   | 3.00% | 3.00% | 2.75% | 2.75% |
| Salary increases                            | 3.00% | 3.00% | 3.00% | 3.00% |

**ORANGE COUNTY FIRE AUTHORITY**  
**Extra Help Retirement Plan**  
**A Single-Employer Defined Benefit Pension Plan**  
**As of June 30, 2017**  
**For the Last Ten Fiscal Years (A)**  
**Schedule of Contributions**

|   | Fiscal Year Ended June 20 |            |            |            |
|---|---------------------------|------------|------------|------------|
|   | 2014                      | 2015       | 2016       | 2017       |
| Required employer contributions                       | \$ 2,117                  | \$ 2,481   | \$ 2,267   | \$ 839     |
| Actual employer contributions                         | 2,117                     | 2,481      | 2,267      | 839        |
| Contribution excess (deficiency)                      | \$ -                      | \$ -       | \$ -       | \$ -       |
| Actual contributions as a % of required contributions | 100.00%                   | 100.00%    | 100.00%    | 100.00%    |
| Covered payroll                                       | \$ 205,340                | \$ 205,340 | \$ 108,526 | \$ 108,526 |
| Actual contributions as a % of covered payroll        | 1.03%                     | 1.21%      | 2.09%      | 0.77%      |

**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 as they become available in the future.

Changes in size or composition of plan members:

|  |    |    |    |    |
|--|----|----|----|----|
| Inactive; currently receiving benefits               | -  | -  | -  | -  |
| Inactive; entitled to but not yet receiving benefits | 10 | 39 | 47 | 46 |
| Active   | 59 | 41 | 17 | 31 |
| Total plan members as of June 30                     | 69 | 80 | 64 | 77 |

**ORANGE COUNTY FIRE AUTHORITY**  
**Extra Help Retirement Plan**  
**A Single-Employer Defined Benefit Pension Plan**  
**As of June 30, 2017**  
**For the Last Ten Fiscal Years (A)**  
**Schedule of Money Weighted Rate of Return**

|  | <b>Fiscal Year Ended June 30</b> |             |             |             |
|--|----------------------------------|-------------|-------------|-------------|
|  | <b>2014</b>                      | <b>2015</b> | <b>2016</b> | <b>2017</b> |
| Annual money-weighted rate of return,<br>net of investment expense | 0.97%                            | 1.24%       | 1.66%       | 3.43%       |

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**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.

**ORANGE COUNTY FIRE AUTHORITY**  
**Retiree Medical Plan**  
**A Single-Employer Defined Benefit Plan**  
**As of June 30, 2017**  
**Last Three Actuarial Valuations**  
**Schedule of Funding Progress**

|   | Actuarial Valuation Dated July 1 |                       |                       |
|---|----------------------------------|-----------------------|-----------------------|
|   | 2012                             | 2014                  | 2016                  |
| Entry age actuarial accrued liability (AAL) | \$156,623,184                    | \$179,056,290         | \$263,303,006         |
| Actuarial value of assets                   | 28,910,090                       | 36,945,371            | 35,857,649            |
| Unfunded AAL (UAAL)                         | <u>\$ 127,713,094</u>            | <u>\$ 142,110,919</u> | <u>\$ 227,445,357</u> |
|   |                                  |                       |                       |
| Funded ratio                                | 18.46%                           | 20.63%                | 13.62%                |
|   |                                  |                       |                       |
| Covered payroll                             | \$ 75,432,000                    | \$ 66,021,000         | \$ 61,161,000         |
|   |                                  |                       |                       |
| UAAL as a percentage of covered payroll     | 169.31%                          | 215.25%               | 371.88%               |

**Notes to Schedule:**

|   | Actuarial Valuation Dated July 1 |              |              |
|---|----------------------------------|--------------|--------------|
|   | 2012                             | 2014         | 2016         |
| Changes in size or composition of plan members:       |                                  |              |              |
| Current retirees and surviving spouses                | 471                              | 573          | 662          |
| Current active members                                | 804                              | 697          | 602          |
| Terminated participants entitled but not yet eligible | 9                                | 13           | 39           |
| Declined  | 13                               | 14           | 15           |
|   | <u>1,297</u>                     | <u>1,297</u> | <u>1,318</u> |

A publicly available financial report can be obtained from the Orange County Employees Retirement System (OCERS) at 2223 Wellington Avenue, Santa Ana, California 92701.



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## *Orange County Fire Authority Safety Message*

### **Fire Extinguishers** **(Part 1 of 4)**



*Fire extinguishers can save lives and property, but should only be used if the fire is small and smoke and heat have not filled the room. If you're unsure, evacuate immediately and call 9-1-1.*

### **Types of Fire Extinguishers**

Fire extinguishers are classified as A, B, or C to indicate which type of fire they will extinguish. Multipurpose (ABC) fire extinguishers are recommended for home use.

- ✓ **A** – For use with ordinary materials like cloth, wood, and paper.
- ✓ **B** – For use with flammable liquids like grease, gasoline, oil, and oil-based paints.
- ✓ **C** – For use with electrical equipment that is connected to an outlet.

*(Continued on Page 116)*



# Supplementary Schedules



Open House  
May 2017





## **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, 2017**  
**(With Comparative Data for Prior Year)**

|   | 2017           |               |                   |   | 2016              |
|---|----------------|---------------|-------------------|---|-------------------|
|   | Budget Amounts |               | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) | Actual<br>Amounts |
|   | Original       | Final         |                   |   |                   |
| Budgetary fund<br>balance, July 1       | \$ 19,002,272  | \$ 19,002,272 | \$ 19,002,272     | \$ -  | \$ 18,655,855     |
| Resources (inflows):                    |                |               |                   |   |                   |
| Use of money and property               | 164,012        | 148,621       | 120,120           | (28,501)  | 111,865           |
| Miscellaneous                           | 166,092        | 203,512       | 203,512           | -   | 312,605           |
| Transfers in                            | 4,866,307      | 4,866,307     | 4,866,307         | -   | 78,187            |
| Total resources (inflows)               | 5,196,411      | 5,218,440     | 5,189,939         | (28,501)  | 502,657           |
| Amounts available<br>for appropriations | 24,198,683     | 24,220,712    | 24,192,211        | (28,501)  | 19,158,512        |
| Charges to<br>appropriation (outflows): |                |               |                   |   |                   |
| Services and supplies                   | 24,715         | 24,715        | 6,536,197         | (6,511,482)   | 84,845            |
| Capital outlay                          | 9,595,117      | 9,449,482     | 710,336           | 8,739,146   | 71,395            |
| Transfers out                           | -              | -             | 5,552,492         | (5,552,492)   | -                 |
| Total charges<br>to appropriations      | 9,619,832      | 9,474,197     | 12,799,025        | (3,324,828)   | 156,240           |
| Budgetary fund<br>balance, June 30      | \$ 14,578,851  | \$ 14,746,515 | \$ 11,393,186     | \$ (3,353,329)  | \$ 19,002,272     |

**ORANGE COUNTY FIRE AUTHORITY**  
**Fire Apparatus**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | 2017           |               |               | 2016  |               |
|---|----------------|---------------|---------------|---|---------------|
|   | Budget Amounts |               | Actual        | Variance with<br>Final Budget<br>Positive<br>(Negative) | Actual        |
|   | Original       | Final         | Amounts       |   | Amounts       |
| Budgetary fund<br>balance, July 1       | \$ 21,452,261  | \$ 21,452,261 | \$ 21,452,261 | \$ -  | \$ 25,440,432 |
| Resources (inflows):                    |                |               |               |   |               |
| Charges for services                    | 1,358,858      | 1,350,190     | 1,350,190     | -   | 1,421,540     |
| Use of money and property               | 184,423        | 186,890       | 165,829       | (21,061)  | 131,954       |
| Miscellaneous                           | 101,923        | 124,886       | 124,886       | -   | 191,832       |
| Transfers in                            | 9,813,587      | 15,405,300    | 15,405,300    | -   | -             |
| Total resources (inflows)               | 11,458,791     | 17,067,266    | 17,046,205    | (21,061)  | 1,745,326     |
| Amounts available<br>for appropriations | 32,911,052     | 38,519,527    | 38,498,466    | (21,061)  | 27,185,758    |
| Charges to<br>appropriation (outflows): |                |               |               |   |               |
| Services and supplies                   | -              | 100,000       | 9,358         | 90,642  | 248           |
| Capital outlay                          | 13,980,065     | 25,831,466    | 5,953,342     | 19,878,124  | 3,201,526     |
| Principal retirement                    | 2,397,140      | 2,397,140     | 2,397,140     | -   | 2,336,279     |
| Interest and fiscal charges             | 134,583        | 134,583       | 134,583       | -   | 195,444       |
| Total charges<br>to appropriations      | 16,511,788     | 28,463,189    | 8,494,423     | 19,968,766  | 5,733,497     |
| Budgetary fund<br>balance, June 30      | \$ 16,399,264  | \$ 10,056,338 | \$ 30,004,043 | \$ 19,947,705   | \$ 21,452,261 |

**ORANGE COUNTY FIRE AUTHORITY**  
**Fire Stations and Facilities**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | 2017                 |                      | 2016                |                      |
|---|----------------------|----------------------|---------------------|----------------------|
|   |                      |                      | Variance with       |                      |
|   | Budget Amounts       |                      | Final Budget        | Actual               |
|   | Original             | Final                | Positive            | Amounts              |
|   |                      |                      | (Negative)          |                      |
| <b>Budgetary fund balance, July 1</b>       | <b>\$ 15,858,647</b> | <b>\$ 15,858,647</b> | <b>\$ -</b>         | <b>\$ 12,520,242</b> |
| <b>Resources (inflows):</b>                 |                      |                      |                     |                      |
| Use of money and property                   | 132,393              | 151,582              | (10,647)            | 74,414               |
| Miscellaneous                               | 98,381               | 120,546              | -                   | 185,165              |
| Developer contributions                     | -                    | 630,394              | 332,233             | 3,233,082            |
| Transfers in                                | 7,900,000            | 7,900,000            | -                   | -                    |
| <b>Total resources (inflows)</b>            | <b>8,130,774</b>     | <b>8,802,522</b>     | <b>321,586</b>      | <b>3,492,661</b>     |
| <b>Amounts available for appropriations</b> | <b>23,989,421</b>    | <b>24,661,169</b>    | <b>321,586</b>      | <b>16,012,903</b>    |
| <b>Charges to appropriation (outflows):</b> |                      |                      |                     |                      |
| Services and supplies                       | 875,000              | 824,931              | 814,074             | 53,433               |
| Capital outlay                              | 7,513,135            | 8,110,773            | 7,294,872           | 100,823              |
| <b>Total charges to appropriations</b>      | <b>8,388,135</b>     | <b>8,935,704</b>     | <b>8,108,946</b>    | <b>154,256</b>       |
| <b>Budgetary fund balance, June 30</b>      | <b>\$ 15,601,286</b> | <b>\$ 15,725,465</b> | <b>\$ 8,430,532</b> | <b>\$ 15,858,647</b> |

## **Major Governmental Funds**

### ***“Sub-Fund” Components of General Fund***

The following “sub-funds” are have been combined and consolidated in order to report a single General Fund for financial statement presentation. Descriptions of each “sub-fund” component are identified below.

#### **General Operating Fund**

This sub-fund is used to account for all operating activities not accounted for in another sub-fund.

#### **General Fund Capital Improvement Program (CIP)**

This sub-fund is used to account for financial activity associated with maintenance and improvement projects that are considered “capital in nature” but do not meet the criterial to be included in a Capital Projects Fund.

#### **Structural Fire Entitlement**

This sub-fund is used to account for service enhancement funds of over-funded Structural Fire Fund members.

#### **Self Insurance**

This sub-fund is used to account the workers’ compensation self-insurance program.

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Balance Sheet**  
**June 30, 2017**  
**(With Comparative Data for Prior Year)**

|  | <b>General<br/>Operating Fund</b> |
|--|-----------------------------------|
| <b>Assets:</b>   |                                   |
| Cash and investments   | \$ 34,725,928                     |
| Receivables:   |                                   |
| Accounts, net  | 3,132,852                         |
| Accrued interest   | 104,122                           |
| Prepaid costs and other assets   | 33,692,900                        |
| Due from other governments, net  | 11,127,839                        |
|  | <b>\$ 82,783,641</b>              |
| <b>Liabilities:</b>  |                                   |
| Accounts payable   | \$ 2,952,695                      |
| Accrued liabilities  | 8,293,131                         |
| Unearned revenue   | 972,723                           |
| Due to other governments   | 152,192                           |
| <b>Total liabilities</b>   | <b>12,370,741</b>                 |
| <b>Deferred Inflows of Resources:</b>                                      |                                   |
| Unavailable revenue  | 190,000                           |
| <b>Total deferred inflows of resources</b>                                 | <b>190,000</b>                    |
| <b>Fund balances:</b>  |                                   |
| Nonspendable - prepaid costs   | 33,670,604                        |
| Restricted for:  |                                   |
| Operations Department  | 28,551                            |
| Community Risk Reduction Department  | 3,307,509                         |
| Organizational Planning Department   | 28,322                            |
| Committed to - SFF cities enhancements                                     | -                                 |
| Assigned to:   |                                   |
| Capital improvement program  | -                                 |
| Workers' compensation  | -                                 |
| Executive Management   | 66,396                            |
| Operations Department  | 236,943                           |
| Community Risk Reduction Department  | 21,988                            |
| Business Services Department   | 1,341,200                         |
| Support Services Department  | 23,307                            |
| Organizational Planning Department   | 62,047                            |
| Facilities projects  | 89,361                            |
| Communications and IT projects   | -                                 |
| Unassigned   | 31,346,672                        |
| <b>Total fund balances</b>   | <b>70,222,900</b>                 |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 82,783,641</b>              |



| General<br>Fund CIP | Structural<br>Fire<br>Entitlement | Self<br>Insurance    | Eliminations | Total General Fund    |                       |
|---------------------|-----------------------------------|----------------------|--------------|-----------------------|-----------------------|
|                     |                                   |                      |              | 2017                  | 2016                  |
| \$ 1,235,994        | \$ 572,263                        | \$ 75,816,383        | \$ -         | \$ 112,350,568        | \$ 121,350,414        |
| -                   | -                                 | -                    | -            | 3,132,852             | 2,442,570             |
| -                   | 390                               | 49,446               | -            | 153,958               | 125,706               |
| 79,944              | -                                 | -                    | -            | 33,772,844            | 36,789,256            |
| -                   | -                                 | -                    | -            | 11,127,839            | 10,050,255            |
| <b>\$ 1,315,938</b> | <b>\$ 572,653</b>                 | <b>\$ 75,865,829</b> | <b>\$ -</b>  | <b>\$ 160,538,061</b> | <b>\$ 170,758,201</b> |
| \$ 106,966          | \$ 23,002                         | \$ 490,000           | \$ -         | \$ 3,572,663          | \$ 2,720,274          |
| -                   | -                                 | -                    | -            | 8,293,131             | 14,824,059            |
| -                   | -                                 | -                    | -            | 972,723               | 33,116                |
| -                   | -                                 | -                    | -            | 152,192               | 123,047               |
| <b>106,966</b>      | <b>23,002</b>                     | <b>490,000</b>       | <b>-</b>     | <b>12,990,709</b>     | <b>17,700,496</b>     |
| -                   | -                                 | -                    | -            | 190,000               | -                     |
| -                   | -                                 | -                    | -            | <b>190,000</b>        | -                     |
| 79,944              | -                                 | -                    | -            | 33,750,548            | 36,779,845            |
| -                   | -                                 | -                    | -            | 28,551                | 13,867                |
| -                   | -                                 | -                    | -            | 3,307,509             | 2,334,811             |
| -                   | -                                 | -                    | -            | 28,322                | -                     |
| -                   | 549,651                           | -                    | -            | 549,651               | 584,464               |
| 1,107,430           | -                                 | -                    | -            | 1,107,430             | 4,668,314             |
| -                   | -                                 | 75,375,829           | -            | 75,375,829            | 73,720,054            |
| -                   | -                                 | -                    | -            | 66,396                | 36,690                |
| -                   | -                                 | -                    | -            | 236,943               | 51,484                |
| 12,771              | -                                 | -                    | -            | 34,759                | 15,845                |
| -                   | -                                 | -                    | -            | 1,341,200             | 162,699               |
| -                   | -                                 | -                    | -            | 23,307                | 119,743               |
| -                   | -                                 | -                    | -            | 62,047                | 21,000                |
| -                   | -                                 | -                    | -            | 89,361                | 69,987                |
| 8,827               | -                                 | -                    | -            | 8,827                 | 56,909                |
| -                   | -                                 | -                    | -            | 31,346,672            | 34,421,993            |
| <b>1,208,972</b>    | <b>549,651</b>                    | <b>75,375,829</b>    | <b>-</b>     | <b>147,357,352</b>    | <b>153,057,705</b>    |
| <b>\$ 1,315,938</b> | <b>\$ 572,653</b>                 | <b>\$ 75,865,829</b> | <b>\$ -</b>  | <b>\$ 160,538,061</b> | <b>\$ 170,758,201</b> |

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | <b>General<br/>Operating<br/>Fund</b> |
|---|---------------------------------------|
| <b>Revenues:</b>  |                                       |
| Taxes   | \$ 232,832,758                        |
| Intergovernmental   | 29,069,065                            |
| Charges for services                                      | 104,710,870                           |
| Use of money and property                                 | 413,788                               |
| Miscellaneous   | 4,123,033                             |
| <b>Total revenues</b>                                     | <b>371,149,514</b>                    |
| <b>Expenditures:</b>                                      |                                       |
| Current - public safety:                                  |                                       |
| Salaries and benefits                                     | 320,951,898                           |
| Services and supplies                                     | 30,119,055                            |
| Capital outlay  | 485,968                               |
| Debt service:   |                                       |
| Interest and fiscal charges                               | 266,304                               |
| <b>Total expenditures</b>                                 | <b>351,823,225</b>                    |
| Excess (deficiency) of revenues over (under) expenditures | 19,326,289                            |
| <b>Other financing sources (uses):</b>                    |                                       |
| Transfers in  | 5,552,492                             |
| Transfers out   | (29,942,999)                          |
| Sale of capital and other assets                          | 76,633                                |
| Insurance recoveries                                      | 1,218,433                             |
| <b>Total other financing sources (uses)</b>               | <b>(23,095,441)</b>                   |
| Net change in fund balances                               | (3,769,152)                           |
| Fund balances, beginning of year, as restated             | 73,992,052                            |
| <b>Fund balances, end of year</b>                         | <b>\$ 70,222,900</b>                  |

| General<br>Fund CIP | Structural<br>Fire<br>Entitlement | Self<br>Insurance    | Eliminations        | Total General Fund    |                       |
|---------------------|-----------------------------------|----------------------|---------------------|-----------------------|-----------------------|
|                     |                                   |                      |                     | 2017                  | 2016                  |
| \$ -                | \$ -                              | \$ -                 | \$ -                | \$ 232,832,758        | \$ 219,840,417        |
| -                   | -                                 | -                    | -                   | 29,069,065            | 25,978,081            |
| -                   | -                                 | 11,444,465           | (11,444,465)        | 104,710,870           | 102,408,896           |
| -                   | 3,168                             | 413,315              | -                   | 830,271               | 1,353,083             |
| -                   | -                                 | -                    | -                   | 4,123,033             | 2,096,571             |
| -                   | <b>3,168</b>                      | <b>11,857,780</b>    | <b>(11,444,465)</b> | <b>371,565,997</b>    | <b>351,677,048</b>    |
| -                   | -                                 | -                    | (11,444,465)        | 309,507,433           | 294,414,084           |
| 1,172,165           | 37,981                            | 10,202,005           | -                   | 41,531,206            | 36,165,092            |
| 4,151,390           | -                                 | -                    | -                   | 4,637,358             | 622,906               |
| -                   | -                                 | -                    | -                   | 266,304               | 740,437               |
| <b>5,323,555</b>    | <b>37,981</b>                     | <b>10,202,005</b>    | <b>(11,444,465)</b> | <b>355,942,301</b>    | <b>331,942,519</b>    |
| (5,323,555)         | (34,813)                          | 1,655,775            | -                   | 15,623,696            | 19,734,529            |
| 1,771,392           | -                                 | -                    | (1,771,392)         | 5,552,492             | -                     |
| -                   | -                                 | -                    | 1,771,392           | (28,171,607)          | (78,187)              |
| -                   | -                                 | -                    | -                   | 76,633                | 24,470                |
| -                   | -                                 | -                    | -                   | 1,218,433             | 121,288               |
| <b>1,771,392</b>    | <b>-</b>                          | <b>-</b>             | <b>-</b>            | <b>(21,324,049)</b>   | <b>67,571</b>         |
| (3,552,163)         | (34,813)                          | 1,655,775            | -                   | (5,700,353)           | 19,802,100            |
| 4,761,135           | 584,464                           | 73,720,054           | -                   | 153,057,705           | 133,255,605           |
| <b>\$ 1,208,972</b> | <b>\$ 549,651</b>                 | <b>\$ 75,375,829</b> | <b>\$ -</b>         | <b>\$ 147,357,352</b> | <b>\$ 153,057,705</b> |

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Original Budget**  
**Year ended June 30, 2017**

|   | <b>General<br/>Operating<br/>Fund</b> | <b>General<br/>Fund CIP</b> | <b>Structural<br/>Fire<br/>Entitlement</b> |
|---|---------------------------------------|-----------------------------|--|
| <b>Budgetary fund balance, July 1</b>       | <b>\$ 73,992,052</b>                  | <b>\$ 4,761,135</b>         | <b>\$ 584,464</b>                          |
| <b>Resources (inflows):</b>                 |                                       |                             |  |
| Taxes                                       | 227,439,867                           | -                           | -  |
| Intergovernmental                           | 15,392,901                            | -                           | -  |
| Charges for services                        | 102,840,465                           | -                           | -  |
| Use of money and property                   | 961,615                               | -                           | 4,567                                      |
| Miscellaneous                               | 1,062,197                             | -                           | -  |
| Transfers in                                | -                                     | 1,823,000                   | -  |
| Sale of capital and other assets            | 50,000                                | -                           | -  |
| <b>Total resources (inflows)</b>            | <b>347,747,045</b>                    | <b>1,823,000</b>            | <b>4,567</b>                               |
| <b>Amounts available for appropriations</b> | <b>421,739,097</b>                    | <b>6,584,135</b>            | <b>589,031</b>                             |
| <b>Charges to appropriation (outflows):</b> |                                       |                             |  |
| Salaries and benefits                       | 294,735,887                           | -                           | -  |
| Services and supplies                       | 27,647,038                            | 1,333,909                   | -  |
| Capital outlay                              | 542,683                               | 546,000                     | -  |
| Interest and fiscal charges                 | 754,436                               | -                           | -  |
| Transfers out                               | 24,402,894                            | -                           | -  |
| <b>Total charges to appropriations</b>      | <b>348,082,938</b>                    | <b>1,879,909</b>            | <b>-</b>                                   |
| <b>Budgetary fund balance, June 30</b>      | <b>\$ 73,656,159</b>                  | <b>\$ 4,704,226</b>         | <b>\$ 589,031</b>                          |

| Self<br>Insurance    | Eliminations        | Total<br>General Fund<br>2017 |
|----------------------|---------------------|-------------------------------|
| <b>\$ 73,720,054</b> | <b>\$ -</b>         | <b>\$ 153,057,705</b>         |
| -                    | -                   | 227,439,867                   |
| -                    | -                   | 15,392,901                    |
| 11,444,465           | (11,444,465)        | 102,840,465                   |
| 569,615              | -                   | 1,535,797                     |
| -                    | -                   | 1,062,197                     |
| -                    | (1,823,000)         | -                             |
| -                    | -                   | 50,000                        |
| <b>12,014,080</b>    | <b>(13,267,465)</b> | <b>348,321,227</b>            |
| <b>85,734,134</b>    | <b>(13,267,465)</b> | <b>501,378,932</b>            |
| -                    | (11,444,465)        | 283,291,422                   |
| 7,494,019            | -                   | 36,474,966                    |
| -                    | -                   | 1,088,683                     |
| -                    | -                   | 754,436                       |
| -                    | (1,823,000)         | 22,579,894                    |
| <b>7,494,019</b>     | <b>(13,267,465)</b> | <b>344,189,401</b>            |
| <b>\$ 78,240,115</b> | <b>\$ -</b>         | <b>\$ 157,189,531</b>         |

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Final Budget**  
**Year ended June 30, 2017**

|  | <b>General<br/>Operating<br/>Fund</b> | <b>General<br/>Fund<br/>CIP</b> | <b>Structural<br/>Fire<br/>Entitlement</b> |
|--|---------------------------------------|---------------------------------|--|
| <b>Budgetary fund balance, July 1</b>        | <b>\$ 73,992,052</b>                  | <b>\$ 4,761,135</b>             | <b>\$ 584,464</b>                          |
| <b>Resources (inflows):</b>                  |                                       |                                 |  |
| Taxes  | 230,301,459                           | -                               | -  |
| Intergovernmental                            | 27,567,139                            | -                               | -  |
| Charges for services                         | 102,816,931                           | -                               | -  |
| Use of money and property                    | 283,622                               | -                               | 3,895                                      |
| Miscellaneous                                | 3,873,324                             | -                               | -  |
| Transfers in                                 | -                                     | 1,771,392                       | -  |
| Sale of capital<br>and other assets          | 38,000                                | -                               | -  |
| Insurance recoveries                         | 51,130                                | -                               | -  |
| <b>Total resources (inflows)</b>             | <b>364,931,605</b>                    | <b>1,771,392</b>                | <b>3,895</b>                               |
| <b>Amounts available for appropriations</b>  | <b>438,923,657</b>                    | <b>6,532,527</b>                | <b>588,359</b>                             |
| <b>Charges to appropriations (outflows):</b> |                                       |                                 |  |
| Salaries and benefits                        | 319,999,934                           | -                               | -  |
| Services and supplies                        | 35,169,895                            | 1,869,044                       | 584,464                                    |
| Capital outlay                               | 962,917                               | 4,966,264                       | -  |
| Interest and fiscal charges                  | 212,800                               | -                               | -  |
| Transfers out                                | 29,942,999                            | -                               | -  |
| <b>Total charges to appropriations</b>       | <b>386,288,545</b>                    | <b>6,835,308</b>                | <b>584,464</b>                             |
| <b>Budgetary fund balance, June 30</b>       | <b>\$ 52,635,112</b>                  | <b>\$ (302,781)</b>             | <b>\$ 3,895</b>                            |

| Self<br>Insurance    | Eliminations        | Total<br>General Fund<br>2017 |
|----------------------|---------------------|-------------------------------|
| <u>\$ 73,720,054</u> | <u>\$ -</u>         | <u>\$ 153,057,705</u>         |
| -                    | -                   | 230,301,459                   |
| -                    | -                   | 27,567,139                    |
| 11,444,465           | (11,444,465)        | 102,816,931                   |
| 498,258              | -                   | 785,775                       |
| -                    | -                   | 3,873,324                     |
| -                    | (1,771,392)         | -                             |
| -                    | -                   | 38,000                        |
| -                    | -                   | 51,130                        |
| <u>11,942,723</u>    | <u>(13,215,857)</u> | <u>365,433,758</u>            |
| <u>85,662,777</u>    | <u>(13,215,857)</u> | <u>518,491,463</u>            |
| -                    | (11,444,465)        | 308,555,469                   |
| 9,257,363            | -                   | 46,880,766                    |
| -                    | -                   | 5,929,181                     |
| -                    | -                   | 212,800                       |
| -                    | (1,771,392)         | 28,171,607                    |
| <u>9,257,363</u>     | <u>(13,215,857)</u> | <u>389,749,823</u>            |
| <u>\$ 76,405,414</u> | <u>\$ -</u>         | <u>\$ 128,741,640</u>         |



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## *Orange County Fire Authority Safety Message*

### **Fire Extinguishers (Part 2 of 4)**

*(Continued from Page 102)*



*Fire extinguishers can save lives and property, but should only be used if the fire is small and smoke and heat have not filled the room. If you're unsure, evacuate immediately and call 9-1-1.*

### **Using a Fire Extinguisher**

- ✓ Alert others that there is a fire.
- ✓ Have someone call 9-1-1.
- ✓ Make sure you have a clear escape route.

*(Continued on Page 118)*





ORANGE COUNTY FIRE  
**43**  
ACADEMY

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*

### **Fire Extinguishers (Part 3 of 4)**

*(Continued from Page 116)*



*Fire extinguishers can save lives and property, but should only be used if the fire is small and smoke and heat have not filled the room. If you're unsure, evacuate immediately and call 9-1-1.*

### **The P.A.S.S. Method**

When operating a fire extinguisher, remember P.A.S.S.

- ✓ Pull the pin.
- ✓ Aim low. Stand six to eight feet away and point the extinguisher nozzle at the base of the fire.
- ✓ Squeeze the lever slowly and evenly.
- ✓ Sweep the nozzle from side to side until the fire is completely out. If the fire does not extinguish, evacuate immediately.

*(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 |                       |                       |                       |
|--|---------------------------|-----------------------|-----------------------|-----------------------|
|  | 2008                      | 2009                  | 2010                  | 2011                  |
| Governmental activities:                   |                           |                       |                       |                       |
| Net investment in capital assets           | \$ 163,340,815            | \$ 172,293,178        | \$ 183,717,406        | \$ 186,297,543        |
| Restricted                                 | 11,331,122                | 7,394,371             | 1,623,121             | 1,627,233             |
| Unrestricted                               | <u>120,539,628</u>        | <u>129,119,689</u>    | <u>115,965,726</u>    | <u>99,704,595</u>     |
| Total governmental activities net position | <u>\$ 295,211,565</u>     | <u>\$ 308,807,238</u> | <u>\$ 301,306,253</u> | <u>\$ 287,629,371</u> |
|  |                           | (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.

| <u>2012</u>                  | <u>2013</u>                  | <u>2014</u>                  | <u>2015</u>                    | <u>2016</u>                    | <u>2017</u>                    |
|------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|
| \$ 183,584,385               | \$ 181,363,364               | \$ 180,917,654               | \$ 190,800,116                 | \$ 187,910,677                 | \$ 192,430,467                 |
| 3,252,969                    | 1,690,858                    | 1,810,134                    | 1,840,561                      | 2,881,910                      | 3,897,614                      |
| <u>81,450,846</u>            | <u>74,510,482</u>            | <u>61,026,827</u>            | <u>(361,765,050)</u>           | <u>(351,456,505)</u>           | <u>(373,102,128)</u>           |
| <u><u>\$ 268,288,200</u></u> | <u><u>\$ 257,564,704</u></u> | <u><u>\$ 243,754,615</u></u> | <u><u>\$ (169,124,373)</u></u> | <u><u>\$ (160,663,918)</u></u> | <u><u>\$ (176,774,047)</u></u> |
| (2)                          |                              |                              | (3)                            |                                |                                |



**ORANGE COUNTY FIRE AUTHORITY**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)

| Governmental Activities            | Fiscal Year ended June 30 |                      |                      |                        |
|------------------------------------|---------------------------|----------------------|----------------------|------------------------|
|                                    | 2008                      | 2009                 | 2010                 | 2011                   |
| Expenses - public safety:          |                           |                      |                      |                        |
| Salaries and benefits              | \$ 199,095,873            | \$ 209,092,693       | \$ 211,729,989       | \$ 221,031,439         |
| Services and supplies              | 31,669,603                | 31,425,592           | 24,318,065           | 30,736,034             |
| Depreciation and amortization      | 7,399,902                 | 7,923,947            | 8,432,793            | 8,970,508              |
| Interest on long-term debt         | 1,410,673                 | 1,718,137            | 855,577              | 677,910                |
| Total program expenses             | <u>239,576,051</u>        | <u>250,160,369</u>   | <u>245,336,424</u>   | <u>261,415,891</u>     |
| Program revenues - public safety:  |                           |                      |                      |                        |
| Charges for services               | 69,187,051                | 67,305,621           | 63,743,942           | 61,975,963             |
| Operating grants and contributions | 6,835,746                 | 5,981,800            | 5,784,969            | 5,963,648              |
| Capital grants and contributions   | <u>22,092,218</u>         | <u>140,903</u>       | <u>1,415,618</u>     | <u>395,180</u>         |
| Total program revenues             | <u>98,115,015</u>         | <u>73,428,324</u>    | <u>70,944,529</u>    | <u>68,334,791</u>      |
| Net program revenues (expenses)    | <u>(141,461,036)</u>      | <u>(176,732,045)</u> | <u>(174,391,895)</u> | <u>(193,081,100)</u>   |
| General revenues:                  |                           |                      |                      |                        |
| Property taxes                     | 182,536,717               | 184,696,756          | 179,001,919          | 177,181,086            |
| Investment income                  | 6,295,464                 | 3,704,964            | 1,006,128            | 611,408                |
| Gain on disposal of capital assets | -                         | -                    | -                    | 39,803                 |
| Miscellaneous                      | <u>730,733</u>            | <u>1,925,998</u>     | <u>890,127</u>       | <u>835,021</u>         |
| Total general revenues             | <u>189,562,914</u>        | <u>190,327,718</u>   | <u>180,898,174</u>   | <u>178,667,318</u>     |
| Changes in net position            | <u>\$ 48,101,878</u>      | <u>\$ 13,595,673</u> | <u>\$ 6,506,279</u>  | <u>\$ (14,413,782)</u> |

(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.



| 2012                   | 2013                  | 2014                   | 2015                   | 2016                  | 2017                   |
|------------------------|-----------------------|------------------------|------------------------|-----------------------|------------------------|
| \$ 240,084,607         | \$ 264,067,489        | \$ 266,764,367         | \$ 335,419,737         | \$ 316,292,785        | \$ 327,515,166         |
| 37,069,099             | 45,879,501            | 47,912,808             | 46,073,201             | 35,127,573            | 52,819,125             |
| 9,300,853              | 9,793,491             | 9,612,453              | 9,050,195              | 9,267,982             | 9,512,777              |
| 494,014                | 367,701               | 311,327                | 582,565                | 917,320               | 133,239                |
| <u>286,948,573</u>     | <u>320,108,182</u>    | <u>324,600,955</u>     | <u>391,125,698</u>     | <u>361,605,660</u>    | <u>389,980,307</u>     |
| 76,347,126             | 102,875,410           | 106,874,513            | 113,150,325            | 117,263,679           | 121,875,157            |
| 6,580,681              | 19,523,853            | 10,339,966             | 11,410,019             | 12,165,015            | 11,992,438             |
| 3,926,275              | 2,811,180             | 1,462,540              | 9,182,195              | 3,331,088             | 1,040,129              |
| <u>86,854,082</u>      | <u>125,210,443</u>    | <u>118,677,019</u>     | <u>133,742,539</u>     | <u>132,759,782</u>    | <u>134,907,724</u>     |
| <u>(200,094,491)</u>   | <u>(194,897,739)</u>  | <u>(205,923,936)</u>   | <u>(257,383,159)</u>   | <u>(228,845,878)</u>  | <u>(255,072,583)</u>   |
| 177,728,290            | 181,720,253           | 190,873,689            | 205,141,237            | 219,840,417           | 232,832,758            |
| 524,602                | (136,493)             | 823,010                | 839,864                | 1,654,065             | 990,851                |
| 79,705                 | 11,924                | 21,834                 | 63,953                 | 6,000                 | 657,944                |
| <u>2,420,723</u>       | <u>4,329,603</u>      | <u>1,200,195</u>       | <u>1,235,004</u>       | <u>2,823,503</u>      | <u>4,480,901</u>       |
| <u>180,753,320</u>     | <u>185,925,287</u>    | <u>192,918,728</u>     | <u>207,280,058</u>     | <u>224,323,985</u>    | <u>238,962,454</u>     |
| <u>\$ (19,341,171)</u> | <u>\$ (8,972,452)</u> | <u>\$ (13,005,208)</u> | <u>\$ (50,103,101)</u> | <u>\$ (4,521,893)</u> | <u>\$ (16,110,129)</u> |
| (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 |                       |                      |                      |
|------------------------------------|---------------------------|-----------------------|----------------------|----------------------|
|                                    | 2008                      | 2009                  | 2010                 | 2011                 |
| General Fund:                      |                           |                       |                      |                      |
| Reserved                           | \$ 1,519,961              | \$ 1,417,069          | \$ -                 | \$ -                 |
| Unreserved                         | 60,436,769                | 67,926,629            | -                    | -                    |
| Nonspendable                       | -                         | -                     | 117,473              | 23,186,680           |
| Restricted                         | -                         | -                     | 111,305              | 111,980              |
| Committed                          | -                         | -                     | 861,116              | 797,935              |
| Assigned                           | -                         | -                     | 37,621,864           | 35,550,989           |
| Unassigned                         | -                         | -                     | 41,985,648           | 25,592,531           |
| Total General Fund                 | <u>\$ 61,956,730</u>      | <u>\$ 69,343,698</u>  | <u>\$ 80,697,406</u> | <u>\$ 85,240,115</u> |
| All other governmental funds:      |                           |                       |                      |                      |
| Reserved                           | \$ 8,446,422              | \$ 14,752,366         | \$ -                 | \$ -                 |
| Unreserved, reported in:           |                           |                       |                      |                      |
| Special revenue funds              | 62,633,870                | 75,515,265            | -                    | -                    |
| Capital projects funds             | 16,718,235                | 13,344,809            | -                    | -                    |
| Debt service funds                 | 8,738,484                 | 4,752,258             | -                    | -                    |
| Nonspendable                       | -                         | -                     | 567,349              | 478,449              |
| Restricted                         | -                         | -                     | 1,015,700            | 1,515,253            |
| Assigned                           | -                         | -                     | 87,476,588           | 78,023,210           |
| Total all other governmental funds | <u>\$ 96,537,011</u>      | <u>\$ 108,364,698</u> | <u>\$ 89,059,637</u> | <u>\$ 80,016,912</u> |
|                                    |                           |                       | (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 (nonspendable, 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.

| 2012                 | 2013                  | 2014                  | 2015                  | 2016                  | 2017                  |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ -                 | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| -                    | -                     | -                     | -                     | -                     | -                     |
| 22,756,709           | 26,727,849            | 30,560,638            | 31,127,148            | 36,779,845            | 33,750,548            |
| 1,699,787            | 137,676               | 766,094               | 1,307,329             | 2,348,678             | 3,364,382             |
| 1,372,789            | 1,268,160             | 784,617               | 691,265               | 584,464               | 549,651               |
| 34,715,397           | 53,668,608            | 61,236,092            | 69,282,830            | 78,922,725            | 78,346,099            |
| 25,751,128           | 25,782,851            | 22,156,848            | 17,864,685            | 34,421,993            | 31,346,672            |
| <u>\$ 86,295,810</u> | <u>\$ 107,585,144</u> | <u>\$ 115,504,289</u> | <u>\$ 120,273,257</u> | <u>\$ 153,057,705</u> | <u>\$ 147,357,352</u> |
| \$ -                 | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| -                    | -                     | -                     | -                     | -                     | -                     |
| -                    | -                     | -                     | -                     | -                     | -                     |
| -                    | -                     | -                     | -                     | -                     | -                     |
| 405,815              | 352,318               | 284,349               | 32,946                | -                     | 4,608                 |
| 1,553,182            | 1,553,182             | 1,044,040             | 533,232               | 533,232               | 533,232               |
| 74,037,637           | 67,317,090            | 64,340,833            | 56,050,351            | 55,779,948            | 65,015,386            |
| <u>\$ 75,996,634</u> | <u>\$ 69,222,590</u>  | <u>\$ 65,669,222</u>  | <u>\$ 56,616,529</u>  | <u>\$ 56,313,180</u>  | <u>\$ 65,553,226</u>  |

**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 |                      |                       |                       |
|--|---------------------------|----------------------|-----------------------|-----------------------|
|  | 2008                      | 2009                 | 2010                  | 2011                  |
| <b>Revenues:</b>   |                           |                      |                       |                       |
| Taxes  | \$ 182,536,717            | \$ 184,696,756       | \$ 179,001,919        | \$ 177,181,086        |
| Intergovernmental  | 24,168,953                | 18,898,459           | 14,202,209            | 11,080,619            |
| Charges for services   | 53,510,278                | 54,125,964           | 55,325,007            | 56,582,867            |
| Use of money and property                                    | 7,336,664                 | 4,148,889            | 1,341,991             | 822,002               |
| Miscellaneous  | 982,487                   | 2,517,891            | 1,333,170             | 1,320,856             |
| Developer contributions                                      | 1,744,392                 | -                    | 551,365               | 43,200                |
| Total revenues   | <u>270,279,491</u>        | <u>264,387,959</u>   | <u>251,755,661</u>    | <u>247,030,630</u>    |
| <b>Expenditures:</b>   |                           |                      |                       |                       |
| Current - public safety:                                     |                           |                      |                       |                       |
| Salaries and benefits  | 195,481,030               | 203,790,256          | 206,942,045           | 211,801,889           |
| Services and supplies  | 31,386,487                | 28,561,308           | 28,521,125            | 28,207,018            |
| Capital outlay   | 13,323,621                | 32,624,294           | 9,647,853             | 9,899,979             |
| Debt service:  |                           |                      |                       |                       |
| Principal retirement   | 4,867,453                 | 5,933,911            | 13,370,586            | 1,911,912             |
| Interest and fiscal charges                                  | 2,526,877                 | 2,119,347            | 1,459,383             | 890,067               |
| Issuance costs   | -                         | -                    | -                     | -                     |
| Total expenditures   | <u>247,585,468</u>        | <u>273,029,116</u>   | <u>259,940,992</u>    | <u>252,710,865</u>    |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>22,694,023</u>         | <u>(8,641,157)</u>   | <u>(8,185,331)</u>    | <u>(5,680,235)</u>    |
| <b>Other financing sources (uses):</b>                       |                           |                      |                       |                       |
| Transfers in   | 29,914,910                | 30,257,506           | 10,608,277            | 4,137,811             |
| Transfers out  | (29,914,910)              | (30,257,506)         | (10,608,277)          | (4,137,811)           |
| Issuance of long-term debt                                   | -                         | 21,515,238           | -                     | -                     |
| Refinanced long-term debt                                    | -                         | -                    | -                     | -                     |
| Sale of capital and other assets                             | 93,807                    | 93,480               | 162,533               | 434,914               |
| Insurance recoveries   | -                         | 81,576               | 71,445                | 8,405                 |
| Total other financing sources (uses)                         | <u>93,807</u>             | <u>21,690,294</u>    | <u>233,978</u>        | <u>443,319</u>        |
| Net change in fund balances                                  | <u>\$ 22,787,830</u>      | <u>\$ 13,049,137</u> | <u>\$ (7,951,353)</u> | <u>\$ (5,236,916)</u> |
| Debt service as a percentage of<br>noncapital expenditures   | 3.2%                      | 3.3%                 | 5.9%                  | 1.2%                  |

SOURCE: OCFA Comprehensive Annual Financial Reports

| 2012                  | 2013                 | 2014                | 2015                  | 2016                 | 2017                |
|-----------------------|----------------------|---------------------|-----------------------|----------------------|---------------------|
| \$ 177,728,290        | \$ 181,720,253       | \$ 190,873,689      | \$ 205,141,237        | \$ 219,840,417       | \$ 232,832,758      |
| 12,894,882            | 28,883,649           | 19,111,811          | 23,565,214            | 25,978,081           | 29,069,065          |
| 65,556,905            | 95,904,052           | 97,705,183          | 102,000,677           | 103,830,436          | 106,061,060         |
| 660,621               | (20,556)             | 932,284             | 841,522               | 1,671,316            | 1,257,155           |
| 2,753,421             | 5,111,908            | 1,677,853           | 1,679,976             | 2,786,173            | 4,571,977           |
| 10,140                | 538,260              | 1,271,400           | 8,307,207             | 3,233,082            | 962,627             |
| <u>259,604,259</u>    | <u>312,137,566</u>   | <u>311,572,220</u>  | <u>341,535,833</u>    | <u>357,339,505</u>   | <u>374,754,642</u>  |
| 228,452,010           | 255,301,913          | 257,134,030         | 285,988,997           | 294,414,084          | 309,507,433         |
| 30,737,551            | 32,613,137           | 40,187,878          | 40,490,370            | 36,303,618           | 48,087,618          |
| 932,034               | 5,420,102            | 7,681,418           | 16,644,798            | 3,996,650            | 12,116,937          |
| 2,139,694             | 2,162,809            | 2,219,152           | 2,276,963             | 2,336,279            | 2,397,140           |
| 635,351               | 484,851              | 421,845             | 585,501               | 935,881              | 400,887             |
| 286,599               | -                    | -                   | -                     | -                    | -                   |
| <u>263,183,239</u>    | <u>295,982,812</u>   | <u>307,644,323</u>  | <u>345,986,629</u>    | <u>337,986,512</u>   | <u>372,510,015</u>  |
| <u>(3,578,980)</u>    | <u>16,154,754</u>    | <u>3,927,897</u>    | <u>(4,450,796)</u>    | <u>19,352,993</u>    | <u>2,244,627</u>    |
| -                     | 381,222              | 5,370,375           | 6,845,320             | 78,187               | 33,724,099          |
| -                     | (381,222)            | (5,370,375)         | (6,845,320)           | (78,187)             | (33,724,099)        |
| 16,756,078            | -                    | -                   | -                     | -                    | -                   |
| (16,377,093)          | -                    | -                   | -                     | -                    | -                   |
| 146,317               | 58,051               | 77,077              | 134,123               | 24,470               | 76,633              |
| 89,095                | 53,529               | 360,803             | 32,948                | 121,288              | 1,218,433           |
| <u>614,397</u>        | <u>111,580</u>       | <u>437,880</u>      | <u>167,071</u>        | <u>145,758</u>       | <u>1,295,066</u>    |
| <u>\$ (2,964,583)</u> | <u>\$ 16,266,334</u> | <u>\$ 4,365,777</u> | <u>\$ (4,283,725)</u> | <u>\$ 19,498,751</u> | <u>\$ 3,539,693</u> |
| 1.1%                  | 0.9%                 | 0.9%                | 0.9%                  | 1.0%                 | 0.8%                |



## *Orange County Fire Authority Safety Message*

### **Fire Extinguishers (Part 4 of 4)**

*(Continued from Page 118)*



*Fire extinguishers can save lives and property, but should only be used if the fire is small and smoke and heat have not filled the room. If you're unsure, evacuate immediately and call 9-1-1.*

### **Fire Extinguisher Maintenance**

Inspect your extinguisher regularly to ensure that it will operate safely and effectively.

- ✓ Keep your extinguisher in plain view and out of reach of children.
- ✓ If your extinguisher has a pressure indicator, make sure the needle is in the green zone.
- ✓ Check for dents, scratches, corrosion, or other damage. Make sure the lock pin is firmly in place and that the discharge nozzle is clean.
- ✓ Read and follow all instructions on the label and in the owner's manual. Some extinguishers may need to be shaken or tested monthly for adequate pressure.
- ✓ Non-rechargeable fire extinguishers should generally be replaced every five to seven years. Check with the manufacturer for exact dates.

## **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 2007/08     | FY 2008/09     | FY 2009/10     | FY 2010/11     |
|-----------------------------------|----------------|----------------|----------------|----------------|
| Buena Park                        | \$ 7,351,653   | \$ 7,611,793   | \$ 7,438,787   | \$ 7,478,553   |
| Placentia                         | 4,991,175      | 5,070,123      | 4,967,651      | 4,969,023      |
| San Clemente                      | 12,486,976     | 12,855,038     | 12,631,337     | 12,431,717     |
| Santa Ana (4)                     | n/a            | n/a            | n/a            | n/a            |
| Seal Beach                        | 3,875,902      | 4,256,884      | 4,241,221      | 4,282,032      |
| Stanton                           | 2,184,177      | 2,195,788      | 2,070,815      | 2,042,112      |
| Tustin                            | 9,070,627      | 9,958,561      | 9,501,069      | 9,419,294      |
| Westminster                       | 6,640,057      | 6,775,451      | 6,698,153      | 6,779,972      |
| Total cash contract cities (3)    | 46,600,567     | 48,723,638     | 47,549,033     | 47,402,703     |
| Aliso Viejo                       | 7,499,861      | 7,792,144      | 7,553,177      | 7,459,562      |
| Cypress                           | 5,421,886      | 5,604,677      | 5,529,005      | 5,514,794      |
| Dana Point                        | 8,532,709      | 8,879,909      | 8,763,402      | 8,687,748      |
| Irvine                            | 44,382,983     | 47,257,608     | 47,212,001     | 46,538,576     |
| Laguna Hills                      | 5,736,525      | 5,692,646      | 5,589,417      | 5,460,470      |
| Laguna Niguel                     | 12,073,542     | 12,227,117     | 11,883,056     | 11,892,951     |
| Laguna Woods                      | 2,262,295      | 2,295,254      | 2,273,717      | 2,214,363      |
| Lake Forest                       | 10,896,488     | 11,189,197     | 10,915,562     | 10,744,518     |
| La Palma                          | 1,636,875      | 1,685,812      | 1,695,126      | 1,698,469      |
| Los Alamitos                      | 1,515,499      | 1,582,738      | 1,589,309      | 1,616,120      |
| Mission Viejo                     | 13,246,125     | 13,357,566     | 13,104,698     | 13,157,979     |
| Rancho Santa Margarita            | 6,977,082      | 6,921,865      | 6,617,903      | 6,605,397      |
| San Juan Capistrano               | 5,794,133      | 5,961,050      | 5,835,957      | 5,817,501      |
| Villa Park                        | 1,311,588      | 1,355,557      | 1,359,734      | 1,353,409      |
| Yorba Linda                       | 10,909,311     | 11,165,576     | 10,897,981     | 10,936,312     |
| Unincorporated                    | 21,846,485     | 22,212,379     | 21,447,511     | 21,485,307     |
| Total SFF jurisdictions (2)       | 160,043,387    | 165,181,095    | 162,267,556    | 161,183,476    |
| Percentage change from prior year | 9.44%          | 3.21%          | -1.76%         | -0.67%         |
| Total assessed valuation          | \$ 206,643,954 | \$ 213,904,733 | \$ 209,816,589 | \$ 208,586,179 |
| 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](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) 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 2011/12     | FY 2012/13     | FY 2013/14     | FY 2014/15     | FY 2015/16     | FY 2016/17     |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 7,484,717   | 7,602,927      | 7,886,342      | 8,313,496      | 8,769,022      | 9,229,491      |
| 5,007,558      | 5,080,849      | 5,203,417      | 5,519,085      | 5,878,473      | 6,133,423      |
| 12,356,019     | 12,506,118     | 12,824,727     | 13,666,851     | 14,447,434     | 15,269,878     |
| 20,100,864     | 20,339,779     | 21,119,683     | 22,075,383     | 23,013,226     | 23,886,126     |
| 4,434,345      | 4,480,557      | 4,580,472      | 4,891,060      | 5,081,691      | 5,167,629      |
| 2,063,293      | 2,073,752      | 2,144,270      | 2,297,508      | 2,433,266      | 2,569,937      |
| 9,378,899      | 9,502,173      | 9,732,381      | 10,292,805     | 11,004,027     | 11,577,792     |
| 6,935,762      | 7,023,383      | 7,176,141      | 7,628,669      | 8,279,644      | 8,410,335      |
| 67,761,457     | 68,609,538     | 70,667,433     | 74,684,857     | 78,906,783     | 82,244,611     |
| 7,511,408      | 7,605,524      | 7,877,812      | 8,440,740      | 8,765,964      | 9,262,105      |
| 5,560,190      | 5,666,354      | 5,854,809      | 6,104,218      | 6,463,650      | 6,751,019      |
| 8,735,352      | 8,844,364      | 9,126,750      | 9,787,132      | 10,513,667     | 11,209,516     |
| 47,136,231     | 48,646,093     | 51,002,248     | 55,693,885     | 60,912,694     | 65,754,243     |
| 5,463,649      | 5,513,066      | 5,643,545      | 5,961,947      | 6,256,109      | 6,506,374      |
| 11,991,939     | 12,116,601     | 12,402,919     | 13,270,851     | 14,015,647     | 14,571,803     |
| 2,186,990      | 2,193,624      | 2,237,288      | 2,424,736      | 2,620,217      | 2,772,774      |
| 10,721,083     | 10,885,724     | 11,238,775     | 11,920,081     | 12,672,969     | 13,710,657     |
| 1,698,169      | 1,718,007      | 1,744,907      | 1,829,353      | 1,904,950      | 1,998,105      |
| 1,603,255      | 1,638,193      | 1,674,933      | 1,778,110      | 1,887,771      | 1,961,259      |
| 13,226,115     | 13,320,574     | 13,639,460     | 14,533,544     | 15,262,434     | 15,835,376     |
| 6,623,819      | 6,679,191      | 6,759,144      | 7,231,597      | 7,572,862      | 7,810,951      |
| 5,799,444      | 5,833,269      | 6,039,344      | 6,443,224      | 6,828,239      | 7,190,143      |
| 1,372,687      | 1,398,666      | 1,466,599      | 1,527,255      | 1,596,806      | 1,674,085      |
| 11,262,427     | 11,484,958     | 11,857,840     | 12,668,130     | 13,488,124     | 14,098,053     |
| 21,509,471     | 21,332,072     | 21,915,863     | 23,573,390     | 24,999,336     | 26,380,370     |
| 162,402,229    | 164,876,280    | 170,482,236    | 183,188,193    | 195,761,439    | 207,486,833    |
| 0.76%          | 1.52%          | 3.40%          | 7.45%          | 6.86%          | 5.99%          |
| \$ 230,163,686 | \$ 233,485,818 | \$ 241,149,669 | \$ 257,873,050 | \$ 274,668,222 | \$ 289,731,444 |
| 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      |              |         | Basic Operating |
|      | Levy                 | Debt Service | Total   | Levy            |
| 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          |
| 2017 | 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://acdcweb01.ocgov.com/acInternet/WhatWeDo/TaxRateBook.aspx>
- (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 2007/2008 (A) |      |                          | Fiscal Year 2016/17 (B)   |      |                          |
|---------------------------------------|---------------------------|------|--------------------------|---------------------------|------|--------------------------|
|                                       |                           |      | Percent of               |                           |      | Percent of               |
|                                       | Actual<br>Taxes<br>Levied | Rank | Total<br>Taxes<br>Levied | Actual<br>Taxes<br>Levied | Rank | Total<br>Taxes<br>Levied |
| The Irvine Company                    | \$ 55,806                 | 1    | 1.12%                    | \$ 106,206                | 1    | 1.75%                    |
| Irvine Apartment Communities          | \$ 22,146                 | 3    | 0.45%                    |                           |      |                          |
| Irvine Co. LLC                        | \$ 5,844                  | 10   | 0.12%                    |                           |      |                          |
| Irvine Community Development          | \$ 9,869                  | 5    | 0.20%                    |                           |      |                          |
|                                       | <u>\$ 93,665</u>          |      |                          | <u>\$ 106,206</u>         |      |                          |
| Walt Disney Parks & Resorts U.S.      |                           |      |                          | \$ 52,961                 | 2    | 0.87%                    |
| Walt Disney Company                   | \$ 31,680                 | 2    | 0.64%                    |                           |      |                          |
| Walt Disney World Company             | \$ 7,772                  | 8    | 0.16%                    |                           |      |                          |
|                                       | <u>\$ 39,452</u>          |      |                          | <u>\$ 52,961</u>          |      |                          |
| Southern California Edison Company    | \$ 19,195                 | 4    | 0.39%                    | \$ 38,592                 | 3    | 0.63%                    |
| Five Points Holding, LLC              |                           |      |                          | \$ 17,221                 | 4    | 0.28%                    |
| Pacific Bell Telephone Company (AT&T) | \$ 7,389                  | 9    | 0.15%                    | \$ 10,181                 | 5    | 0.17%                    |
| United Laguna Hills Mutual            | \$ 7,895                  | 7    | 0.16%                    | \$ 9,145                  | 6    | 0.15%                    |
| Heritage Fields El Toro LLC           | \$ 8,586                  | 6    | 0.17%                    |                           |      |                          |
| Essex Property Trust, Inc.            |                           |      |                          | \$ 7,305                  | 7    | 0.12%                    |
| Southern California Gas Company       |                           |      |                          | \$ 6,777                  | 8    | 0.11%                    |
| Bella Terra Associates, LLC           |                           |      |                          | \$ 5,740                  | 9    | 0.09%                    |
| BEX Portfolio, Inc.                   |                           |      |                          | \$ 4,999                  | 10   | 0.08%                    |

**SOURCES:**

(A) OCFA Comprehensive Annual Financial Report for Fiscal Year 2007/08

(B) County of Orange, Treasurer-Tax Collector, Tax Collector Top 20 Taxpayer List for Fiscal Year 2016/17 (<http://www.ttc.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)

| Fiscal<br>Year<br>ended<br>June 30 | Taxes<br>Levied for<br>the Fiscal<br>Year | Collected within<br>the Fiscal Year of |       | Collection of Prior Year |               | Collection of          |          | Total Collection to |           | Collection of<br>Property Tax<br>Increment (2) |           |
|------------------------------------|---|--|-------|--------------------------|---------------|------------------------|----------|---------------------|-----------|--|-----------|
|                                    |   | Levy                                   | % of  | Levies                   | Delinquencies | Penalties and Interest | Interest | Date                | % of      | Pass-Through                                   |           |
|                                    |   | Amount                                 | Levy  | Plan                     | and Other     | Penalties              | Interest | Collected           | Levy      | RDA  | H&S       |
| 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    |
| 2017                               | \$ 237,082                                | \$ 229,934                             | 97.0% | \$ 1,329                 | \$ 140        | \$ 35                  | \$ 105   | \$ 231,543          | 97.7%     | \$ 9,237                                       | \$ 662    |

SOURCE: County of Orange, Auditor-Controller, Tax Ledger Detail by Fiscal Year  
Tax Ledger Selection C84 Orange County Fire Authority  
[http://tax.ocgov.com/acledger/choice\\_eGov.asp](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)

| Fiscal<br>Year<br>ended<br>June 30 | Governmental Activities (A) |                   |                      | (B)                                  | Debt as a           | (C)                            | Debt<br>per<br>Capita |
|------------------------------------|-----------------------------|-------------------|----------------------|--------------------------------------|---------------------|--------------------------------|-----------------------|
|                                    | Capital                     |                   |                      | County of                            | Percentage of       | Population                     |                       |
|                                    | Revenue                     | Lease<br>Purchase | Total<br>Outstanding | Orange Median<br>Household<br>Income | Household<br>Income | (OCFA<br>Jurisdiction<br>Only) |                       |
|                                    | Bonds                       | Agreements        | Debt                 |                                      |                     |                                |                       |
| 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                   |
| 2017                               | \$ -                        | \$ 3,713          | \$ 3,713             | \$88                                 | 4219.3%             | 1,793                          | \$2                   |

**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)<br>Population (OCFA Jurisdiction Only) | (B)<br>Assessed Value | (C)<br>Gross Bonded Debt | (D)<br>Amounts Available in Debt Service Fund | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|---------------------------|--|-----------------------|--------------------------|---|-----------------|--|----------------------------|
| 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%                                      | \$ -                       |
| 2017                      | 1,793                                      | \$ 289,731,444        | \$ -                     | \$ -  | \$ -            | 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](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*

### **Safety in Public Buildings** **(Part 1 of 3)**



*When you get on an airplane, the first thing you do is locate the exits in case of an emergency. It's important to do the same thing when entering any building where a large number of people are gathered.*

#### **Before You Enter**

- ✓ Look carefully before entering any public building. Is the main entrance wide? Does it open outward to allow easy exit? Are areas outside the building clear of material that might block exits?
- ✓ Identify a friend or family member to contact in case of emergency or if you are separated from your group.
- ✓ Pick an outside meeting place where people in your group can meet if a fire or other emergency occurs.
- ✓ Make sure someone is assigned to assist small children, older adults, or family members with disabilities.

*(Continued on Page 151)*



**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<br>Year | (A)<br>Population<br>(Orange County) | (B)<br>Total Personal<br>Income |                   | (C)<br>Unemployment<br>Rate |  |
|------------------|--------------------------------------|---------------------------------|-------------------|-----------------------------|--|
|                  |                                      |                                 | Per Capita Income |                             |  |
| 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                                | \$ 169,584,000                  | \$ 55,492         | 10.2                        |  |
| 2013             | 3,082                                | \$ 166,370,000                  | \$ 53,981         | 9.0                         |  |
| 2014             | 3,114                                | \$ 174,451,000                  | \$ 56,022         | 7.6                         |  |
| 2015             | 3,147                                | \$ 183,052,000                  | \$ 58,167         | 6.1                         |  |
| 2016             | 3,183                                | \$ 190,835,000                  | \$ 59,954         | 4.9                         |  |
| 2017             | 3,194                                | \$ 199,492,000                  | \$ 62,458         | 4.3                         |  |

**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 2012 - 2016 have been updated as of June 30, 2017.  
Most recent year (2017) is an estimate.
- (C) Bureau of Labor Statistics ([www.data.bls.gov/lau](http://www.data.bls.gov/lau)), Local Area  
Unemployment Statistics, Los Angeles-Long Beach-Anaheim, CA  
Metropolitan Statistical Area. The 2008 - 2016 figures reflect revised  
inputs, re-estimation, and new statewide control. The 2017 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 |           |          | Housing Units |           |          |
|--------------------------|------------|-----------|----------|---------------|-----------|----------|
|                          | 2008       | 2017      | % Change | 2008          | 2017      | % Change |
| Aliso Viejo              | 45,173     | 50,312    | 11.4%    | 18,047        | 19,355    | 7.2%     |
| Buena Park               | 82,332     | 83,884    | 1.9%     | 24,280        | 24,994    | 2.9%     |
| Cypress                  | 49,281     | 49,655    | 0.8%     | 16,611        | 16,244    | -2.2%    |
| Dana Point               | 36,788     | 33,699    | -8.4%    | 15,942        | 16,053    | 0.7%     |
| Irvine                   | 207,646    | 267,086   | 28.6%    | 77,680        | 98,676    | 27.0%    |
| Laguna Hills             | 33,246     | 31,544    | -5.1%    | 11,153        | 11,296    | 1.3%     |
| Laguna Niguel            | 66,522     | 66,689    | 0.3%     | 24,908        | 25,884    | 3.9%     |
| Laguna Woods             | 18,344     | 16,319    | -11.0%   | 13,629        | 13,079    | -4.0%    |
| Lake Forest              | 77,906     | 84,931    | 9.0%     | 26,384        | 28,995    | 9.9%     |
| La Palma                 | 16,091     | 15,984    | -0.7%    | 5,131         | 5,230     | 1.9%     |
| Los Alamitos             | 12,128     | 11,739    | -3.2%    | 4,422         | 4,390     | -0.7%    |
| Mission Viejo            | 99,683     | 96,718    | -3.0%    | 34,278        | 34,882    | 1.8%     |
| Placentia                | 51,354     | 52,268    | 1.8%     | 16,463        | 17,158    | 4.2%     |
| Rancho Santa Margarita   | 49,501     | 48,602    | -1.8%    | 16,793        | 17,308    | 3.1%     |
| San Clemente             | 67,549     | 65,975    | -2.3%    | 27,138        | 26,188    | -3.5%    |
| San Juan Capistrano      | 36,589     | 36,262    | -0.9%    | 11,877        | 12,319    | 3.7%     |
| Santa Ana (A)            | 351,161    | 341,341   | -2.8%    | 75,424        | 77,891    | 3.3%     |
| Seal Beach               | 25,851     | 24,890    | -3.7%    | 14,537        | 14,530    | 0.0%     |
| Stanton                  | 39,069     | 39,611    | 1.4%     | 11,161        | 11,377    | 1.9%     |
| Tustin                   | 73,670     | 82,372    | 11.8%    | 25,994        | 27,836    | 7.1%     |
| Villa Park               | 6,226      | 5,944     | -4.5%    | 2,021         | 2,025     | 0.2%     |
| Westminster              | 92,536     | 93,533    | 1.1%     | 27,419        | 27,856    | 1.6%     |
| Yorba Linda              | 67,797     | 67,890    | 0.1%     | 21,893        | 23,152    | 5.8%     |
| Unincorporated           | 120,227    | 125,792   | 4.6%     | 39,008        | 40,799    | 4.6%     |
| Total OCFA, adjusted (A) | 1,726,670  | 1,793,040 | 3.8%     | 562,193       | 597,517   | 6.3%     |
| Total non-OCFA           | 1,377,376  | 1,400,984 | 1.7%     | 468,721       | 486,046   | 3.7%     |
| Total Orange County      | 3,104,046  | 3,194,024 | 2.9%     | 1,030,914     | 1,083,563 | 5.1%     |
| Total OCFA, adjusted     | 1,726,670  |           |          | 562,193       |           |          |
| Less: Santa Ana          | (351,161)  |           |          | (75,424)      |           |          |
| Total OCFA, actual       | 1,375,509  | 1,793,040 | 30.4%    | 486,769       | 597,517   | 22.8%    |

SOURCE: California Department of Finance, Population and Housing Estimates Table E-5  
As of January 1, 2008 and 2017 <http://www.dof.ca.gov/forecasting/demographics/estimates>

NOTE:

(A) Before Santa Ana became an 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**

| Employer                               | Fiscal Year 2007/08 |      |                             | Fiscal Year 2016/17 |      |                             |
|--|---------------------|------|-----------------------------|---------------------|------|-----------------------------|
|  | Number of Employees | Rank | Percent of Total Employment | Number of Employees | Rank | Percent of Total Employment |
| Walt Disney Co.                        | 20,000              | 1    | 1.22%                       | 27,000              | 1    | 1.67%                       |
| University of California, Irvine       | 17,579              | 3    | 1.08%                       | 22,385              | 2    | 1.39%                       |
| County of Orange                       | 18,301              | 2    | 1.12%                       | 18,190              | 3    | 1.13%                       |
| St. Joseph Health System               | 10,047              | 4    | 0.61%                       | 12,227              | 4    | 0.76%                       |
| Kaiser Permanente                      |                     |      |                             | 7,000               | 5    | 0.43%                       |
| Boeing Co.                             | 9,961               | 5    | 0.61%                       | 6,890               | 6    | 0.43%                       |
| Walmart                                |                     |      |                             | 6,000               | 7    | 0.37%                       |
| Memorial Care Health System            |                     |      |                             | 5,650               | 8    | 0.35%                       |
| Bank of America                        | 5,000               | 10   | 0.31%                       | 5,500               | 9    | 0.34%                       |
| Target Corporation                     |                     |      |                             | 5,400               | 10   | 0.33%                       |
| Yum! Brands Inc.                       | 7,200               | 6    | 0.44%                       |                     |      |                             |
| AT&T Incorporated                      | 6,000               | 7    | 0.37%                       |                     |      |                             |
| California State University, Fullerton | 5,634               | 8    | 0.34%                       |                     |      |                             |
| Home Depot, Incorporated               | 5,450               | 9    | 0.33%                       |                     |      |                             |

**SOURCE:**

County of Orange Comprehensive Annual Financial Report for Fiscal Year 2015/16

For years ended June 30, 2016 and 2007

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 ten fiscal years.

***Capital Vehicles by Category*** – Presents the historical cost and quantity of capital vehicles by category for each of the last ten 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                              | As of June 30 |              |              |              |              |              |              |              |              |              |
|--|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Fund/Department                            | 2008          | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         |
| <b>Funded positions:</b>                   |               |              |              |              |              |              |              |              |              |              |
| Executive Management                       | 45            | 45           | 45           | 35           | 33           | 33           | 40           | 36<br>(E,F)  | 37           | 9<br>(G)     |
| Operations                                 | 892           | 902          | 878          | 881          | 1,001<br>(B) | 994          | 968<br>(D)   | 966<br>(F)   | 984          | 989<br>(G)   |
| Community Risk Reduction                   | 76            | 72           | 65           | 67           | 76           | 76           | 96<br>(D)    | 98           | 98           | 98           |
| Business Services                          | 77            | 77           | 73           | 48<br>(A)    | 47           | 47           | 48           | 53<br>(E)    | 53           | 54           |
| Support Services                           | 35            | 35           | 34           | 55<br>(A)    | 88<br>(B)    | 88           | 88           | 86<br>(F)    | 97           | 99           |
| Organizational Planning                    | -             | -            | -            | -            | -            | -            | -            | 5<br>(F)     | 5            | 35<br>(G)    |
| General Operating Fund                     | 1,125         | 1,131        | 1,095        | 1,086        | 1,245        | 1,238        | 1,240        | 1,244        | 1,274        | 1,284        |
| Facilities Replacement                     | 1             | 1            | 1            | -            | -            | -            | -            | -            | -            | -            |
| <b>Total funded positions</b>              | <b>1,126</b>  | <b>1,132</b> | <b>1,096</b> | <b>1,086</b> | <b>1,245</b> | <b>1,238</b> | <b>1,240</b> | <b>1,244</b> | <b>1,274</b> | <b>1,284</b> |
| <b>(C)</b>                                 |               |              |              |              |              |              |              |              |              |              |
| <b>Unfunded positions:</b>                 |               |              |              |              |              |              |              |              |              |              |
| Limited term and/or grant-funded positions | -             | -            | -            | -            | 1            | 3            | 3            | 3            | 3            | 3            |
| Frozen positions                           | 1             | 50           | 86           | 95           | 93           | 102          | 100          | 97           | 86           | 76           |
| <b>Total unfunded positions</b>            | <b>1</b>      | <b>50</b>    | <b>86</b>    | <b>95</b>    | <b>94</b>    | <b>105</b>   | <b>103</b>   | <b>100</b>   | <b>89</b>    | <b>79</b>    |
| <b>Total authorized positions</b>          | <b>1,127</b>  | <b>1,182</b> | <b>1,182</b> | <b>1,181</b> | <b>1,339</b> | <b>1,343</b> | <b>1,343</b> | <b>1,344</b> | <b>1,363</b> | <b>1,363</b> |

SOURCE: Orange County Fire Authority, Treasury & Financial Planning Division, Budget Section

- (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 from Operations to Community Risk Reduction.
- (E) During Fiscal Year 2014/15, the Clerk of the Authority (5 positions) was transferred from 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).
- (G) During Fiscal Year 2016/17, Human Resources (18 positions) and Operations Training & Safety (12 positions) were transferred to Organizational Planning from Executive Management and Operations, respectively. In addition, PIO and Media Relations (4 positions) and Communications and Legislative Affairs (2 positions) were transferred from Executive Management to Operations.

**ORANGE COUNTY FIRE AUTHORITY**  
**Authorized Positions by Unit**  
**Last Ten Fiscal Years**

| Unit  | As of June 30 |       |       |       |       |       |       |       |       |       |
|---|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|   | 2008          | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  |
| Firefighter                                   | 808           | 863   | 863   | 863   | 1,010 | 1,011 | 1,011 | 1,011 | 1,023 | 1,023 |
| Fire Management                               | 41            | 41    | 41    | 41    | 45    | 45    | 45    | 45    | 45    | 45    |
| General                                       | 197           | 197   | 197   | 196   | 203   | 205   | 205   | 205   | 213   | 213   |
| Supervisory Management                        | 28            | 28    | 28    | 28    | 28    | 28    | 27    | 27    | 27    | 27    |
| Supported Employment                          | 4             | 4     | 4     | 4     | 4     | 4     | 4     | 4     | 4     | 4     |
| Administrative Management                     | 42            | 42    | 42    | 42    | 42    | 43    | 44    | 44    | 43    | 43    |
| Executive Management                          | 7             | 7     | 7     | 7     | 7     | 7     | 7     | 8     | 8     | 8     |
| Total authorized positions                    | 1,127         | 1,182 | 1,182 | 1,181 | 1,339 | 1,343 | 1,343 | 1,344 | 1,363 | 1,363 |
| Increase (decrease)<br>from prior fiscal year | 16            | 55    | -     | (1)   | 158   | 4     | -     | 1     | 19    | -     |

**(A)**

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**

| Department                           | As of June 30 |           |           |           |           |            |            |           |           |           |
|--------------------------------------|---------------|-----------|-----------|-----------|-----------|------------|------------|-----------|-----------|-----------|
|                                      | 2008          | 2009      | 2010      | 2011      | 2012      | 2013       | 2014       | 2015      | 2016      | 2017      |
| Suppression:                         |               |           |           |           |           |            |            |           |           |           |
| Operations:                          |               |           |           |           |           |            |            |           |           |           |
| Firefighter                          | -             | 15        | 15        | 18        | 18        | 18         | 18         | 18        | 18        | 18        |
| Fire Apparatus Engineer              | -             | 3         | 13        | 18        | 18        | 24         | 24         | 24        | 21        | 20        |
| Fire Captain                         | -             | 3         | 16        | 24        | 24        | 27         | 27         | 27        | 24        | 22        |
| Battalion Chief (Staff)              | -             | -         | 2         | 2         | 2         | 2          | 2          | 2         | 2         | 1         |
| Fire Pilot                           | -             | -         | -         | -         | -         | -          | 1          | 1         | 1         | 1         |
| Hand Crew Firefighter                | -             | 22        | 22        | -         | -         | -          | -          | -         | -         | -         |
| Heavy Fire                           |               |           |           |           |           |            |            |           |           |           |
| Equipment Operator                   | -             | -         | -         | 1         | 1         | 1          | 1          | 1         | 1         | 1         |
| <b>Subtotal Suppression</b>          | <b>-</b>      | <b>43</b> | <b>68</b> | <b>63</b> | <b>63</b> | <b>72</b>  | <b>73</b>  | <b>73</b> | <b>67</b> | <b>63</b> |
| Non-Suppression:                     |               |           |           |           |           |            |            |           |           |           |
| Executive Management:                |               |           |           |           |           |            |            |           |           |           |
| Executive Management                 | -             | -         | -         | 1         | -         | -          | -          | -         | -         | -         |
| Human Resources                      | -             | -         | -         | 4         | 4         | 4          | 4          | 3         | 2         | -         |
| Corporate                            |               |           |           |           |           |            |            |           |           |           |
| Communications/CAPA                  | -             | -         | -         | 1         | -         | -          | -          | -         | -         | -         |
| <b>Subtotal Executive Management</b> | <b>-</b>      | <b>-</b>  | <b>-</b>  | <b>6</b>  | <b>4</b>  | <b>4</b>   | <b>4</b>   | <b>3</b>  | <b>2</b>  | <b>-</b>  |
| Operations                           | -             | -         | -         | -         | 1         | 2          | 1          | 1         | 1         | 1         |
| Community Risk Reduction             | 1             | 6         | 12        | 16        | 15        | 15         | 14         | 12        | 9         | 7         |
| Business Services                    | -             | 1         | 5         | 6         | 6         | 5          | 4          | 4         | 4         | 2         |
| Support Services                     | -             | -         | 1         | 4         | 4         | 4          | 4          | 4         | 3         | 2         |
| Organizational Planning              | -             | -         | -         | -         | -         | -          | -          | -         | -         | 1         |
| <b>Subtotal Non-Suppression</b>      | <b>1</b>      | <b>7</b>  | <b>18</b> | <b>32</b> | <b>30</b> | <b>30</b>  | <b>27</b>  | <b>24</b> | <b>19</b> | <b>13</b> |
| <b>Total frozen positions</b>        | <b>1</b>      | <b>50</b> | <b>86</b> | <b>95</b> | <b>93</b> | <b>102</b> | <b>100</b> | <b>97</b> | <b>86</b> | <b>76</b> |

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)<br>Number of Member Agencies | (B)<br>Square Mile Area Served | (C)<br>Population Served | (A)<br>Number of Stations | New and Closed Station(s) |   |
|---------------------------|----------------------------------|--------------------------------|--------------------------|---------------------------|---------------------------|---|
|                           |                                  |                                |                          |                           | +/-                       | Description                                     |
| 2008                      | 23                               | 550                            | 1,375,509                | 61                        | 1                         | New Station 27<br>(Irvine/Portola Springs)      |
| 2009                      | 23                               | 550                            | 1,387,171                | 62                        | 1                         | New Station 20<br>(Irvine/Great Park)           |
| 2010                      | 23                               | 550                            | 1,403,072                | 62                        | -                         |   |
| 2011                      | 23                               | 548                            | 1,355,090                | 61                        | (1)                       | Closed Station 3<br>(County/Sunset Beach)       |
| 2012                      | 24                               | 576                            | 1,694,010                | 71                        | 10                        | New Stations 70 through 7<br>(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<br>(County/Rancho Mission Viejo) |
| 2017                      | 24                               | 576                            | 1,793,040                | 72                        | -                         |   |

**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<br>Year<br>ended |           |          |         |        |         |        |       |          |       |         |     |
| June 30                 | Fire/     |          | Rescue/ |        | Service | Good   | False | Natural  |       |         |     |
| (1)                     | Explosion | Ruptures | EMS     | Hazmat | Call    | Intent | Alarm | Disaster | Other | Total   |     |
| 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 |     |
| 2017                    | 2,372     | 192      | 106,679 | 1,466  | 7,819   | 14,207 | 6,644 | 37       | 67    | 139,483 |     |

**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**

| Member                 | Fiscal Year ended June 30 (1) |        |        |        |        |         |         |         |         |         |
|------------------------|-------------------------------|--------|--------|--------|--------|---------|---------|---------|---------|---------|
|                        | 2008                          | 2009   | 2010   | 2011   | 2012   | 2013    | 2014    | 2015    | 2016    | 2017    |
| Aliso Viejo            | 2,060                         | 1,998  | 2,005  | 2,094  | 2,071  | 2,226   | 2,194   | 2,420   | 2,511   | 2,654   |
| Buena Park             | 5,528                         | 5,668  | 5,676  | 5,652  | 5,836  | 5,849   | 6,057   | 6,569   | 7,016   | 7,053   |
| Cypress                | 2,552                         | 2,504  | 2,600  | 2,490  | 2,556  | 2,699   | 2,633   | 2,833   | 3,013   | 3,145   |
| Dana Point             | 2,700                         | 2,650  | 2,787  | 2,870  | 2,772  | 2,950   | 2,925   | 3,297   | 3,291   | 3,663   |
| Irvine                 | 11,632                        | 11,385 | 11,981 | 12,214 | 11,969 | 12,485  | 12,896  | 13,875  | 14,688  | 15,967  |
| La Palma               | 760                           | 760    | 754    | 778    | 750    | 808     | 925     | 1,036   | 1,059   | 1,212   |
| Laguna Hills           | 2,434                         | 2,421  | 2,558  | 2,614  | 2,542  | 2,579   | 2,584   | 2,675   | 2,887   | 3,078   |
| Laguna Niguel          | 3,101                         | 3,079  | 3,094  | 3,255  | 3,358  | 3,476   | 3,685   | 3,584   | 3,861   | 4,054   |
| Laguna Woods           | 4,349                         | 4,350  | 4,399  | 4,560  | 4,717  | 4,748   | 4,306   | 4,847   | 5,319   | 5,636   |
| Lake Forest            | 4,170                         | 4,272  | 4,320  | 4,334  | 4,230  | 4,459   | 4,297   | 4,651   | 4,995   | 5,474   |
| Los Alamitos           | 1,032                         | 1,083  | 1,080  | 1,055  | 1,101  | 1,199   | 1,123   | 1,254   | 1,380   | 1,360   |
| Mission Viejo          | 6,139                         | 6,424  | 6,363  | 6,379  | 6,355  | 6,760   | 6,791   | 7,072   | 7,508   | 7,777   |
| Placentia              | 2,829                         | 2,699  | 2,696  | 2,837  | 2,714  | 2,846   | 2,806   | 2,981   | 3,132   | 3,325   |
| Rancho Santa Margarita | 2,002                         | 1,965  | 2,009  | 2,015  | 2,105  | 1,983   | 2,111   | 2,254   | 2,415   | 2,447   |
| San Clemente           | 3,863                         | 3,678  | 3,961  | 3,813  | 3,999  | 4,187   | 4,334   | 4,668   | 5,080   | 5,311   |
| San Juan Capistrano    | 2,569                         | 2,526  | 2,429  | 2,580  | 2,617  | 2,701   | 2,934   | 3,164   | 3,629   | 3,899   |
| Santa Ana (3)          | n/a                           | n/a    | n/a    | n/a    | 3,654  | 18,915  | 19,303  | 21,465  | 23,455  | 25,074  |
| Seal Beach             | 3,453                         | 3,388  | 3,503  | 3,375  | 3,617  | 3,571   | 3,343   | 3,783   | 4,882   | 4,753   |
| Stanton                | 2,438                         | 2,420  | 2,401  | 2,597  | 2,660  | 2,878   | 2,879   | 3,113   | 3,413   | 3,396   |
| Tustin                 | 3,865                         | 3,761  | 3,744  | 4,055  | 4,196  | 4,582   | 4,614   | 5,205   | 5,406   | 5,419   |
| Villa Park             | 324                           | 329    | 336    | 388    | 363    | 392     | 338     | 378     | 452     | 475     |
| Westminster            | 5,795                         | 5,835  | 5,724  | 5,882  | 6,012  | 6,486   | 6,201   | 6,880   | 7,442   | 7,560   |
| Yorba Linda            | 3,100                         | 3,134  | 2,937  | 2,928  | 3,125  | 3,277   | 3,185   | 3,547   | 3,716   | 3,747   |
| Unincorporated         | 6,235                         | 6,220  | 6,084  | 6,087  | 5,991  | 6,312   | 6,073   | 6,496   | 6,719   | 7,390   |
|                        | 82,930                        | 82,549 | 83,441 | 84,852 | 89,310 | 108,368 | 108,537 | 118,047 | 127,269 | 133,869 |
| Auto/Mutual            |                               |        |        |        |        |         |         |         |         |         |
| Aid Given (2)          | n/a                           | n/a    | n/a    | 3,375  | 3,350  | 3,521   | 4,488   | 5,947   | 7,346   | 5,614   |
| Total                  | 82,930                        | 82,549 | 83,441 | 88,227 | 92,660 | 111,889 | 113,025 | 123,994 | 134,615 | 139,483 |

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*

### **Safety in Public Buildings (Part 2 of 3)**

*(Continued from Page 138)*



*When you get on an airplane, the first thing you do is locate the exits in case of an emergency. It's important to do the same thing when entering any building where a large number of people are gathered.*

#### **Once Inside**

- ✓ Immediately locate all available exits and exit paths as soon as you enter a public building.
- ✓ Check to make sure exit doors are not blocked or chained.
- ✓ Look for alternative exits, sprinklers, smoke alarms, and fire extinguishers.
- ✓ Leave immediately if you don't feel safe for any reason. Overcrowding, cigarettes, candles, pyrotechnics, and other heat sources can increase fire risk.
- ✓ Be prepared to act immediately if an alarm sounds, you see smoke or fire, or there is an unusual disturbance. Remain calm and exit the building as quickly as possible.

*(Continued on Page 160)*

**ORANGE COUNTY FIRE AUTHORITY**  
**Capital Equipment by Category**  
**Last Ten Fiscal Years**

| Category   | June 30, 2008        |            | June 30, 2009        |            |
|--|----------------------|------------|----------------------|------------|
|  | Historical Cost      | Quantity   | Historical Cost      | 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         |
| Mobile radio, mobile data computer (MDC)               | -                    | -          | -                    | -          |
| 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         |
|  | <u>\$ 31,348,193</u> | <u>681</u> | <u>\$ 53,580,698</u> | <u>738</u> |

SOURCE: Orange County Fire Authority, Finance Division, Accounting Section

| 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         |
| <u>\$ 54,075,068</u> | <u>766</u> | <u>\$ 54,135,637</u> | <u>781</u> | <u>\$ 54,569,962</u> | <u>828</u> |

(Continued on next page)

**ORANGE COUNTY FIRE AUTHORITY**  
**Capital Equipment by Category**  
**(Continued)**

| Category   | June 30, 2013        |            | June 30, 2014        |            |
|--|----------------------|------------|----------------------|------------|
|  | Historical Cost      | Quantity   | Historical Cost      | 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         |
| Mobile radio, mobile data computer (MDC)               | -                    | -          | -                    | -          |
| 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         |
|  | <u>\$ 54,832,732</u> | <u>843</u> | <u>\$ 55,555,368</u> | <u>863</u> |



| June 30, 2015        |            | June 30, 2016        |            | June 30, 2017        |              |
|----------------------|------------|----------------------|------------|----------------------|--------------|
| 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            |
| 734,581              | 20         | 734,581              | 20         | 734,581              | 20           |
| 31,515               | 4          | 31,515               | 4          | 64,986               | 6            |
| 1,167,318            | 107        | 1,115,772            | 102        | 1,107,655            | 101          |
| 33,713               | 4          | 44,264               | 5          | 44,264               | 5            |
| 1,458,744            | 39         | 1,458,744            | 39         | 1,429,464            | 37           |
| 90,386               | 6          | 90,386               | 6          | 25,900               | 4            |
| 1,526,069            | 105        | 1,526,069            | 105        | 5,312,042            | 229          |
| 35,622               | 5          | 35,622               | 5          | 40,790               | 6            |
| 189,888              | 17         | 252,867              | 24         | 284,885              | 27           |
| 93,177               | 3          | 93,177               | 3          | 134,138              | 4            |
| 504,562              | 22         | 504,562              | 22         | 504,562              | 22           |
| 1,391,000            | 2          | 1,391,000            | 2          | 1,391,000            | 2            |
| 479,786              | 26         | 479,786              | 26         | 479,786              | 26           |
| 28,854,977           | 4          | 28,854,977           | 4          | 28,854,977           | 4            |
| 319,149              | 4          | 319,149              | 4          | 319,149              | 4            |
| 148,104              | 2          | 148,104              | 2          | 148,104              | 2            |
| 942,245              | 43         | 942,245              | 43         | 995,953              | 46           |
| 468,400              | 67         | 490,913              | 69         | 535,309              | 72           |
| 33,403               | 4          | 33,403               | 4          | 26,394               | 3            |
| 29,058               | 5          | 23,832               | 4          | 17,957               | 3            |
| 67,452               | 11         | 67,452               | 11         | 67,452               | 11           |
| 702,500              | 52         | 735,503              | 55         | 798,762              | 59           |
| 2,424,594            | 1          | 2,424,594            | 1          | 2,424,594            | 1            |
| 82,659               | 14         | 153,768              | 28         | 361,948              | 62           |
| -                    | -          | -                    | -          | 196,398              | 30           |
| 1,288,223            | 29         | 1,294,452            | 30         | 1,294,452            | 30           |
| 632,865              | 6          | 632,865              | 6          | 632,865              | 6            |
| 352,872              | 17         | 352,872              | 17         | 352,872              | 17           |
| 143,605              | 27         | 138,477              | 26         | 138,477              | 26           |
| 72,039               | 6          | 72,039               | 6          | 68,552               | 6            |
| 10,372               | 2          | 10,372               | 2          | 10,372               | 2            |
| 37,405               | 4          | 72,745               | 8          | 72,745               | 8            |
| 5,489                | 1          | 5,489                | 1          | 5,489                | 1            |
| 210,657              | 14         | 236,657              | 16         | 258,921              | 18           |
| 1,000,858            | 69         | 1,211,242            | 72         | 936,541              | 57           |
| 9,176,979            | 50         | 10,502,153           | 53         | 10,491,277           | 52           |
| 312,760              | 17         | 349,909              | 20         | 349,909              | 20           |
| 5,455                | 1          | 24,882               | 4          | 24,882               | 4            |
| 122,237              | 12         | 122,237              | 12         | 154,551              | 13           |
| 523,455              | 18         | 523,455              | 18         | 465,143              | 18           |
| 1,641,243            | 25         | 1,641,243            | 25         | 1,641,243            | 25           |
| <u>\$ 58,076,609</u> | <u>875</u> | <u>\$ 59,874,567</u> | <u>914</u> | <u>\$ 63,930,534</u> | <u>1,099</u> |

**ORANGE COUNTY FIRE AUTHORITY**  
**Capital Vehicles by Category**  
**Last Ten Fiscal Years**

| Category  | June 30, 2008        |            | June 30, 2009        |            |
|---|----------------------|------------|----------------------|------------|
|   | 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          |
|   | <u>\$ 52,592,791</u> | <u>445</u> | <u>\$ 59,621,868</u> | <u>455</u> |

SOURCE: Orange County Fire Authority, Finance Division, General Accounting Unit

| 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          |
| <u>\$ 64,816,111</u> | <u>462</u> | <u>\$ 64,464,368</u> | <u>447</u> | <u>\$ 68,624,259</u> | <u>458</u> |

(Continued on next page)

**ORANGE COUNTY FIRE AUTHORITY**  
**Capital Vehicles by Category**  
**(Continued)**

| Category  | June 30, 2013        |            | June 30, 2014        |            |
|---|----------------------|------------|----------------------|------------|
|   | Historical Cost      | Quantity   | Historical Cost      | Quantity   |
| Air Utility                                     | \$ 820,733           | 4          | \$ 820,733           | 4          |
| Ambulance                                       | 674,739              | 5          | 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          |
|   | <u>\$ 69,408,222</u> | <u>458</u> | <u>\$ 72,213,263</u> | <u>461</u> |

| June 30, 2015        |            | June 30, 2016        |            | June 30, 2017        |            |
|----------------------|------------|----------------------|------------|----------------------|------------|
| Historical Cost      | Quantity   | Historical Cost      | Quantity   | Historical Cost      | Quantity   |
| \$ 820,733           | 4          | 820,733              | 4          | 820,733              | 4          |
| 573,194              | 4          | 573,194              | 4          | 573,194              | 4          |
| 1,518,914            | 29         | 2,098,087            | 42         | 2,161,593            | 42         |
| 34,289               | 2          | 103,545              | 3          | 84,438               | 2          |
| -                    | -          | -                    | -          | -                    | -          |
| 452,373              | 4          | 452,373              | 4          | 452,373              | 4          |
| 66,366               | 1          | 66,366               | 1          | 66,366               | 1          |
| 674,655              | 3          | 674,655              | 3          | 674,655              | 3          |
| 550,978              | 2          | 550,978              | 2          | 550,978              | 2          |
| 152,245              | 1          | 152,245              | 1          | 152,245              | 1          |
| 376,164              | 3          | 376,164              | 3          | 376,164              | 3          |
| 1,077,646            | 3          | 1,077,646            | 3          | 939,162              | 2          |
| 658,107              | 1          | 679,608              | 1          | 679,608              | 1          |
| 103,189              | 1          | 103,189              | 1          | 103,189              | 1          |
| 71,780               | 1          | 71,780               | 1          | 71,780               | 1          |
| 81,996               | 1          | 81,996               | 1          | 81,996               | 1          |
| 1,860,604            | 22         | 1,860,604            | 22         | 1,860,604            | 22         |
| -                    | -          | -                    | -          | -                    | -          |
| 1,539,901            | 19         | 1,539,901            | 19         | 1,539,901            | 19         |
| 858,456              | 12         | 858,456              | 12         | 858,456              | 12         |
| 2,081,006            | 53         | 2,327,501            | 63         | 3,213,233            | 85         |
| 102,396              | 1          | 102,396              | 1          | 102,396              | 1          |
| 44,994               | 2          | -                    | -          | -                    | -          |
| 578,998              | 7          | 578,998              | 7          | 496,839              | 6          |
| 34,289               | 1          | 34,289               | 1          | 34,289               | 1          |
| 2,505,905            | 92         | 2,621,995            | 93         | 2,602,271            | 92         |
| 1,736,407            | 5          | 1,736,407            | 5          | 1,736,407            | 5          |
| 506,673              | 5          | 506,673              | 5          | 506,673              | 5          |
| 4,938,110            | 7          | 4,948,930            | 8          | 6,641,223            | 9          |
| 3,124,257            | 6          | 3,124,257            | 6          | 3,124,257            | 6          |
| 3,062,553            | 6          | 3,062,553            | 6          | 3,062,553            | 6          |
| 2,354,146            | 2          | 2,354,146            | 2          | 2,354,146            | 2          |
| 768,076              | 11         | 768,076              | 11         | 804,028              | 11         |
| 44,058               | 2          | 44,058               | 2          | 44,058               | 2          |
| 28,442,065           | 90         | 30,580,415           | 94         | 32,151,624           | 94         |
| 3,451,627            | 8          | 3,451,627            | 8          | 3,451,627            | 8          |
| 152,610              | 1          | 152,610              | 1          | 152,610              | 1          |
| 4,653,221            | 13         | 4,653,221            | 13         | 4,653,221            | 13         |
| 145,169              | 3          | 145,169              | 3          | 145,169              | 3          |
| 451,395              | 19         | 451,395              | 19         | 435,224              | 18         |
| 753,535              | 5          | 753,535              | 5          | 753,535              | 5          |
| <u>\$ 71,403,080</u> | <u>452</u> | <u>\$ 74,539,771</u> | <u>480</u> | <u>\$ 78,512,818</u> | <u>498</u> |



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## *Orange County Fire Authority Safety Message*

### **Safety in Public Buildings (Part 3 of 3)**

*(Continued from Page 151)*

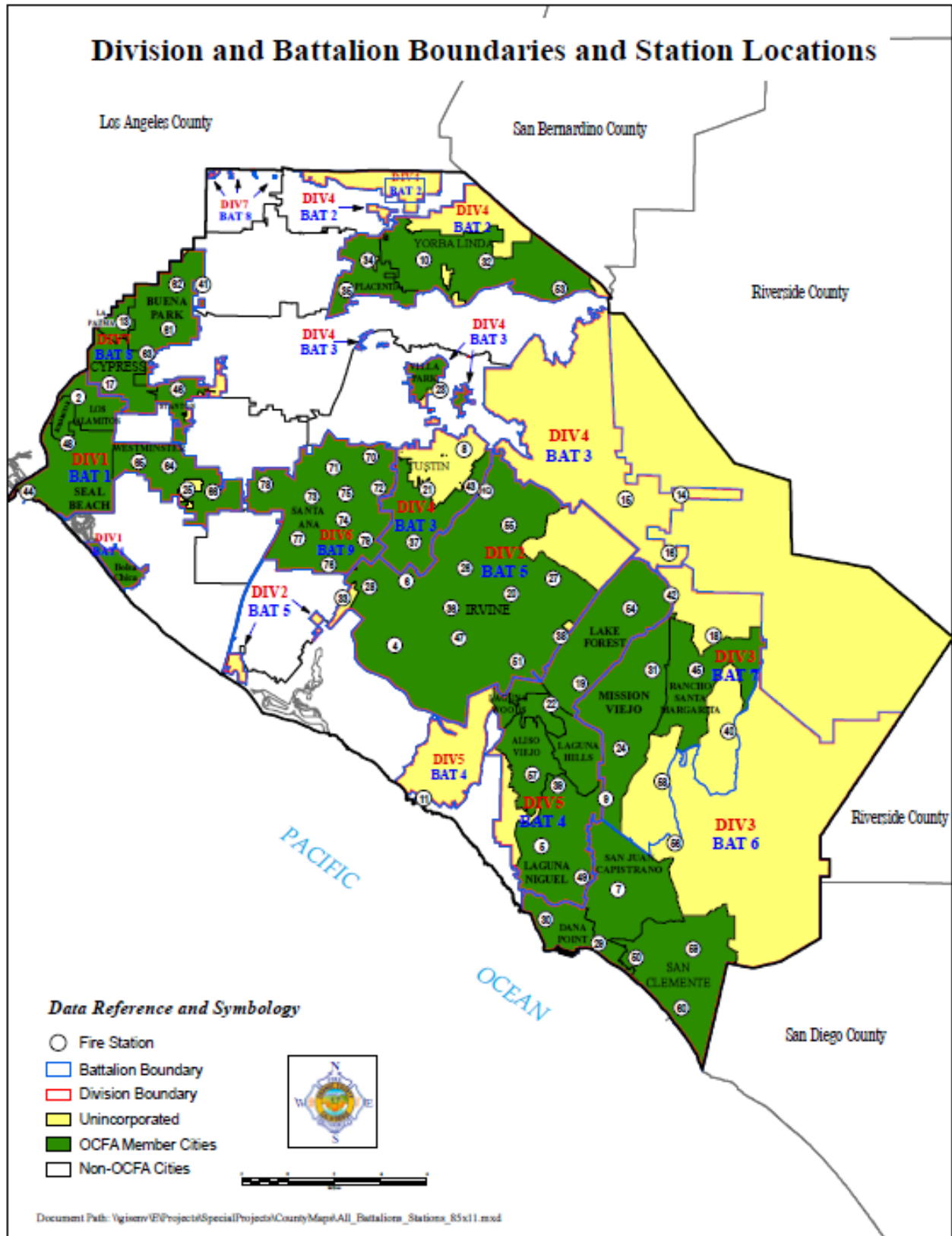


*When you get on an airplane, the first thing you do is locate the exits in case of an emergency. It's important to do the same thing when entering any building where a large number of people are gathered.*

#### **During a Fire**

- ✓ Crawl low if you encounter smoke or heat.
- ✓ Evacuate before phoning for help. Call 9-1-1 from outside the building.
- ✓ Never go back into a burning building for any reason.

ORANGE COUNTY FIRE AUTHORITY



SOURCE: Orange County Fire Authority, 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 and  
 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, 2017**

**EXECUTIVE MANAGEMENT**

Orange County Fire Authority (OCFA) is managed by an appointed Fire Chief, five Assistant Chiefs, and two Directors. Service activities are organized into five departments – Operations, Community Risk Reduction, Business Services, Support Services, and Organizational Planning. Executive Management is responsible for providing direction to all departments within the organization and ensuring that the types and levels of services provided are consistent with Board policy and the adopted budget. 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.

**Communications and Legislative Affairs** – Communications provides support to the Fire Chief and Executive Management staff on special projects designed to keep the public and other agencies informed about OCFA. The Communications Director, who is a member of the Executive Management team, reports directly to the Assistant Chief of Operations. Legislative Affairs identifies and tracks local, state, and federal legislation that could impact OCFA; submits legislative analysis to the Board of Directors; sends letters on behalf of the Board of Directors when a position is taken on an item of legislation; and manages the grant application process for all OCFA grants.

**PIO and Media Relations** facilitates public information, media relations, public education, and community outreach. The Public Information Office (PIO) ensures that the public is kept informed during major incidents; serves as the spokesperson for OCFA during request from reporters and during major incidents; ensures that accurate and timely information is released to the public; and generates news releases and board advisories. The Community Relations and Education section is responsible for large-scale educational campaigns and community outreach events, including the creation and delivery of messaging material that promote public safety awareness.

**Divisions I through VII** – There are seven operational divisions, each under the command of a Division Chief. 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 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.

|                     |  |
|---------------------|--|
| <b>Division I</b>   | <ul style="list-style-type: none"> <li>• <b>Battalion 1</b> primarily serves the cities of Los Alamitos, Seal Beach, and Westminster, as well as the unincorporated communities of Midway City and Rossmoor.</li> <li>• 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.</li> </ul>  |
| <b>Division II</b>  | <ul style="list-style-type: none"> <li>• <b>Battalion 5</b> primarily serves the city of Irvine, as well as the unincorporated community of Santa Ana Heights.</li> <li>• 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 oversight for the Airport Rescue Fire Fighting (ARFF) services and the Fire Exploring Program.</li> </ul>  |
| <b>Division III</b> | <ul style="list-style-type: none"> <li>• <b>Battalion 6</b> primarily serves the cities of Dana Point, San Clemente, and San Juan Capistrano, as well as the unincorporated community of Rancho Mission Viejo and areas along Ortega Highway in southern Orange County.</li> <li>• <b>Battalion 7</b> primarily serves the cities of Mission Viejo and Rancho Santa Margarita, as well as the unincorporated communities of Coto de Caza, Ladera Ranch, Las Flores, and Trabuco Canyon.</li> <li>• Division III oversees specialized emergency response capabilities and equipment for the <b>Urban Search and Rescue</b> task force, which includes the Swift Water Rescue program and the Mass Casualty Unit.</li> </ul> |

|              |   |
|--------------|---|
| Division IV  | <ul style="list-style-type: none"> <li>• <b>Battalion 2</b> primarily serves the cities of Placentia and Yorba Linda, as well as the unincorporated communities of Carbon Canyon, Chino Hills State Park, and Tonner Canyon.</li> <li>• <b>Battalion 3</b> primarily serves the cities Tustin and Villa Park, as well as the unincorporated communities of Cowan Heights, El Modena, Lemon Heights, Orange Park Acres, Modjeska Canyon, Santiago Canyon, and Silverado Canyon.</li> <li>• <b>Community Volunteer Services (CVS)</b> 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.</li> <li>• <b>Emergency Medical Services (EMS)</b> 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. EMS oversees the Wellness and Fitness (WEFIT) program, which schedules wellness exams, coordinates peer fitness trainers, provides employee health education and fitness programs, and provides physical training for firefighter academy recruits.</li> </ul> |
| Division V   | <ul style="list-style-type: none"> <li>• <b>Battalion 4</b> primarily serves the cities of Aliso Viejo, Laguna Hills, Laguna Niguel, Laguna Woods, and Lake Forest, as well as the unincorporated community of Emerald Bay.</li> <li>• 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.</li> </ul>   |
| Division VI  | <ul style="list-style-type: none"> <li>• <b>Battalion 9</b> primarily serves the city of Santa Ana.</li> <li>• 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).</li> </ul>   |
| Division VII | <ul style="list-style-type: none"> <li>• <b>Battalion 8</b> primarily serves the cities of Buena Park, Cypress, La Palma, and Stanton.</li> <li>• <b>Air Operations</b> 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.</li> <li>• Division VII also provides oversight for the OCFA Equipment Committee.</li> </ul>  |

## COMMUNITY RISK REDUCTION DEPARTMENT

The Community Risk Reduction Department adopts and enforces codes and ordinances relative to fire and life safety issues; reviews plans and conducts inspections of construction projects; coordinates annual life safety inspections of all existing commercial buildings; provides long range analysis of impacts on resources associated with future land use and development; and investigates all fires.

**Investigation Services** conducts fire investigations and evaluations, and initiates early intervention strategies. Other responsibilities include administration of the Fire F.R.I.E.N.D.S. diversion program for juvenile-related fires; OCFIRS quality assurance; and state and national reporting.

**Planning and Development** interacts with developers, architects, and engineers to meet the fire protection requirements for buildings and developments. This division is responsible for reviewing all architectural development plans and proposals submitted within OCFA's jurisdiction, including tract and parcel maps, permits for conditional use, site development, coastal development, and other items related to the developmental process.

**Pre-Fire Management** takes a proactive approach to wildland fire prevention through the systematic evaluation of risk, fuels mitigation, road maintenance, vegetation management, and home hardening education through ongoing collaboration with partner organizations, land owners, and communities. Pre-Fire Management also oversees the coordination of firefighting hand crews and heavy fire equipment.

**Prevention Field Services** assists stakeholders in maintaining and enhancing safe communities by conducting fire safety inspections; enforcing and educating about applicable fire codes and ordinances; and assuring that public safety issues are researched and addressed as appropriate. Activities are carried out through four regional offices that focus the risk reduction efforts more closely to the risks of the individual communities.

## 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.

The **Clerk of the Authority (COA)** administers democratic processes, such as access to OCFA records and all legislative actions ensuring transparency to the public.

The **Finance Division** oversees the processing, accounting, reporting, 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; the procurement card program; and surplus disposition. The Materiel Management (Service Center) section provides OCFA's organization-wide logistical support. Responsibilities include shipping, receiving, and warehousing services for a wide variety of organizational supplies; mail processing and delivery; testing and repair of firefighting equipment; and providing specialized emergency support on incidents. The Service Center Supervisor reports directly to the Purchasing Manager.

**Treasury and Financial Planning** is responsible for providing a variety of cash management, budgetary services, and financial support for the OCFA. Treasury services include monitoring cash balances; making investments in compliance with OCFA's Investment Policy; issuing and administering long and short-term debt; and providing oversight of the deferred compensation, pension, and retiree medical programs. Financial Planning services include preparation of the budget; monthly analysis and reporting of revenue and expenditure activities; annual reviews of OCFA's fiscal 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 essential support to all departments of the OCFA. Responsibilities include coordinating all facilities maintenance, repairs, and construction; automotive and fleet maintenance, repairs, and acquisition; development, operation, maintenance, and security of the OCFA's computers and technical infrastructure; and operations of the Emergency Command Center.

The **Emergency Command Center (ECC)** serves as a secondary 9-1-1 Public Safety Answering Point (PSAP) and dispatch center for fire and medical emergencies. In coordination with 9-1-1 centers throughout the county and state, the ECC answers emergency calls, identifies the nature and location of the emergency, and dispatches resources. The ECC serves as the Operational Area Coordinator for fire and rescue mutual aid for all Orange County fire service agencies, where responsibilities include handling requests for mutual aid within and outside of Orange County and out-of-state.

**Fleet Services** ensures the effective and timely repair, servicing, and maintenance of all vehicles, apparatus, and equipment. Responsibilities include coordinating new vehicle specifications and purchases, maintenance schedules, replacement prioritization, and service. This section also oversees projects to improve apparatus and automotive-related functions.

**Information Technology** is responsible for 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 Information Technology standards and guidelines; internal and external network development and coordination; and the evaluation, selection, and deployment of 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 for the installation of radios and mobile data computers (MDC) in emergency apparatus; and oversight for fire station alarm systems.

**Property Management** builds, maintains, and repairs all OCFA real property and durable infrastructure. Responsibilities include construction of new fire stations and the maintenance and operations of all fire stations and facilities, including the air operations hangar, the Urban Search & Rescue and Training facility, and the Regional Fire Operations and Training Center (RFOTC).

## ORGANIZATIONAL PLANNING DEPARTMENT

The Organizational Planning Department oversees emergency management planning; human resource functions; training and performance improvement; and organization-wide strategic and advanced planning.

**Emergency Planning and Coordination (EPAC)** is primarily responsible for emergency management planning, agreement coordination, and Homeland Security Grant coordination. The EPAC Chief is the OCFA's representative to the Operational Area Emergency Operations Center (Loma Ridge). There the EPAC Chief is the Operational Area Fire Mutual Aid Representative to the California Office of Emergency Services Region I Office. The EPAC Chief is also the Operational Area Fire Resources Branch Coordinator. This section coordinates and facilitates all operational agreements that OCFA maintains with outside entities, including automatic aid, mutual aid, the California Governor's Office of Emergency Services (Cal OES), the California Department of Forestry and Fire Protection (CAL FIRE), and the United States Forest Service (USFS). Finally, the EPAC Chief oversees the Captain assigned to the Orange County Intelligence and Assessment Center (OCIAAC) and all grants tied to the Office of Homeland Security. These include all activities and programs funded by the Urban Area Security Initiative (UASI) and the State Homeland Security Grant Program (SHSGP).

The **Human Resources Division** provides programs and services designed to support the OCFA and its employees in the achievement of its mission and objectives. The Human Resources Director, who is a member of the Executive Management team, reports directly to the Assistant Chief of Organizational Planning. 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. Employee Relations oversees classification and compensation studies, recruitment and selection, labor negotiations, 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.

**Operations Training and Safety (Training)** delivers and facilitates all operations personnel training activities, including basic and advanced firefighter techniques and administrative and supervisory training; coordinates and administers recruit and promotional training academies including reserve firefighters, firefighters, lateral paramedics, engineers and officer academies; and serves in a lead capacity on issues of employee and incident safety. Training Officers double as incident safety officers. Training also coordinates with Santa Ana College and the California Joint Apprentice Commission (CFFJAC) on various training activities and programs. Finally, Multimedia is responsible for meeting all OCFA audio, video, and photographic needs. Responsibilities include the production of a monthly video newsletter; coverage of firefighter academies; management of audio and video for Executive Committee and Board of Directors meetings; and design of OCFA information material.

**Organizational Development & Training (ODT)** is responsible for overseeing performance improvement, organizational development, workforce/employee development, and succession planning efforts.

**Strategic Services** provides strategic and advanced planning functions for OCFA. Areas of responsibility include initiating Secured Fire Protection Agreements with developers for infill fee projects; deployment and resource modeling; analytics and statistical data review; new station placement and related agreements; developing OCFA's Strategic Plan and Standards of Cover; overseeing the accreditation process; Insurance Services Office (ISO) ratings; coordination with Local Agency Formation Commission (LAFCO); and monitoring land use, annexations, and associated new road and development pre-planning.



**ORANGE COUNTY FIRE AUTHORITY**

**Financial Statements**

**Fiscal Year Ended June 30, 2017**

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**ORANGE COUNTY FIRE AUTHORITY**  
**Financial Statements**  
**Year ended June 30, 2017**

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## 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 (Authority), as of and for the year ended June 30, 2017, 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.

### *Auditors' 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.

## ***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 Authority, as of June 30, 2017, and the respective changes in financial position, and the respective 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 (pages 5 through 25), the schedule of the Authority's proportionate share of the net pension liability and schedule of contributions for the OCERS Retirement plan (pages 95 through 97), schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of money weighted rate of return for the Extra Help Retirement plan (pages 98 through 100), and schedule of funding progress for the Retiree Medical plan (page 101) 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.

### ***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 individual fund budgetary comparison schedules and combining general fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary comparison schedules and combining general fund statements 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. Such 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 individual fund budgetary comparison schedules and combining general fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Prior-Year Comparative Information***

We did not previously audit the 2016 financial statements of the Authority. Those statements were audited by other auditors whose report has been furnished to us, and who expressed unmodified opinions on the financial statements in their report dated September 30, 2016. The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2016, from which such summarized information was derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, 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.



Laguna Hills, California

October 18, 2017

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**ORANGE COUNTY FIRE AUTHORITY**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2017**

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, 2017.

**Financial Highlights**

**Governmental Activities:** OCFA's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$176,774,047 at the end of the current fiscal year. Net position consisted of net investment in capital assets totaling \$192,430,467; restricted for capital projects and other purposes totaling \$3,897,614; and an unrestricted deficit totaling \$373,102,128. The result of current fiscal year operations caused total net position to decrease by \$16,110,129 from the prior fiscal year.

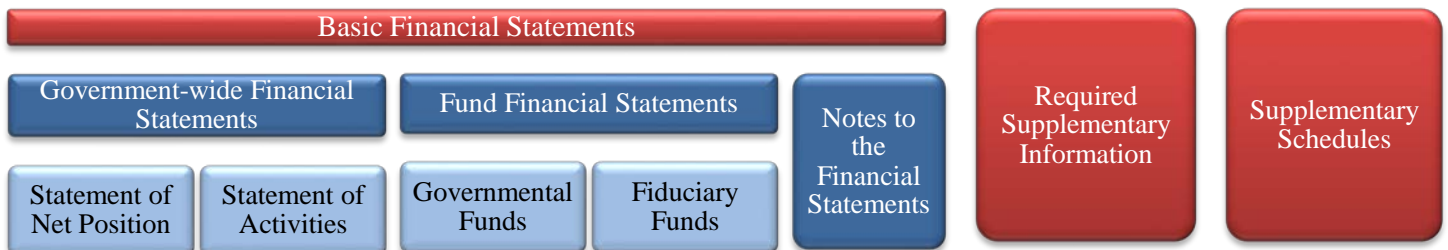
**Governmental Funds:** As of the close of the current fiscal year, OCFA's governmental funds showed combined ending fund balances totaling \$212,910,578, an increase of \$3,539,693 from the prior fiscal year. Of the total ending fund balance, \$31,346,672 (14.7%) was available for funding future operational needs.

**General Fund:** At the end of the current fiscal year, total fund balance for the General Fund was \$147,357,352, and was categorized as follows:

|  |                      |
|--|----------------------|
| ➤ Nonspendable                                       | \$ 33,750,548        |
| ➤ Restricted   | 3,364,382            |
| ➤ Committed  | 549,651              |
| ➤ Assigned   | 78,346,099           |
| ➤ Unassigned   | <u>31,346,672</u>    |
| Fund balance of the General Fund as of June 30, 2017 | <u>\$147,357,352</u> |

**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 and the OCFA Foundation'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.

**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 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 95-101.

**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 \$176,774,047 at the end of the most recent fiscal year, a 10.0% decline from the prior fiscal year. Following is a summary of OCFA's net position as of June 30, 2017 and 2016:

### ORANGE COUNTY FIRE AUTHORITY's Net Position

| <u>Governmental Activities</u>       | <u>June 30, 2017</u>   | <u>June 30, 2016</u>   | <u>Increase (Decrease)</u> |          |
|--------------------------------------|------------------------|------------------------|----------------------------|----------|
|                                      |                        |                        | <u>Amount</u>              | <u>%</u> |
| Assets:                              |                        |                        |                            |          |
| Current and other assets             | \$ 211,898,221         | \$ 217,743,439         | \$ (5,845,218)             | -2.7%    |
| Capital assets                       | <u>196,143,774</u>     | <u>194,021,124</u>     | <u>2,122,650</u>           | 1.1%     |
| Total assets                         | <u>408,041,995</u>     | <u>411,764,563</u>     | <u>(3,722,568)</u>         | -0.9%    |
| Deferred outflows of resources:      |                        |                        |                            |          |
| Related to pensions                  | <u>122,197,259</u>     | <u>150,278,544</u>     | <u>(28,081,285)</u>        | -18.7%   |
| Total deferred outflows of resources | <u>122,197,259</u>     | <u>150,278,544</u>     | <u>(28,081,285)</u>        | -18.7%   |
| Liabilities:                         |                        |                        |                            |          |
| Long-term liabilities                | 638,389,128            | 668,803,193            | (30,414,065)               | -4.5%    |
| Other liabilities                    | <u>13,419,726</u>      | <u>17,992,265</u>      | <u>(4,572,539)</u>         | -25.4%   |
| Total liabilities                    | <u>651,808,854</u>     | <u>686,795,458</u>     | <u>(34,986,604)</u>        | -5.1%    |
| Deferred inflows of resources:       |                        |                        |                            |          |
| Related to pensions                  | <u>55,204,447</u>      | <u>35,911,567</u>      | <u>19,292,880</u>          | 53.7%    |
| Total deferred inflows of resources  | <u>55,204,447</u>      | <u>35,911,567</u>      | <u>19,292,880</u>          | 53.7%    |
| Net position:                        |                        |                        |                            |          |
| Net investment in capital assets     | 192,430,467            | 187,910,677            | 4,519,790                  | 2.4%     |
| Restricted for capital projects      | 533,232                | 533,232                | -                          | n/a      |
| Restricted for other purposes        | 3,364,382              | 2,348,678              | 1,015,704                  | 43.2%    |
| Unrestricted                         | <u>(373,102,128)</u>   | <u>(351,456,505)</u>   | <u>(21,645,623)</u>        | 6.2%     |
| Total net position                   | <u>\$(176,774,047)</u> | <u>\$(160,663,918)</u> | <u>\$(16,110,129)</u>      | 10.0%    |

**Net Investment in Capital Assets:** At June 30, 2017, 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.

**Net Position Restricted for Capital Projects and Other Purposes:** 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, 2017, restricted net position relates to CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations; state funding restricted for drought augmentation activities; donations received for specific programs; and unperformed purchase orders for grant-funded programs.

**Unrestricted Net Position:** 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, 2017 and June 30, 2016, indicates that OCFA's obligations currently exceed its 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.

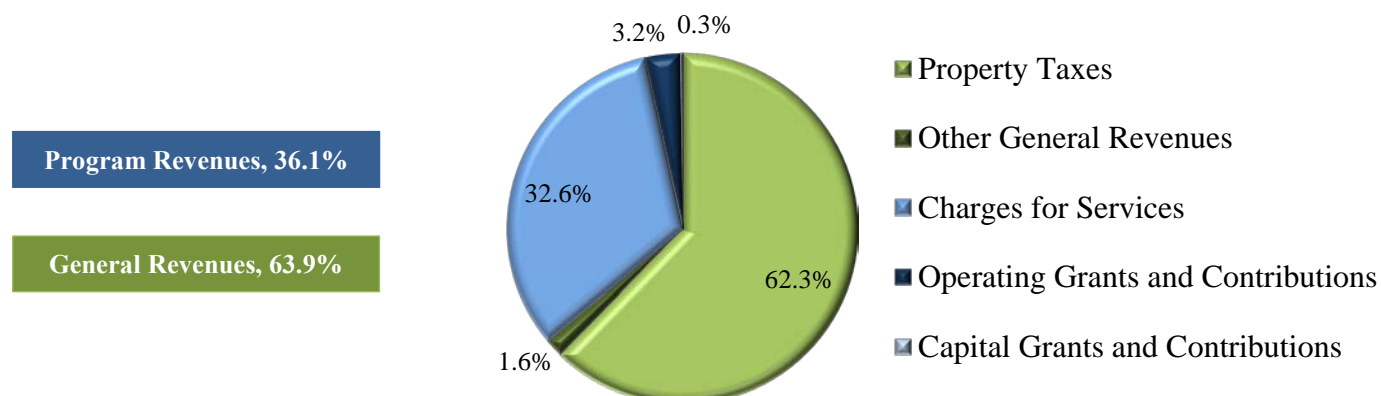
**Changes in Net Position:** Governmental activities decreased OCFA's net position by \$16,110,129 during the most recent fiscal year, an indication that OCFA's financial position has not improved. As previously noted, the reason for the overall deficit in net position is due to a change in financial 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 2016/17 and Fiscal Year 2015/16, followed by explanations for the increases or decreases in revenues and expenses between fiscal years.

#### **ORANGE COUNTY FIRE AUTHORITY's Changes in Net Position**

| <u>Governmental Activities</u>     | <u>June 30, 2017</u>   | <u>June 30, 2016</u>   | <u>Increase (Decrease)</u><br><u>Amount</u> | <u>%</u> |
|------------------------------------|------------------------|------------------------|---|----------|
| Program revenues:                  |                        |                        |   |          |
| Charges for services               | \$ 121,875,157         | \$ 117,263,679         | \$ 4,611,478                                | 3.9%     |
| Operating grants and contributions | 11,992,438             | 12,165,015             | (172,577)                                   | -1.4%    |
| Capital grants and contributions   | <u>1,040,129</u>       | <u>3,331,088</u>       | <u>(2,290,959)</u>                          | -68.8%   |
| Total program revenues             | <u>134,907,724</u>     | <u>132,759,782</u>     | <u>2,147,942</u>                            | 1.6%     |
| General revenues:                  |                        |                        |   |          |
| Property taxes                     | 232,832,758            | 219,840,417            | 12,992,341                                  | 5.9 %    |
| Investment income                  | 990,851                | 1,654,065              | (663,214)                                   | -40.1%   |
| Gain on disposal of capital assets | 657,944                | 6,000                  | 651,944                                     | 10865.7% |
| Miscellaneous                      | <u>4,480,901</u>       | <u>2,823,503</u>       | <u>1,657,398</u>                            | 58.7%    |
| Total general revenues             | <u>238,962,454</u>     | <u>224,323,985</u>     | <u>14,638,469</u>                           | 6.5%     |
| Total revenues                     | <u>373,870,178</u>     | <u>357,083,767</u>     | <u>16,786,411</u>                           | 4.7%     |
| Public safety expenses:            |                        |                        |   |          |
| Salaries and benefits              | 327,515,166            | 316,292,785            | 11,222,381                                  | 3.5%     |
| Services and supplies              | 52,819,125             | 35,127,573             | 17,691,552                                  | 50.4%    |
| Depreciation and amortization      | 9,512,777              | 9,267,982              | 244,795                                     | 2.6%     |
| Interest on long-term debt         | <u>133,239</u>         | <u>917,320</u>         | <u>(784,081)</u>                            | -85.5%   |
| Total expenses                     | <u>389,980,307</u>     | <u>361,605,660</u>     | <u>28,374,647</u>                           | 7.8%     |
| Change in net position             | (16,110,129)           | (4,521,893)            | (11,588,236)                                |          |
| Net position, beginning of year    | (160,663,918)          | (169,124,373)          | 8,460,455                                   |          |
| Prior period adjustment            | <u>-</u>               | <u>12,982,348</u>      | <u>(12,982,348)</u>                         |          |
| Net position, end of year          | <u>\$(176,774,047)</u> | <u>\$(160,663,918)</u> | <u>\$(16,110,129)</u>                       | 10.0%    |

**Revenues of Governmental Activities - by Source  
Fiscal Year 2016/17**



**Program Revenues:** Program revenues, which totaled \$134,907,724 for Fiscal Year 2016/17 and accounted for 36.1% of total revenues, increased by \$2,147,942 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 \$4,611,478 over the prior fiscal year.

| Amount<br>(Rounded) | Reason for Increase / Decrease   |
|---------------------|--|
| +\$2,385,000        | Fire service contracts increased for cash contract city charges per terms of the Joint Powers Agreement (+\$35,000); OCFA's contract with California Department of Forestry (CALFIRE) for the protection of State Responsibility Area (SRA) lands (+\$2,270,000); and the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport (+\$80,000). 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.  |
| +\$1,305,000        | Reimbursements for state and federal incidents vary each year depending on fire and emergency response activity. State assistance performed for CALFIRE and the California Emergency Management Agency (CAL EMA) increased by \$955,000. Reimbursements for state incidents were higher in the current fiscal year due to the Soberanes Fire in August 2016. Federal assistance performed for Cleveland National Forest increased by \$280,000 primarily due to the Holy Fire in September 2016. Federal responses to national incidents also increased by \$70,000 due to the response for Hurricane Matthew in October 2016. |
| +\$660,000          | Revenues for ambulance transport and supplies reimbursement were higher in Fiscal Year 2016/17 due to an increase in transport activity.   |
| +\$210,000          | Fee-based fire prevention revenues increased primarily due to an increase in assembly inspections completed in Fiscal Year 2016/17. Completion had been delayed in the prior fiscal year.  |
| +\$50,000           | Road maintenance, fuel reduction, and other contract revenues generated by the hand crew increased due to more work performed for Southern California Edison.  |
| <b>+\$4,610,000</b> | <b>Program Revenues: Charges for Services – Net Increase</b>   |

**Operating Grants and Contributions** include grants, contributions, donations, and similar items that are restricted to one or more specific program. These revenues decreased by \$172,577 from the prior fiscal year.

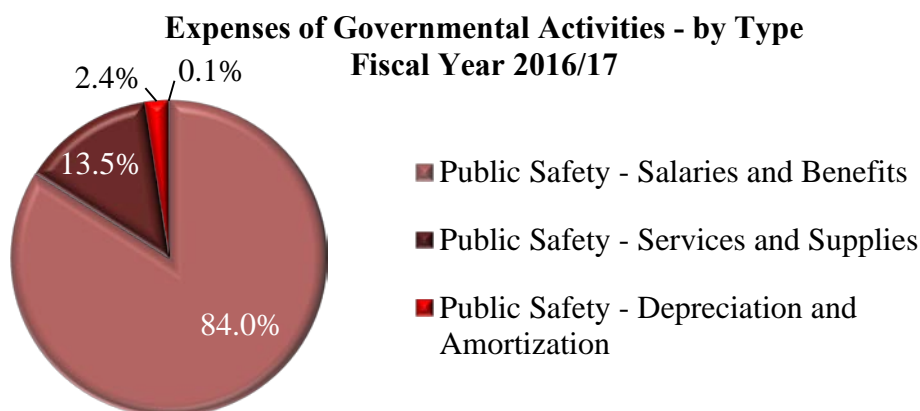
| Amount<br>(Rounded) | Reason for Increase / Decrease   |
|---------------------|--|
| -\$140,000          | Other miscellaneous operating revenues decreased, primarily due to a decline in the number of reimbursable instructional hours per a contract with Santa Ana College.  |
| -\$115,000          | Federal and state operating grants decreased due to a one-time federal grant for the development of wildland urban interface pre-fire plans (-\$50,000). In addition, there was a decline in ongoing federal grants from the Homeland Security Grant Program for regional training and a captain position at the Orange County Intelligence Assessment Center (-\$65,000).   |
| +\$80,000           | Tax increment passed through from member cities decreased by \$200,000, but one-time tax increment passed through from the County of Orange increased by \$280,000. 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. |
| <b>-\$175,000</b>   | <b>Program Revenues: Operating Grants and Contributions – Net Decrease</b>   |

**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 \$2,290,959 from the prior fiscal year.

| Amount<br>(Rounded) | Reason for Increase / Decrease  |
|---------------------|---|
| -\$2,270,000        | Revenues from developers decreased per the terms of various Secured Fire Protection Agreements. Contributions varied between prior and current fiscal years based on construction projects in County Unincorporated areas and the cities of Aliso Viejo, Dana Point, Irvine, Laguna Hills, Lake Forest, Mission Viejo, and Yorba Linda. The individual developments having the greatest impact on the decline were the Great Park (Irvine), Baker Ranch (Lake Forest), and Elements Site 1 Apartments (Irvine).   |
| -\$45,000           | Revenues from federal capital grants decreased by \$45,000. During Fiscal Year 2015/16, OCFA received a \$45,000 Assistance to Firefighters federal grant for the purchase of vehicle extrication gloves. No capital federal grants were received during Fiscal Year 2016/17.   |
| +\$25,000           | Capital assets contributed to OCFA increased primarily due to equipment items purchased by other agencies via the federal Urban Area Security Initiative (UASI) grant. During Fiscal Year 2016/17, the cities of Anaheim and Newport Beach contributed four pairs of night vision goggles and one search camera, respectively, valued at a combined \$80,000. During Fiscal Year 2015/16, the cities of Anaheim and Santa Ana acquired and contributed two search cameras and three mobile radios valued at \$45,000. In addition, during Fiscal Year 2015/16 the Orange County Fire Authority Foundation acquired and contributed the Pulsepoint software system that had been purchased for \$10,000 with a grant from Hoag Hospital. |
| <b>-\$2,290,000</b> | <b>Program Revenues: Capital Grants and Contributions – Net Decrease</b>  |

**General Revenues:** General revenues, which totaled \$238,962,454 for Fiscal Year 2016/17 and accounted for 63.9% of total revenues, increased by \$14,638,469 over the prior fiscal year.

| Amount<br>(Rounded)        | Reason for Increase / Decrease   |             |                     |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
|----------------------------|--|-------------|---------------------|------------|---------------------|--------------------|-------------|------------|-----------|--------------------------|-----------|---------|-----------|--------------|---|---------|-----------|----------------------------|---------|--------|--------|-------------------------|------------|-------------|-------------|
| +\$12,990,000              | The largest general revenue, property taxes, increased by \$12,992,341 over the prior fiscal year, primarily due to increases in secured property taxes.   |             |                     |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| +\$1,660,000               | Miscellaneous revenues increased by \$1,657,398, primarily due to amounts received 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. This increase was offset by various declines in revenues such as SB90 claims reimbursed from the State of California and bankruptcy loss recoveries from the County of Orange.   |             |                     |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| -\$660,000                 | <p>Investment income decreased by \$663,214. OCFA’s year-to-date effective rate of return on its investment portfolio was 0.74% as of June 30, 2017, as compared to 0.47% as of June 30, 2016. This increase in the annual rate of return created a \$355,000 increase to overall interest earnings. However, OCFA adjusts its investments to market value as of June 30 each year. This resulted in an overall investment loss in Fiscal Year 2016/17, and generated a \$435,000 decline 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 \$610,000 premium. No TRAN was issued during Fiscal Year 2016/17 since OCFA utilized only short-term internal borrowing to meet its cash flow needs. These components of investment income are summarized below:</p> <table><tr><td></td><td>FY 2016/17</td><td>FY 2015/16</td><td>Increase (Decrease)</td></tr><tr><td>Portfolio earnings</td><td>\$1,197,588</td><td>\$ 843,479</td><td>\$354,109</td></tr><tr><td>Market value gain (loss)</td><td>(311,586)</td><td>125,018</td><td>(436,604)</td></tr><tr><td>TRAN premium</td><td>-</td><td>612,431</td><td>(612,431)</td></tr><tr><td>Interest on property taxes</td><td>104,849</td><td>73,137</td><td>31,712</td></tr><tr><td>Total investment income</td><td>\$ 990,851</td><td>\$1,654,065</td><td>\$(663,214)</td></tr></table> |             | FY 2016/17          | FY 2015/16 | Increase (Decrease) | Portfolio earnings | \$1,197,588 | \$ 843,479 | \$354,109 | Market value gain (loss) | (311,586) | 125,018 | (436,604) | TRAN premium | - | 612,431 | (612,431) | Interest on property taxes | 104,849 | 73,137 | 31,712 | Total investment income | \$ 990,851 | \$1,654,065 | \$(663,214) |
|                            | FY 2016/17   | FY 2015/16  | Increase (Decrease) |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| Portfolio earnings         | \$1,197,588  | \$ 843,479  | \$354,109           |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| Market value gain (loss)   | (311,586)  | 125,018     | (436,604)           |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| TRAN premium               | -  | 612,431     | (612,431)           |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| Interest on property taxes | 104,849  | 73,137      | 31,712              |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| Total investment income    | \$ 990,851   | \$1,654,065 | \$(663,214)         |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| +\$650,000                 | The gain on disposal of capital assets increased by \$651,944, primarily due to capital vehicles and equipment destroyed in a fire at Fire Station No. 61 (Buena Park) in January 2017. Insurance proceeds received for these items exceeded their net book value, producing a combined \$690,000 gain on their disposal. There was also an increase in the number of vehicles and equipment sold at public auction or disposed because they were obsolete or broken beyond repair. Some of these items were not fully depreciated, generating a combined \$40,000 loss on disposal.   |             |                     |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |
| +\$14,640,000              | General Revenues – Net Increase  |             |                     |            |                     |                    |             |            |           |                          |           |         |           |              |   |         |           |                            |         |        |        |                         |            |             |             |





**Public Safety Expenses:** Total public safety expenses increased by \$29,158,728 from the prior fiscal year.

| Amount<br>(Rounded)          | Reason for Increase / Decrease   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
|------------------------------|--|-------------|---------------------|------------|---------------------|--------------------|--------------|-------------|-------------|------------------------------|-----------|-------------|-----------|---------------------------|--------------|-------------|-------------|
| +\$13,175,000                | Reasons for increases and decreases to the following categories of salaries and benefits are further explained in the <i>Major Governmental Funds – General Fund</i> portion of this Management’s Discussion and Analysis: overtime costs (+\$8,470,000); other pay (+\$4,190,000); employee health insurance and other benefits (+\$1,405,000); regular pay, FICA, and Medicare (-\$1,110,000); temporary “extra help” salaries (+\$165,000); and vacation and sick leave payouts (+\$55,000).  |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| -\$7,670,000                 | Retirement contributions remitted to the Orange County Employees Retirement System (OCERS) increased by \$1,920,000. Reasons for the increase in actual plan contributions are further explained in the <i>Major Governmental Funds – General Fund</i> 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 2016/17 in order to fully capture OCFA’s share of the net pension liability and related pension expense in its governmental activities, was \$9,590,000 less than the prior fiscal year.  |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$6,520,000                 | Other post-employment benefit (OPEB) cost for the defined benefit Retiree Medical Plan increased by \$6,520,000. 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.   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| -\$800,000                   | The net change in long-term liabilities for various employee leave balances decreased by \$800,000 as compared to the prior fiscal year, and is recognized as an expense in the governmental activities. The net decrease is primarily related to a decline in balances owed for Santa Ana employees who transitioned to OCFA employment in April 2012.  |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$11,225,000                | <i>Subtotal for Public Safety Salaries and Benefits – Net Increase</i>   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$8,220,000                 | 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 increased as follows: <table><tr><td></td><td>FY 2016/17</td><td>FY 2015/16</td><td>Increase (Decrease)</td></tr><tr><td>Actual claims paid</td><td>\$10,200,000</td><td>\$7,890,000</td><td>\$2,310,000</td></tr><tr><td>Change in actuarial estimate</td><td>4,745,000</td><td>(1,165,000)</td><td>5,910,000</td></tr><tr><td>Total fiscal year expense</td><td>\$14,945,000</td><td>\$6,725,000</td><td>\$8,220,000</td></tr></table> |             | FY 2016/17          | FY 2015/16 | Increase (Decrease) | Actual claims paid | \$10,200,000 | \$7,890,000 | \$2,310,000 | Change in actuarial estimate | 4,745,000 | (1,165,000) | 5,910,000 | Total fiscal year expense | \$14,945,000 | \$6,725,000 | \$8,220,000 |
|                              | FY 2016/17   | FY 2015/16  | Increase (Decrease) |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| Actual claims paid           | \$10,200,000   | \$7,890,000 | \$2,310,000         |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| Change in actuarial estimate | 4,745,000  | (1,165,000) | 5,910,000           |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| Total fiscal year expense    | \$14,945,000   | \$6,725,000 | \$8,220,000         |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$6,500,000                 | During Fiscal Year 2016/17, OCFA purchased radios and accessories as part of the 800 MHz Countywide-Coordinated Communications (CCCS) System upgrade and replacement project, including (1050) encrypted portable radios; (460) encrypted mobile radios; (110) chargers; (1050) batteries; and (800) speaker microphones.  |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$2,970,000                 | Reasons for increases and decreases to the following categories of services and supplies are further explained in the <i>Major Governmental Funds – General Fund</i> portion of this Management’s Discussion and Analysis: clothing and personal supplies (+\$965,000); Fire Station No. 61 fire (+\$680,000); office supplies (+\$500,000); special department expenses (+\$330,000); utilities and communications (+\$215,000); equipment maintenance (+\$210,000); employee travel, training, and meetings (-\$185,000); transportation (+\$100,000); building maintenance (-\$90,000); household items (+\$90,000); food (+\$80,000); and insurance (+\$75,000).   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$17,690,000                | <i>Subtotal for Public Safety Services and Supplies – Net Increase</i>   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$245,000                   | <i>Public Safety Depreciation and Amortization Expense</i> , which had no impact on OCFA’s cash balances, increased by \$244,795, and pertained primarily to depreciation on vehicles. Fiscal Year 2016/17 was the first full year of depreciation expense for thirty vehicles, including four new type 1 engines that were placed into service in August and October 2016.  |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |
| +\$29,160,000                | <b>Total Public Safety Expenses – Net Increase</b>   |             |                     |            |                     |                    |              |             |             |                              |           |             |           |                           |              |             |             |



**Interest on Long-term Debt:** Interest on long-term debt decreased by \$784,081 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. There was also a decrease totaling approximately \$725,000 for interest on Tax and Revenue Anticipation Notes (TRAN) issued during Fiscal Year 2015/16.

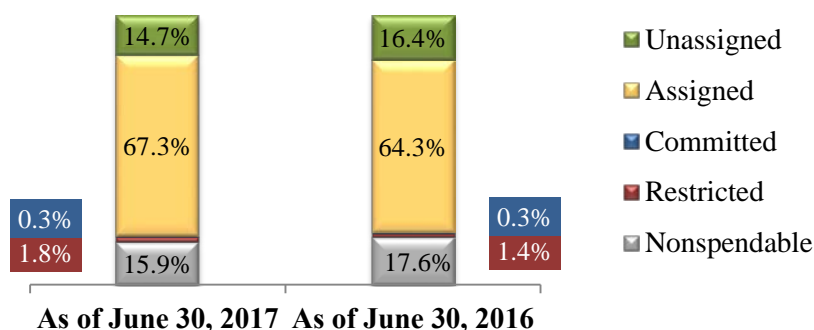
### Financial Analysis of OCFA's Governmental Funds

**Governmental Funds:** As noted earlier, OCFA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of 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 2016/17, OCFA's governmental funds reported combined ending fund balances of \$212,910,578, an increase of \$3,539,693 in comparison with the prior fiscal year. Approximately 14.7% constitutes unassigned fund balance, which is available for spending for any purpose. The remaining 85.3% 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 in impact fund balance positively, while increases to expenditures and transfers out impact fund balance negatively.



The **General Fund** is the chief operating fund of OCFA. At the end of Fiscal Year 2016/17, the General Fund's fund balance totaled \$147,357,352. Unassigned fund balance totaling \$31,346,672 (21.3%) is available for future spending. The remaining \$116,010,680 (78.7%) 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 OCFA's General Fund decreased by \$5,700,353 during the current fiscal year. The prior fiscal year's fund balance increased by \$19,802,100, a difference of \$25,502,453. The significant reason(s) for that net difference are identified in the following table.

| Impact on Fund Balance (Rounded) | Description  |
|----------------------------------|--|
| +\$12,990,000                    | Revenue from property taxes increased primarily due to secured property taxes.   |
| +\$3,090,000                     | The increase in intergovernmental revenue related primarily to additional contract revenues and drought augmentation funds for the protection of State Responsibility Area totaling \$2.3 million. Other increases included state and federal assistance by hire revenues for increased emergency response activity; tax increment passed through from member cities and the County of Orange; and federal reimbursements for emergency response on hurricanes and other disasters. These increases totaled \$3.7 million, but were offset by \$600,000 in decreases relating to SB90 claims reimbursed from the State of California, as well as various state and federal grants.   |
| +\$2,300,000                     | The most significant increase in charges for services was \$1.3 million for operating and facilities charges to cash contract cities per terms of the Joint Powers Agreement. Other revenue increases included ambulance transport and supplies reimbursements; inspection fees; the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport; and contract work generated by the hand crew.   |
| +\$2,025,000                     | 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.   |
| -\$520,000                       | The decrease in use of money and property primarily pertained to the Fiscal Year 2015/16 Tax and Revenue Anticipation Notes (TRAN) issuance premium totaling \$610,000. A TRAN was not issued during Fiscal Year 2016/17. This decline was offset by increases for investment portfolio earnings, net of a market value investment loss, allocated to the fund (+\$60,000), as well as interest earnings related to property taxes (+\$30,000).  |
| +\$19,885,000                    | <b>Subtotal – Impact of Revenues</b>   |
| -\$8,470,000                     | Overtime costs increased by over \$8.4 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 number of emergency response hours for emergency incidents increased by over 28,000 hours due to a higher volume of out-of-county incidents in Fiscal Year 2016/17.   |
| -\$4,190,000                     | Other pay – which includes pay to employees on workers' compensation, educational incentives, paramedic/EMT bonuses, bilingual pay, and other specialty pay – increased or decreased as follows: <ul style="list-style-type: none"> <li>➤ Workers' compensation pay +\$1,600,000</li> <li>➤ Paramedic specialty pay +\$715,000</li> <li>➤ Education incentives +\$525,000</li> <li>➤ Special assignment pay for various operations specialties +\$510,000</li> <li>➤ Emergency medical technician (EMT) pay +\$400,000</li> <li>➤ Special assignment pay for staff positions +\$355,000</li> <li>➤ Military leave -\$50,000</li> <li>➤ Special assignment "on call" pay +\$50,000</li> <li>➤ Miscellaneous taxable pay +\$45,000</li> <li>➤ Bilingual pay +\$40,000</li> </ul> |

(Continued)

| Impact on Fund Balance (Rounded) | Description  |
|----------------------------------|--|
| <i>(Continued)</i>               | The number of employees on workers' compensation for all or a portion of the year increased from 206 in Fiscal Year 2015/16 to 239 in Fiscal Year 2016/17, attributing to \$1.6 million of 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 \$700,000 because various unit reconfigurations in 2016 and 2017 increased the number of paramedic post positions.   |
| -\$1,920,000                     | Retirement costs had a net increase due to additional employer contributions made toward the net unfunded pension liability (+\$1,185,000); and pension contributions based on employee compensation, net of an increase in the annual savings achieved by pre-paying a portion of the subsequent fiscal year's contributions to OCERS (+\$735,000).   |
| -\$1,405,000                     | 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.   |
| +\$1,110,000                     | Regular pay, as well as related costs such as FICA and Medicare, increased by \$9 million due to scheduled pay increases per labor contracts negotiated with various employee groups. Pay increases that went into effect during Fiscal Year 2016/17 included chief officers (4.50% effective July 2016); firefighters (4.50% effective September 2016); administrative managers (1.95% effective January 2017); and general and supervisory employees (3.00% effective March 2017). These costs were offset by a \$10.1 million decline in the year-end estimate for accrued but unpaid payroll costs. The year-end estimate varies each year depending on the timing of the bi-weekly pay period calendar. |
| -\$165,000                       | <p>Salary costs for temporary, "extra help" employees increased by \$165,000 in the following areas:</p> <ul style="list-style-type: none"> <li>➤ Helicopter program +\$70,000</li> <li>➤ Emergency medical services +\$60,000</li> <li>➤ Human resources +\$35,000</li> </ul> <p>During Fiscal Year 2016/17, two helicopter pilots were hired as extra help before being transitioned to full-time employee positions. In addition, OCFA's full-time Medical Director position that had been vacated in the prior fiscal year was instead filled with an extra help employee during Fiscal Year 2016/17.</p>  |
| -\$55,000                        | Vacation and sick leave payouts increased primarily due to a greater number of employees either opting to cash out their vacation balances or automatically being paid out vacation balances upon reaching the maximum allowable accrual during Fiscal Year 2016/17.   |
| <b>-\$15,095,000</b>             | <b><i>Subtotal – Impact of Salaries and Benefits</i></b>   |
| -\$2,375,000                     | The most significant increases in professional services pertained to workers compensation claims paid, which increased by over \$2.3 million in Fiscal Year 2016/17. Another significant increase included partnership costs paid to the Orange County Sheriff's Department for OCFA's proportionate share of the 800 MHz Countywide-Coordinated Communications System (CCCS) replacement, which increased by nearly \$700,000. These increases were offset by a \$700,000 decline in the annual property tax administrative fee paid to the County of Orange.   |
| -\$965,000                       | Clothing and personal supply costs increased due to the purchase of firefighter turnouts. In an effort to improve firefighter safety in regards to cancer risk, OCFA has set a goal to issue a second set of turnouts to every firefighter. Additional turnouts were issued to members of Academy 42 in Fiscal Year 2015/16. Roll-out of a second set to all remaining suppression personnel occurred throughout Fiscal Year 2016/17 and is expected to continue for an additional six to nine months.   |
| -\$680,000                       | <p>OCFA incurred \$680,000 of services and supplies costs in Fiscal Year 2016/17 relating to a fire that destroyed Fire Station No. 61 (Buena Park) in January 2017, including:</p> <ul style="list-style-type: none"> <li>➤ Employee claims for loss of personal property and tools +\$190,000</li> <li>➤ Replacement of specialized tools and supplies +\$160,000</li> <li>➤ Uniforms and other personal protective equipment +\$125,000</li> <li>➤ Establishment of a temporary fire station +\$90,000</li> <li>➤ Security services +\$85,000</li> </ul>  |

*(Continued)*

| Impact on Fund Balance (Rounded) | Description  |
|----------------------------------|--|
| (Continued)                      | <ul style="list-style-type: none"> <li>➤ Initial incident response +\$20,000</li> <li>➤ Other services and supplies +\$10,000</li> </ul>   |
| -\$500,000                       | During Fiscal Year 2016/17, OCFA began a project to replace its Electronic Pre-Hospital Care Report (EPCR) tablets on frontline units. The purchase of these and other tablets and related accessories was the primary reason for the increase in office supply costs (+\$250,000). Other increases included the cost to license Microsoft office products and the purchase of additional desktop computers to replenish depleting stock.  |
| -\$330,000                       | Increases in special department expenditures pertained primarily to a project to purchase and replace (180) automated external defibrillators (AED's) and (20) simulators for AED's and cardiac monitors, along with related supplies such as batteries and electrodes.  |
| -\$215,000                       | The increase in utilities and communications charges related to the monthly cost of cell phone and public broadband. The number of tablets with broadband capabilities increased due to the rollout of new EPCR tablets on all frontline units, as well as an increase in EPCR's assigned to each medic unit from one to two as part of phased-in changes to OCFA's overall EMS deployment model.  |
| -\$210,000                       | Equipment and vehicle maintenance was higher in Fiscal Year 2016/17 primarily due to replacement of tires on fire apparatus. Industry standards require tire replacement every eight years regardless of age or wear and tear. Costs were also higher due to maintenance on the Bell 412 helicopter fleet, including a hoist assembly overhaul, engine diagnostic and repairs, and removal and replacement of an engine deck.  |
| +\$185,000                       | The cost of employee travel, training, and meetings decreased for a variety of reasons, including changes to hours owed under OCFA's tuition contract with Santa Ana College; implementation of a new OCFA-wide "Crucial Conversations" program during Fiscal Year 2015/16; and a decline in the number of out-of-county training trips completed by personnel in the Training & Safety Services section.  |
| -\$100,000                       | Transportation costs increased due to an increase in diesel fuel prices. Fiscal Year 2015/16 diesel fuel purchases averaged \$2.04 per gallon, while Fiscal Year 2016/17 prices were 9% higher at an average price of \$2.23 per gallon. In addition, there was an increase in the use of OCFA's fuel cards, which are generally charged a higher rate per gallon as compared to bulk diesel and regular fuel purchases.   |
| +\$90,000                        | Decreases in building maintenance were attributed primarily to door and gate projects. There were several significant repair projects in Fiscal Year 2015/16, including removal and replacement of fencing at Fire Station No. 26 (Irvine); installation of a fence and gate at Fire Station No. 30 (Dana Point); and repairs to the front gate security system at the Regional Fire Operations and Training Center (RFOTC). Repairs and maintenance of the heating, ventilation and air conditioning (HVAC) system at the RFOTC also declined during Fiscal Year 2016/17. |
| -\$90,000                        | Expenditures increased for household items needed at OCFA's 72 fire stations. Some of the more significant purchases in Fiscal Year 2016/17 included the replacement of chairs, furniture, appliances, mattresses, and window coverings due to normal wear and tear.   |
| -\$80,000                        | Food costs were higher in Fiscal Year 2016/17 because of box lunches and catered meals for significant local fire incidents, including the Holy Jim Fire in September 2016 and the Cristianitos Fire in June 2017.   |
| -\$75,000                        | Insurance premiums increased for excess workers' compensation coverage (+\$130,000), but decreased for general liability (-\$70,000) and aviation (-\$10,000) coverage. During Fiscal Year 2016/17, there were also increases in out-of-pocket deductibles for vehicle and property damage (+\$20,000), as well as insurance benefits paid to surviving spouses (+\$5,000).  |
| -\$70,000                        | More medical, dental, and lab supplies were purchased in Fiscal Year 2016/17, including pharmaceuticals, catheters, defibrillator supplies, needles, and airway trainers. Purchases of these supplies vary each year as stock is replenished and expiring items are replaced.  |
| +\$50,000                        | Utility costs declined during Fiscal Year 2016/17, primarily due to electricity at the RFOTC during the six-month period from July 2016 through December 2016.   |
| -\$5,365,000                     | <b>Subtotal – Impact of Services and Supplies</b> (Continued)  |

| Impact on Fund Balance (Rounded) | Description   |
|----------------------------------|---|
| (Continued)<br>-\$3,925,000      | Capital outlay varies each fiscal year based on organizational needs for new and replacement equipment. Significant equipment purchases in Fiscal Year 2016/17 included 120 frontline cardiac monitors and thirty tablets for testing as mobile data computers. In addition, the purchase and installation of various Code 3 equipment onto fire apparatus increased during Fiscal Year 2016/17. The most significant purchase in Fiscal Year 2015/16 included two storage system servers.  |
| +\$475,000                       | Interest and fiscal charges decreased due to changes in how OCFA's short-term cash flow needs were managed. During Fiscal Year 2015/16, the General Fund borrowed a combined \$46 million through the issuance of Tax and Revenue Anticipation Notes (TRAN) and short-term borrowing from other funds, with interest rates of 2.00% and 0.41%, respectively. During Fiscal Year 2016/17, the General Fund again borrowed \$46 million but utilized only short-term borrowing from other funds, with an interest rate of 0.73%. The lower interfund borrowing rate, which is based the effective rate of return on OCFA's investment portfolio, attributed to the total decline in interest and fiscal charges incurred. |
| -\$90,000                        | <p>OCFA incurred \$90,000 of capital outlay in Fiscal Year 2016/17 relating to a fire that destroyed Fire Station No. 61 (Buena Park) in January 2017. Replacement equipment purchases included:</p> <ul style="list-style-type: none"> <li>➤ Temporary apparatus bay +\$35,000</li> <li>➤ First-in alerting system for temporary station +\$30,000</li> <li>➤ Swift water boat +\$15,000</li> <li>➤ Combination hydraulic tool for Truck 61 +\$10,000</li> </ul>   |
| -\$3,540,000                     | <b>Subtotal – Impact of Capital Outlay, Interest, and Fiscal Charges</b>  |
| -\$24,000,000                    | <b>Subtotal – Impact of Expenditures</b>  |
| -\$22,540,000                    | <p>Net interfund transfers increased and decreased as follows:</p> <ul style="list-style-type: none"> <li>➤ Transfers made from the General Fund to the capital projects funds to fund current and future projects in the Capital Improvement Program increased by a combined \$28,095,000.</li> <li>➤ During Fiscal Year 2016/17, net resources that had accumulated in the Communications and Information Systems Fund exceeded projects identified in the upcoming five-year capital improvement program, resulting in a transfer back to the General Fund totaling \$5,555,000 in accordance with OCFA's <i>Assigned Fund Balance Policy</i>.</li> </ul>  |
| +\$1,100,000                     | Insurance recoveries increased in Fiscal Year 2016/17 due to property damage incurred during a fire at Fire Station No. 61 (Buena Park).  |
| +\$55,000                        | There was an increase in the proceeds from sale of capital and other assets, primarily due to the sale of three type 1 engines and miscellaneous supplies during Fiscal Year 2016/17.   |
| -\$21,385,000                    | <b>Subtotal – Impact of Other Financing Sources and Uses</b>  |
| -\$25,500,000                    | <b>General Fund – Net Impact on Fund Balance</b>  |



The *Communications and Information Systems Fund* had total fund balance of \$11,393,186 at the end of Fiscal Year 2016/17. Fund balance was assigned to the Capital Improvement Program (\$11,255,995) and communications and information technologies projects (\$132,583). The remaining \$4,608 is not available for spending on any new purpose, because it is in a nonspendable form. Total fund balance decreased by \$7,609,086 during the current fiscal year. The prior fiscal year's fund balance increased by \$346,417, a difference of \$7,955,503. The significant reason(s) for that net difference are identified in the following table.

| Impact on Fund Balance (Rounded) | Description   |
|----------------------------------|---|
| -\$7,090,000                     | <p>Expenditures for services and supplies and capital outlay increased due to three significant, multi-year capital improvement projects as follows:</p> <ul style="list-style-type: none"> <li>➤ The 800 MHz Countywide-Coordinated Communications (CCCS) System is administered by the Orange County Sheriff's Department. The upgrade and replacement of the original system, which was implemented from 1999 to 2001, is being implemented in various phases. Individual participating agencies are responsible for purchasing their own radios and dispatch consoles that are compatible with the new system. During Fiscal Year 2016/17, OCFA purchased over 1,500 encrypted portable, mobile, and base station 800 MHz radios, along with accessories such as chargers, batteries, and speaker microphones (+\$6,715,000).</li> <li>➤ 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 five classrooms. 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. Work began in Fiscal Year 2015/16, but the majority of project costs were incurred during the current fiscal year at the peak of the project's activity. All improvements were placed into service during Fiscal Year 2016/17 with the exception of the board room (+\$420,000).</li> <li>➤ 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. Some incidental costs to finalize the project were incurred during the first month of Fiscal Year 2015/16 (-\$45,000).</li> </ul> |
| -\$765,000                       | <p>Net transfers in and out of the Communications and Information Systems Fund changed as follows:</p> <ul style="list-style-type: none"> <li>➤ Transfers in from the General Fund for current and future projects in the Capital Improvement Program increased by \$4,790,000 over the amount transferred in the prior fiscal year.</li> <li>➤ During Fiscal year 2016/17, net resources that had accumulated in the Communications and Information Systems fund exceeded projects identified in the upcoming five-year capital improvement program, resulting in a transfer back to the General Fund totaling \$5,555,000 in accordance with OCFA's <i>Assigned Fund Balance Policy</i>.</li> </ul>   |
| -\$110,000                       | Miscellaneous revenues pertaining to bankruptcy proceeds decreased during Fiscal Year 2016/17.  |
| +\$10,000                        | Revenues for use of money and property increased due to portfolio earnings, net of the market value investment loss, allocated to the fund.   |
| -\$7,955,000                     | <b>Communications and Information Systems Fund – Net Impact on Fund Balance</b>   |





The **Fire Apparatus Fund** had total fund balance of \$30,004,043 at the end of Fiscal Year 2016/17. Fund balance was assigned to the Capital Improvement Program (\$13,470,899) and purchase of fire apparatus and vehicles (\$16,533,144). Total fund balance increased by \$8,551,782 during the current fiscal year. The prior fiscal year's fund balance decreased by \$3,988,171, a difference of \$12,539,953. The significant reason(s) for that net difference are identified in the following table.

| Impact on Fund Balance (Rounded) | Description  |
|----------------------------------|--|
| +\$15,405,000                    | Transfers in from the General Fund for current and future projects in the Capital Improvement Program increased by \$15,405,000 over the amount transferred in the prior fiscal year.  |
| -\$2,760,000                     | Expenditures for services and supplies and capital outlay to purchase and outfit vehicles vary each fiscal year based on organizational needs for new and replacement vehicles. Expenditures were higher in Fiscal Year 2016/17 primarily due to the purchase of four 100' tractor drawn aerials (+\$5,180,000). The most significant purchases in the prior year were for four type 1 engines (-\$2,140,000) and six sport utility vehicles for use by Executive Management (-\$280,000). |
| -\$70,000                        | Charges for services were for vehicle charges to cash contract cities, which decreased in accordance with the terms of the Joint Powers Agreement.   |
| -\$65,000                        | Miscellaneous revenues pertaining to bankruptcy proceeds decreased during Fiscal Year 2016/17.   |
| +\$30,000                        | Revenues for use of money and property increased due to portfolio earnings, net of the market value investment loss, allocated to the fund.  |
| <b>+\$12,540,000</b>             | <b>Fire Apparatus Fund – Net Impact on Fund Balance</b>  |



The **Fire Stations and Facilities Fund** had total fund balance of \$24,155,997 at the end of Fiscal Year 2016/17. 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 (\$23,312,309) and construction projects (\$310,456). Total fund balance increased by \$8,297,350 during the current fiscal year. The prior fiscal year's fund balance increased by \$3,338,405, a difference of \$4,958,945. The significant reason(s) for that net difference are identified in the following table.

| Impact on Fund Balance (Rounded) | Description   |
|----------------------------------|---|
| +\$7,900,000                     | Transfers in from the General Fund for current and future projects in the Capital Improvement Program increased by \$7,900,000 over the amount transferred in the prior fiscal year.  |
| -\$2,270,000                     | 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. Decreases in Fiscal Year 2016/17 developer activity primarily related to projects in the cities of Irvine and Lake Forest.  |
| -\$670,000                       | Expenditures for services and supplies and capital outlay increased due to three significant, multi-year capital improvement projects as follows: <ul style="list-style-type: none"> <li>➤ A warehouse was purchased during Fiscal Year 2014/15, and various tenant improvement projects have been in process since that time to convert it into a fully-functioning, centralized facility for the Urban Search and Rescue (USAR) program. Tenant improvement include engineering, expansion and installation of roll-up doors, exhaust systems, phone and information technology upgrades, and various other facility repairs. The majority of project costs were incurred during Fiscal Year 2016/17 (+\$420,000). Work is still ongoing and is expected to be completed during Fiscal Year 2017/18.</li> </ul> |

(Continued)

| Impact on Fund Balance (Rounded) | Description   |
|----------------------------------|---|
| (Continued)                      | <p>➤ The RFOTC Emergency Power Circuit Extension project is for the construction and installation of emergency power circuits that would energize the entire RFOTC facility in the event of a power disruption. While some initial project permits charges were incurred during the prior fiscal year, the majority of the project costs were incurred during Fiscal Year 2016/17 (+\$300,000). Work is expected to be completed in the summer of 2017.</p> <p>➤ Fire Station No. 56 (Village of Sendero) was constructed and placed into service during Fiscal Year 2015/16. Project costs incurred during the prior fiscal year included final construction, furniture, and fixtures (-\$50,000).</p> |
| <b>+\$4,960,000</b>              | <b>Fire Stations and Facilities Fund – Net Impact on Fund Balance</b>   |

### 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 2016/17.

|                             | Original Budget      | Increase (Decrease) | Final Budget         | Variance Positive (Negative) | Actual Amounts       |
|-----------------------------|----------------------|---------------------|----------------------|------------------------------|----------------------|
| Salaries and benefits       | \$283,291,422        | \$25,264,047        | \$308,555,469        | \$ (951,964)                 | \$309,507,433        |
| Services and supplies       | 36,474,966           | 10,405,800          | 46,880,766           | 5,349,560                    | 41,531,206           |
| Capital outlay              | 1,088,683            | 4,840,498           | 5,929,181            | 1,291,823                    | 4,637,358            |
| Interest and fiscal charges | 754,436              | (541,636)           | 212,800              | (53,504)                     | 266,304              |
| Transfers out               | 22,579,894           | 5,591,713           | 28,171,607           | -                            | 28,171,607           |
|                             | <u>\$344,189,401</u> | <u>\$45,560,422</u> | <u>\$389,749,823</u> | <u>\$5,635,915</u>           | <u>\$384,113,908</u> |

**Adjustments to Appropriations:** Budgeted General Fund appropriations increased by \$45,560,422 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) (Rounded) |
|---|-------------------------------|
| One-time contribution toward unfunded pension liability                 | \$9,815,000                   |
| Overtime and backfill for response to out-of-county and other incidents | 7,335,000                     |
| Transfers to Capital Improvement Program (CIP)                          | 5,540,000                     |
| Compensation changes per Memorandums of Understanding                   | 4,955,000                     |
| Various equipment (including cardiac monitors)                          | 4,105,000                     |
| Turnouts  | 2,300,000                     |
| Grant activities  | 2,160,000                     |
| Workers compensation  | 1,765,000                     |
| Firefighter and dispatcher academies                                    | 1,600,000                     |
| Staffing changes, reconfigurations, and service enhancements            | 1,435,000                     |
| Station 61 fire replacement and other costs (excludes vehicles)         | 1,405,000                     |
| Information Technology Division maintenance and support                 | 1,070,000                     |
|   | (Continued)                   |



| <b>Reason for Adjustment to Original Budget</b>                               | <b>Increase<br/>(Decrease)<br/>(Rounded)</b> |
|---|--|
| <i>(Continued)</i>  |  |
| Information Technology Division CIP projects                                  | 685,000                                      |
| Interest on Tax and Revenue Anticipation Notes (TRAN) and interfund borrowing | (625,000)                                    |
| Structural fire entitlement projects  | 585,000                                      |
| Various professional services   | 470,000                                      |
| Facilities maintenance  | 390,000                                      |
| Helicopter maintenance and training   | 160,000                                      |
| Various other appropriations  | 410,000                                      |
| <b>Total adjustments</b>  | <b>\$45,560,000</b>                          |

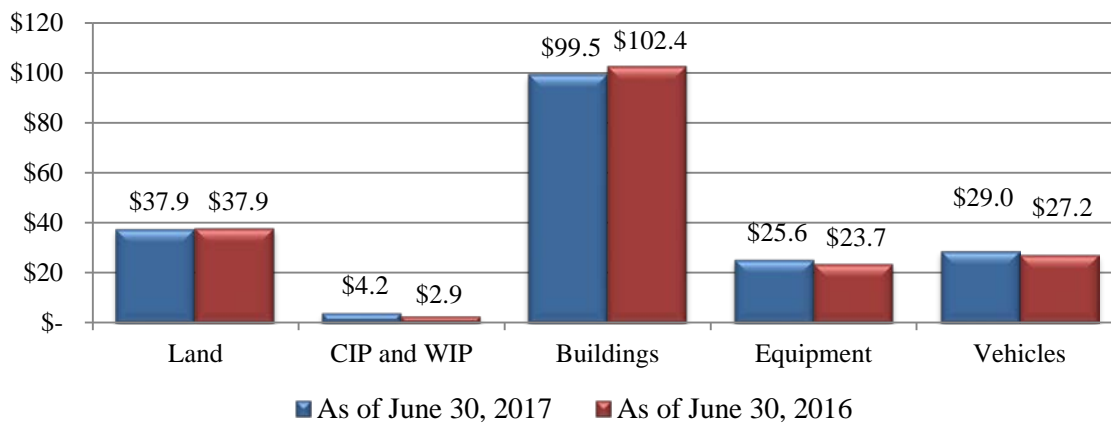
**Variance Between Final Budget and Actual Amounts:** Final, budgeted General Fund expenditures exceeded actual amounts, resulting in a positive budget variance totaling \$5,635,915. Over \$5.3 million of this variance related to various operating costs, projects, and other purchases and for services and supplies that were budgeted but not completed during Fiscal Year 2016/17. In some cases, uncompleted projects were delayed due to project complexity or time requirements and will be re-budgeted, if needed, to Fiscal Year 2017/18. Individually significant variances are summarized below:

| <b>Department</b>   | <b>Amount<br/>(Rounded)</b> |
|---|-----------------------------|
| Service Center savings totaled over \$1.4 million, primarily related to firefighter turnouts that are being purchased in phases. In October 2016, the Board of Directors authorized \$2.3 million for the purchase of a second set of turnouts for all firefighters. Purchases are expected to continue into the next fiscal year. As of June 30, 2017, an encumbered purchase order for 535 turnout coats and pants had been issued (phases two and three), but items were not received prior to the end of the fiscal year. | \$1,420,000                 |
| 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 2016/17, actual claims paid from the General Fund were \$945,000 more than the actuarial estimate, creating a negative budget variance.   | (945,000)                   |
| Financial Services savings totaled \$725,000, primarily due to the annual property tax administrative fee that was much lower than originally anticipated.  | 725,000                     |
| In January 2017, the Board of Directors authorized appropriations totaling \$3 million for unanticipated purchases relating to the fire at Fire Station No. 61. A balance of \$720,000 remains unspent in the General Fund. Establishment of a temporary station and replacement of additional equipment and supplies are expected to extend into Fiscal Year 2017/18.  | 720,000                     |
| The entire balance of funds committed for Structural Fire Fund projects was budgeted during Fiscal Year 2016/17; however, eligible cities submitted reimbursement requests only for those projects completed.   | 545,000                     |
| The Fiscal Year 2016/17 Executive Management budget included a line item for professional services relating to integration of policy manuals and training bulletins. This project was postponed to Fiscal Year 2017/18.   | 385,000                     |
| Other variances combined  | 2,500,000                   |
| <b>Total services and supplies variance</b>   | <b>\$5,350,000</b>          |

## Capital Assets and Debt Administration

**Capital Assets:** OCFA's investment in capital assets for its government activities at the end of Fiscal Year 2016/17 totaled \$192,430,467 (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 increased from the prior fiscal year by \$4,519,790 (2.4%). 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, 2017 and 2016**  
**(In Millions)**



**Construction in Progress (CIP) and Work in Progress (WIP):** 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. 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. CIP and WIP accounted for thirty-four projects during Fiscal Year 2016/17, twenty-two of which were placed into service and twelve of which were still in progress at year-end.

- CIP additions totaling over \$1 million included various tenant improvements at the Urban Search and Rescue (USAR) warehouse in Foothill Ranch; a generator upgrade project at the Regional Fire Operations and Training Center (RFOTC); and audio visual upgrades in the RFOTC board room. These three projects, along with a dormitory remodel project at fire Station No. 41 (Fullerton Airport), were still in progress at fiscal year-end.
- WIP additions totaled over \$3.2 million during Fiscal Year 2016/17, including costs pertaining to two 100' tractor drawn aerials (\$2.6 million); fifteen Chevrolet Colorado pickup trucks (\$330,000); one squad (\$190,000); one Chevrolet Silverado pickup truck (\$60,000); six front-line Chevrolet Suburban sport utility vehicles (\$40,000); four type one engines (\$25,000); and a temperature monitoring system for the RFOTC data center (\$10,000). Fifteen Chevrolet Colorado pickup trucks, three Chevrolet Suburban sport utility vehicles, and four type one engines were all placed into service during the fiscal year, while the remaining projects were still in progress as of June 30, 2017.

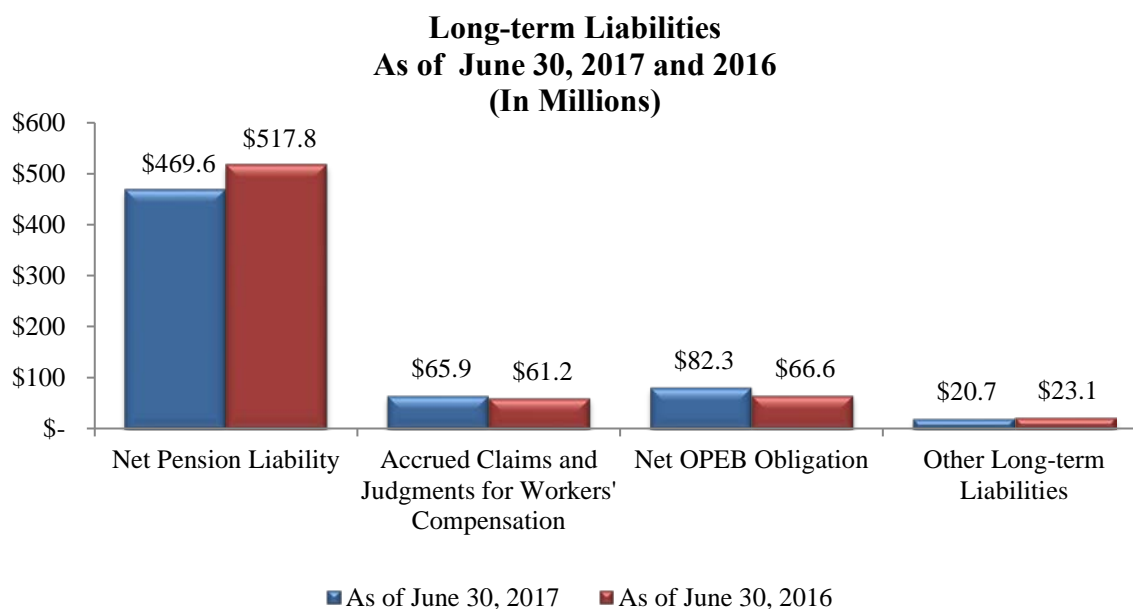
**Buildings:** Fiscal Year 2016/17 building and building improvement additions included \$270,000 for audio visual upgrades made in five classrooms at the RFOTC. Improvements were placed into service in November 2016 (Building D classrooms), January 2017 (Board breakout classroom), and March 2017 (Building A classrooms).

**Equipment:** Equipment additions totaled over \$4.7 million for 226 items during Fiscal Year 2016/17. The most individually significant additions included 127 cardiac monitors (\$3.8 million) and thirty-four encrypted base station 800 MHz radios purchased as part of the 800 MHz Countywide Coordinated Communications (CCCS) System (\$215,000). Thirty-three items were disposed of during Fiscal Year 2016/17, including twenty-one servers that were scrapped because they had reached the end of their useful service lives and were considered obsolete. An additional eight equipment items were impaired because they were destroyed during the January 2017 fire at Fire Station No. 61 in Buena Park, including a boat, two cardiac monitors, four hydraulic tools, and a thermal imaging camera.

**Vehicles:** Vehicle additions during Fiscal Year 2016/17 totaled \$5.9 million, consisting of \$2.9 million in new purchases plus \$3 million of completed vehicles transferred in from WIP. The most individually significant additions included two 100' tractor drawn aerials (\$2.6 million) and four type one engines (\$2.6 million). Ten vehicles were removed from OCFA's fleet during Fiscal Year 2016/17 as part of OCFA's ongoing vehicle replacement plan. These vehicles had reached the end of their useful service lives and were fully or mostly depreciated. Nine vehicles were sold at public auction and a type 1 engine was returned to the City of Santa Ana. An additional three vehicles were impaired because they were destroyed during the fire at Fire Station No. 61, including a 100' tractor drawn aerial (Truck 61), a Chevrolet Suburban sport utility vehicle (Battalion Chief), and a squad (Swift Water 61).

Additional information pertaining to OCFA's capital assets can be found in Notes 3 and 15 of the accompanying Notes to the Financial Statements.

**Long-term Debt:** Total long-term liabilities decreased by net \$30,414,065 (4.5%) during Fiscal Year 2016/17.



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 reported in the financial statements as a long-term liability in conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68. As of June 30, 2017, OCFA's share of the plan's net pension liability at OCERS, as determined by an actuarial valuation for the plan as a whole, totaled \$469.4 million, a net decline of \$48.2 million from the prior fiscal year's ending balance. 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 2017/18 General Operating Fund adopted expenditure budget is approximately \$350.3 million, which is a net increase of \$27.1 million (8.4%) from the final Fiscal Year 2016/17 General Operating Fund budget totaling \$323.2 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 2017/18 General Operating Fund Budget are as follow:

- Budgeted salaries and benefits increased by \$23.0 million. The budget reflects annual costs in accordance with approved Memorandums of Understanding with each labor group and merit increases for qualifying employees. The retirement budget for Fiscal Year 2017/18 is based on rates provided by the Orange County Employees Retirement System (OCERS). The retirement budget also includes approximately \$5.9 million in additional pension liability payments, in accordance with the Board's direction to continue to expedite the payment of OCFA's net pension liability.
- Budgeted services and supplies, capital outlay, and debt service increased by \$4.1 million. Overall, budgets were held flat as compared to Fiscal Year 2016/17, unless specific increases were identified by OCFA management or one-time grant proceeds were received. In general, the base Fiscal Year 2017/18 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 2017/18 budget is 1,403, which is 40 positions higher than the final, authorized position list as of June 30, 2017. Twenty-five of those new authorized positions are for members of the Board of Directors, which were converted from contractors to employees in January 2017. In addition, the budget reflects funding for only 1,346 of the 1,403 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:

| <b>Unit</b>                       | <b>FY 2017/18<br/>Budget</b> | <b>FY 2016/17<br/>Final</b> | <b>Increase<br/>(Decrease)</b> |
|-----------------------------------|------------------------------|-----------------------------|--------------------------------|
| Firefighter Unit                  | 1,034                        | 1,023                       | 11                             |
| Fire Management Unit              | 45                           | 45                          | -                              |
| General Unit                      | 218                          | 213                         | 5                              |
| Supervisory Management Unit       | 28                           | 27                          | 1                              |
| Supported Employment Unit         | 4                            | 4                           | -                              |
| Administrative Management         | 42                           | 43                          | (1)                            |
| Executive Management              | 7                            | 8                           | (1)                            |
| Board of Directors                | 25                           | -                           | 25                             |
| <b>Total authorized positions</b> | <b>1,403</b>                 | <b>1,363</b>                | <b>40</b>                      |

### Requests for Information

This financial report is designed to provide a general overview of OCFA's and the OCFA Foundation'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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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**ORANGE COUNTY FIRE AUTHORITY**  
**Statement of Net Position**  
**June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | <b>Primary Government</b>      |                         |
|---|--------------------------------|-------------------------|
|   | <b>Governmental Activities</b> |                         |
|   | <b>2017</b>                    | <b>2016</b>             |
| <b>Assets:</b>  |                                |                         |
| Cash and investments (Note 4)                                 | \$ 178,194,261                 | \$ 177,729,367          |
| Receivables:  |                                |                         |
| Accounts, net (Note 5)  | 3,132,852                      | 2,566,770               |
| Accrued interest  | 249,934                        | 224,075                 |
| Prepaid costs and other assets (Note 6)                       | 19,157,452                     | 25,551,256              |
| Due from other governments, net (Note 7)                      | 11,163,722                     | 11,671,971              |
| Capital assets (Note 15):                                     |                                |                         |
| Land  | 37,887,850                     | 37,887,850              |
| Construction in progress                                      | 1,152,458                      | 102,341                 |
| Work in progress  | 3,031,036                      | 2,795,704               |
| Capital assets, net of accumulated depreciation/amortization  | 154,072,430                    | 153,235,229             |
| <b>Total assets</b>   | <b>408,041,995</b>             | <b>411,764,563</b>      |
| <b>Deferred Outflows of Resources:</b>                        |                                |                         |
| Deferred outflows of resources related to pensions (Note 16b) | 122,197,259                    | 150,278,544             |
| <b>Total deferred outflows of resources</b>                   | <b>122,197,259</b>             | <b>150,278,544</b>      |
| <b>Liabilities:</b>   |                                |                         |
| Accounts payable  | 3,999,597                      | 3,008,616               |
| Accrued liabilities   | 8,293,131                      | 14,824,059              |
| Accrued interest  | 2,083                          | 3,427                   |
| Unearned revenue (Note 9)                                     | 972,723                        | 33,116                  |
| Due to other governments (Note 8)                             | 152,192                        | 123,047                 |
| Long-term liabilities (Note 16a):                             |                                |                         |
| Other due within one year                                     | 16,972,087                     | 13,377,381              |
| Other due in more than one year                               | 69,607,212                     | 70,948,919              |
| Proportionate share net pension liability                     | 469,555,119                    | 517,833,497             |
| Net OPEB obligation   | 82,254,710                     | 66,643,396              |
| <b>Total liabilities</b>                                      | <b>651,808,854</b>             | <b>686,795,458</b>      |
| <b>Deferred Inflows of Resources:</b>                         |                                |                         |
| Deferred inflows of resources related to pensions (Note 16b)  | 55,204,447                     | 35,911,567              |
| <b>Total deferred outflows of resources</b>                   | <b>55,204,447</b>              | <b>35,911,567</b>       |
| <b>Net position:</b>  |                                |                         |
| Net investment in capital assets (Note 15b)                   | 192,430,467                    | 187,910,677             |
| Restricted for:   |                                |                         |
| Capital projects  | 533,232                        | 533,232                 |
| Other purposes  | 3,364,382                      | 2,348,678               |
| Unrestricted  | (373,102,128)                  | (351,456,505)           |
| <b>Total net position</b>                                     | <b>\$ (176,774,047)</b>        | <b>\$ (160,663,918)</b> |

See Notes to the Financial Statements



| <b>Component Unit</b>  |                   |
|------------------------|-------------------|
| <b>OCFA Foundation</b> |                   |
| <b>2017</b>            | <b>2016</b>       |
| \$ 122,585             | \$ 108,718        |
| 3,557                  | 90                |
| -                      | -                 |
| 564                    | 7,015             |
| -                      | -                 |
| -                      | -                 |
| -                      | -                 |
| 15,912                 | -                 |
| <b>142,618</b>         | <b>115,823</b>    |
| -                      | -                 |
| -                      | -                 |
| 1,038                  | 142               |
| -                      | -                 |
| -                      | -                 |
| -                      | 6,000             |
| -                      | -                 |
| -                      | -                 |
| -                      | -                 |
| -                      | -                 |
| <b>1,038</b>           | <b>6,142</b>      |
| -                      | -                 |
| -                      | -                 |
| 15,912                 | -                 |
| -                      | -                 |
| 49,518                 | 47,448            |
| 76,150                 | 62,233            |
| <b>\$ 141,580</b>      | <b>\$ 109,681</b> |

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Statement of Activities**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | <b>Primary Government</b>      |                         |
|---|--------------------------------|-------------------------|
|   | <b>Governmental Activities</b> |                         |
|   | <b>2017</b>                    | <b>2016</b>             |
| <b>Expenses:</b>                              |                                |                         |
| Public safety:                                |                                |                         |
| Salaries and benefits                         | \$ 327,515,166                 | \$ 316,292,785          |
| Services and supplies                         | 52,819,125                     | 35,127,573              |
| Depreciation and amortization (Note 15d)      | 9,512,777                      | 9,267,982               |
| Interest on long-term debt                    | 133,239                        | 917,320                 |
| <b>Total program expenses</b>                 | <b>389,980,307</b>             | <b>361,605,660</b>      |
| <b>Program revenues:</b>                      |                                |                         |
| Public safety:                                |                                |                         |
| Charges for services                          | 121,875,157                    | 117,263,679             |
| Operating grants and contributions            | 11,992,438                     | 12,165,015              |
| Capital grants and contributions              | 1,040,129                      | 3,331,088               |
| <b>Total program revenues</b>                 | <b>134,907,724</b>             | <b>132,759,782</b>      |
| Net program (expenses) revenues               | (255,072,583)                  | (228,845,878)           |
| <b>General revenues:</b>                      |                                |                         |
| Property taxes                                | 232,832,758                    | 219,840,417             |
| Investment income                             | 990,851                        | 1,654,065               |
| Gain on disposal of capital assets (Note 15e) | 657,944                        | 6,000                   |
| Miscellaneous                                 | 4,480,901                      | 2,823,503               |
| <b>Total general revenues</b>                 | <b>238,962,454</b>             | <b>224,323,985</b>      |
| Change in net position                        | (16,110,129)                   | (4,521,893)             |
| Net position at beginning of year             | (160,663,918)                  | (156,142,025)           |
| <b>Net position at end of year</b>            | <b>\$ (176,774,047)</b>        | <b>\$ (160,663,918)</b> |

See Notes to the Financial Statements

| <b>Component Unit</b>  |                   |
|------------------------|-------------------|
| <b>OCFA Foundation</b> |                   |
| <b>2017</b>            | <b>2016</b>       |
|                        |                   |
| \$ -                   | \$ -              |
| 31,183                 | 65,230            |
| 67                     | -                 |
| -                      | -                 |
| <b>31,250</b>          | <b>65,230</b>     |
|                        |                   |
| -                      | -                 |
| 55,149                 | 69,997            |
| 8,000                  | -                 |
| <b>63,149</b>          | <b>69,997</b>     |
| 31,899                 | 4,767             |
|                        |                   |
| -                      | -                 |
| -                      | -                 |
| -                      | -                 |
| -                      | -                 |
| -                      | -                 |
| 31,899                 | 4,767             |
| 109,681                | 104,914           |
| <b>\$ 141,580</b>      | <b>\$ 109,681</b> |

See Notes to the Financial Statements

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## **FUND FINANCIAL STATEMENTS**

**ORANGE COUNTY FIRE AUTHORITY**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017**  
**(With Comparative Data for Prior Year)**

|  |                       | <u>Capital</u>  |
|--|-----------------------|---|
|  | <u>General Fund</u>   | <u>Communications<br/>and Information<br/>Systems</u> |
| <b>Assets:</b>   |                       |   |
| Cash and investments (Note 4)  | \$ 112,350,568        | \$ 11,396,030   |
| Receivables:   |                       |   |
| Accounts, net (Note 5)   | 3,132,852             | -   |
| Accrued interest   | 153,958               | 19,341  |
| Prepaid costs and other assets (Note 6)                                    | 33,772,844            | 4,608   |
| Due from other governments, net (Note 7)                                   | 11,127,839            | -   |
| <b>Total assets</b>  | <b>\$ 160,538,061</b> | <b>\$ 11,419,979</b>                                  |
| <b>Liabilities:</b>  |                       |   |
| Accounts payable   | \$ 3,572,663          | \$ 26,793   |
| Accrued liabilities  | 8,293,131             | -   |
| Unearned revenue (Note 9)  | 972,723               | -   |
| Due to other governments (Note 8)  | 152,192               | -   |
| <b>Total liabilities</b>   | <b>12,990,709</b>     | <b>26,793</b>   |
| <b>Deferred Inflows of Resources:</b>                                      |                       |   |
| Unavailable revenue (Note 9)   | 190,000               | -   |
| <b>Total deferred inflows of resources</b>                                 | <b>190,000</b>        | <b>-</b>  |
| <b>Fund balances:</b>  |                       |   |
| Nonspendable - prepaid costs (Note 6)                                      | 33,750,548            | 4,608   |
| Restricted for (Note 10):  |                       |   |
| Capital improvement program  | -                     | -   |
| Operations Department  | 28,551                | -   |
| Community Risk Reduction Department  | 3,307,509             | -   |
| Organizational Planning Department   | 28,322                | -   |
| Committed to - SFF cities enhancements (Note 11)                           | 549,651               | -   |
| Assigned to (Note 12):   |                       |   |
| Capital improvement program  | 1,107,430             | 11,255,995  |
| Workers' compensation  | 75,375,829            | -   |
| Executive Management   | 66,396                | -   |
| Operations Department  | 236,943               | -   |
| Community Risk Reduction Department  | 34,759                | -   |
| Business Services Department   | 1,341,200             | -   |
| Support Services Department  | 23,307                | -   |
| Organizational Planning Department   | 62,047                | -   |
| Facilities projects  | 89,361                | -   |
| Communications and IT projects   | 8,827                 | 132,583   |
| Fire apparatus and other vehicles  | -                     | -   |
| Construction projects  | -                     | -   |
| Unassigned (Note 13)   | 31,346,672            | -   |
| <b>Total fund balances</b>   | <b>147,357,352</b>    | <b>11,393,186</b>                                     |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 160,538,061</b> | <b>\$ 11,419,979</b>                                  |

See Notes to the Financial Statements

| Projects Funds       |                                 | Total Governmental Funds |                       |
|----------------------|---------------------------------|--------------------------|-----------------------|
| Fire Apparatus       | Fire Stations<br>and Facilities | 2017                     | 2016                  |
| \$ 30,146,090        | \$ 24,301,573                   | \$ 178,194,261           | \$ 177,729,367        |
| -                    | -                               | 3,132,852                | 2,566,770             |
| 12,915               | 63,720                          | 249,934                  | 224,075               |
| -                    | -                               | 33,777,452               | 36,789,256            |
| 35,883               | -                               | 11,163,722               | 10,050,255            |
| <b>\$ 30,194,888</b> | <b>\$ 24,365,293</b>            | <b>\$ 226,518,221</b>    | <b>\$ 227,359,723</b> |
| \$ 190,845           | \$ 209,296                      | \$ 3,999,597             | \$ 3,008,616          |
| -                    | -                               | 8,293,131                | 14,824,059            |
| -                    | -                               | 972,723                  | 33,116                |
| -                    | -                               | 152,192                  | 123,047               |
| <b>190,845</b>       | <b>209,296</b>                  | <b>13,417,643</b>        | <b>17,988,838</b>     |
| -                    | -                               | 190,000                  | -                     |
| -                    | -                               | <b>190,000</b>           | -                     |
| -                    | -                               | 33,755,156               | 36,779,845            |
| -                    | 533,232                         | 533,232                  | 533,232               |
| -                    | -                               | 28,551                   | 13,867                |
| -                    | -                               | 3,307,509                | 2,334,811             |
| -                    | -                               | 28,322                   | -                     |
| -                    | -                               | 549,651                  | 584,464               |
| 13,470,899           | 23,312,309                      | 49,146,633               | 53,746,805            |
| -                    | -                               | 75,375,829               | 73,720,054            |
| -                    | -                               | 66,396                   | 36,690                |
| -                    | -                               | 236,943                  | 51,484                |
| -                    | -                               | 34,759                   | 15,845                |
| -                    | -                               | 1,341,200                | 162,699               |
| -                    | -                               | 23,307                   | 119,743               |
| -                    | -                               | 62,047                   | 21,000                |
| -                    | -                               | 89,361                   | 69,987                |
| -                    | -                               | 141,410                  | 81,624                |
| 16,533,144           | -                               | 16,533,144               | 6,663,607             |
| -                    | 310,456                         | 310,456                  | 13,135                |
| -                    | -                               | 31,346,672               | 34,421,993            |
| <b>30,004,043</b>    | <b>24,155,997</b>               | <b>212,910,578</b>       | <b>209,370,885</b>    |
| <b>\$ 30,194,888</b> | <b>\$ 24,365,293</b>            | <b>\$ 226,518,221</b>    | <b>\$ 227,359,723</b> |

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2017**  
**(With Comparative Data for Prior Year)**

|  | <u>2017</u>           | <u>2016</u>           |
|--|-----------------------|-----------------------|
| <b>Fund balances of governmental funds</b> | <b>\$ 212,910,578</b> | <b>\$ 209,370,885</b> |

**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                        | 327,630,789   | 318,064,366   |
| Accumulated depreciation/amortization | (131,487,015) | (124,043,242) |

**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 was reimbursable by the City of Santa Ana as of June 30, 2016, and therefore was 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          | (469,430,660) | (517,669,806) |
| Prepaid costs and other assets | (14,620,000)  | (11,238,000)  |
| Deferred outflows of resources | 122,180,027   | 150,243,504   |
| Deferred inflows of resources  | (55,142,127)  | (35,819,433)  |

Extra Help pension plan:

|                                |           |           |
|--------------------------------|-----------|-----------|
| Net pension liability          | (124,459) | (163,691) |
| Deferred outflows of resources | 17,232    | 35,040    |
| Deferred inflows of resources  | (62,320)  | (92,134)  |

**See Notes to the Financial Statements**



**ORANGE COUNTY FIRE AUTHORITY**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2017**  
**(Continued)**

|  | <u>2017</u>                    | <u>2016</u>                    |
|--|--------------------------------|--------------------------------|
| <b><u>Long-term Liabilities and Receivables, (Continued)</u></b>   |                                |                                |
| Capital lease purchase agreements  | (3,713,307)                    | (6,110,447)                    |
| Accrued claims and judgments   | (65,928,152)                   | (61,196,645)                   |
| Compensated absences   | (16,937,840)                   | (17,019,208)                   |
| Long-term receivable for compensated absences  | -                              | 1,621,716                      |
| Net OPEB obligation  | (82,254,710)                   | (66,643,396)                   |
| <b><u>Accrued Interest</u></b>   |                                |                                |
| 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.  | (2,083)                        | (3,427)                        |
| <b><u>Unavailable Revenues</u></b>   |                                |                                |
| 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. |                                |                                |
| Accounts receivable, net - Station 61 fire insurance claim   | 190,000                        | -                              |
| <b>Net position of governmental activities</b>   | <b><u>\$ (176,774,047)</u></b> | <b><u>\$ (160,663,918)</u></b> |

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, 2017**  
**(With Comparative Data for Prior Year)**

|  |                       | <u>Capital</u>  |
|--|-----------------------|---|
|  | <u>General Fund</u>   | <u>Communications<br/>and Information<br/>Systems</u> |
| <b>Revenues:</b>   |                       |   |
| Taxes  | \$ 232,832,758        | \$ -  |
| Intergovernmental  | 29,069,065            | -   |
| Charges for services   | 104,710,870           | -   |
| Use of money and property                                    | 830,271               | 120,120   |
| Miscellaneous  | 4,123,033             | 203,512   |
| Developer contributions                                      | -                     | -   |
| <b>Total revenues</b>  | <b>371,565,997</b>    | <b>323,632</b>  |
| <b>Expenditures:</b>   |                       |   |
| Current - public safety:                                     |                       |   |
| Salaries and benefits  | 309,507,433           | -   |
| Services and supplies  | 41,531,206            | 6,536,197   |
| Capital outlay   | 4,637,358             | 710,336   |
| Debt service:  |                       |   |
| Principal retirement   | -                     | -   |
| Interest and fiscal charges                                  | 266,304               | -   |
| <b>Total expenditures</b>                                    | <b>355,942,301</b>    | <b>7,246,533</b>                                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | 15,623,696            | (6,922,901)   |
| <b>Other financing sources (uses):</b>                       |                       |   |
| Transfers in (Note 14)                                       | 5,552,492             | 4,866,307   |
| Transfers out (Note 14)                                      | (28,171,607)          | (5,552,492)   |
| Sale of capital and other assets (Note 15e)                  | 76,633                | -   |
| Insurance recoveries (Note 15e)                              | 1,218,433             | -   |
| <b>Total other financing sources (uses)</b>                  | <b>(21,324,049)</b>   | <b>(686,185)</b>                                      |
| Net change in fund balances                                  | (5,700,353)           | (7,609,086)   |
| Fund balances, beginning of year                             | 153,057,705           | 19,002,272  |
| <b>Fund balances, end of year</b>                            | <b>\$ 147,357,352</b> | <b>\$ 11,393,186</b>                                  |

See Notes to the Financial Statements

| <b>Projects Funds</b> |                                     | <b>Total Governmental Funds</b> |                       |
|-----------------------|-------------------------------------|---------------------------------|-----------------------|
| <b>Fire Apparatus</b> | <b>Fire Stations and Facilities</b> | <b>2017</b>                     | <b>2016</b>           |
| \$ -                  | \$ -                                | \$ 232,832,758                  | \$ 219,840,417        |
| -                     | -                                   | 29,069,065                      | 25,978,081            |
| 1,350,190             | -                                   | 106,061,060                     | 103,830,436           |
| 165,829               | 140,935                             | 1,257,155                       | 1,671,316             |
| 124,886               | 120,546                             | 4,571,977                       | 2,786,173             |
| -                     | 962,627                             | 962,627                         | 3,233,082             |
| <b>1,640,905</b>      | <b>1,224,108</b>                    | <b>374,754,642</b>              | <b>357,339,505</b>    |
| -                     | -                                   | 309,507,433                     | 294,414,084           |
| 9,358                 | 10,857                              | 48,087,618                      | 36,303,618            |
| 5,953,342             | 815,901                             | 12,116,937                      | 3,996,650             |
| 2,397,140             | -                                   | 2,397,140                       | 2,336,279             |
| 134,583               | -                                   | 400,887                         | 935,881               |
| <b>8,494,423</b>      | <b>826,758</b>                      | <b>372,510,015</b>              | <b>337,986,512</b>    |
| (6,853,518)           | 397,350                             | 2,244,627                       | 19,352,993            |
| 15,405,300            | 7,900,000                           | 33,724,099                      | 78,187                |
| -                     | -                                   | (33,724,099)                    | (78,187)              |
| -                     | -                                   | 76,633                          | 24,470                |
| -                     | -                                   | 1,218,433                       | 121,288               |
| <b>15,405,300</b>     | <b>7,900,000</b>                    | <b>1,295,066</b>                | <b>145,758</b>        |
| 8,551,782             | 8,297,350                           | 3,539,693                       | 19,498,751            |
| 21,452,261            | 15,858,647                          | 209,370,885                     | 189,872,134           |
| <b>\$ 30,004,043</b>  | <b>\$ 24,155,997</b>                | <b>\$ 212,910,578</b>           | <b>\$ 209,370,885</b> |

See Notes to the Financial Statements

**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, 2017**  
**(With Comparative Data for Prior Year)**

|   | <u>2017</u>         | <u>2016</u>          |
|---|---------------------|----------------------|
| <b>Net change in fund balances - total governmental funds</b> | <b>\$ 3,539,693</b> | <b>\$ 19,498,751</b> |

**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                    | 12,116,937  | 3,996,650   |
| Depreciation/amortization expense | (9,512,777) | (9,267,982) |

Capital assets received through grant or donation are recognized as revenue in the Statement of Activities at their estimated acquisition value at time of receipt.

|                                |        |        |
|--------------------------------|--------|--------|
| From OCFA Foundation           | -      | 10,000 |
| From other grantors and donors | 77,502 | 44,984 |

Governmental funds report the proceeds from disposal 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                            | (2,628,016) | (340,820) |
| Accumulated depreciation/amortization on disposals | 2,069,004   | 331,450   |

**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.

|  |           |           |
|--|-----------|-----------|
|  | 2,397,140 | 2,336,279 |
|--|-----------|-----------|

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                                   | (2,529,025) | (12,090,983) |
| Extra Help pension plan                              | 51,238      | 25,659       |
| Accrued claims and judgments - workers' compensation | (4,731,507) | 1,176,045    |

**See Notes to the Financial Statements**

**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, 2017**  
**(Continued)**

|  | <u>2017</u>                   | <u>2016</u>                  |
|--|-------------------------------|------------------------------|
| Compensated absences - Santa Ana general leave   | 1,621,716                     | 113,772                      |
| Compensated absences - other leave balances  | (1,540,348)                   | (836,879)                    |
| A long-term receivable was established in the Statement of Net Position for the portion of compensated absences reimbursable by the City of Santa Ana. The receivable balance was reduced over time as leave balances were used by employees and subsequently reimbursed by the city. Those reimbursements were reported as revenue in the governmental funds. | (1,621,716)                   | (113,772)                    |
| 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.  | (15,611,314)                  | (9,090,270)                  |
| <b><u>Accrued Interest</u></b>   |                               |                              |
| 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.   | 1,344                         | 1,310                        |
| <b><u>Unavailable Revenues</u></b>   |                               |                              |
| 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.  |                               |                              |
| Charges for services - Santa Ana start-up costs  | -                             | (316,087)                    |
| Insurance recoveries - Station 61 fire insurance claim   | 190,000                       | -                            |
| <b><u>Interfund Transactions</u></b>   |                               |                              |
| Transactions between governmental funds are eliminated for presentation in the government-wide financial statements.   |                               |                              |
| Transfers in   | (33,724,099)                  | (78,187)                     |
| Transfers out  | 33,724,099                    | 78,187                       |
| Use of money and property  | (266,304)                     | (17,251)                     |
| Interest and fiscal charges  | 266,304                       | 17,251                       |
| <b>Change in net position of governmental activities</b>   | <b><u>\$ (16,110,129)</u></b> | <b><u>\$ (4,521,893)</u></b> |

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**General Fund**  
**Budgetary Comparison Statement**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | 2017                  |                       |                       |   | 2016                  |
|---|-----------------------|-----------------------|-----------------------|---|-----------------------|
|   | Budget Amounts        |                       | Actual                | Variance with<br>Final Budget<br>Positive<br>(Negative) | Actual                |
|   | Original              | Final                 | Amounts               |   | Amounts               |
| <b>Budgetary fund<br/>balance, July 1</b>       | <b>\$ 153,057,705</b> | <b>\$ 153,057,705</b> | <b>\$ 153,057,705</b> | <b>\$ -</b>   | <b>\$ 133,255,605</b> |
| <b>Resources (inflows):</b>                     |                       |                       |                       |   |                       |
| Taxes   | 227,439,867           | 230,301,459           | 232,832,758           | 2,531,299   | 219,840,417           |
| Intergovernmental                               | 15,392,901            | 27,567,139            | 29,069,065            | 1,501,926   | 25,978,081            |
| Charges for services                            | 102,840,465           | 102,816,931           | 104,710,870           | 1,893,939   | 102,408,896           |
| Use of money<br>and property                    | 1,535,797             | 785,775               | 830,271               | 44,496  | 1,353,083             |
| Miscellaneous                                   | 1,062,197             | 3,873,324             | 4,123,033             | 249,709   | 2,096,571             |
| Transfers in                                    | -                     | -                     | 5,552,492             | 5,552,492   | -                     |
| Sale of capital<br>and other assets             | 50,000                | 38,000                | 76,633                | 38,633  | 24,470                |
| Insurance recoveries                            | -                     | 51,130                | 1,218,433             | 1,167,303   | 121,288               |
| <b>Total resources<br/>(inflows)</b>            | <b>348,321,227</b>    | <b>365,433,758</b>    | <b>378,413,555</b>    | <b>12,979,797</b>                                       | <b>351,822,806</b>    |
| <b>Amounts available<br/>for appropriations</b> | <b>501,378,932</b>    | <b>518,491,463</b>    | <b>531,471,260</b>    | <b>12,979,797</b>                                       | <b>485,078,411</b>    |
| <b>Charges to<br/>appropriation (outflows):</b> |                       |                       |                       |   |                       |
| Salaries and benefits                           | 283,291,422           | 308,555,469           | 309,507,433           | (951,964)   | 294,414,084           |
| Services and supplies                           | 36,474,966            | 46,880,766            | 41,531,206            | 5,349,560   | 36,165,092            |
| Capital outlay                                  | 1,088,683             | 5,929,181             | 4,637,358             | 1,291,823   | 622,906               |
| Interest and<br>fiscal charges                  | 754,436               | 212,800               | 266,304               | (53,504)  | 740,437               |
| Transfers out                                   | 22,579,894            | 28,171,607            | 28,171,607            | -   | 78,187                |
| <b>Total charges<br/>to appropriations</b>      | <b>344,189,401</b>    | <b>389,749,823</b>    | <b>384,113,908</b>    | <b>5,635,915</b>  | <b>332,020,706</b>    |
| <b>Budgetary fund<br/>balance, June 30</b>      | <b>\$ 157,189,531</b> | <b>\$ 128,741,640</b> | <b>\$ 147,357,352</b> | <b>\$ 18,615,712</b>                                    | <b>\$ 153,057,705</b> |

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | <b>Pension<br/>Trust Funds</b>   | <b>Total Pension Trust Funds</b> |                  |
|---|----------------------------------|----------------------------------|------------------|
|   | <b>Extra Help<br/>Retirement</b> | <b>2017</b>                      | <b>2016</b>      |
| <b>Assets:</b>                              |                                  |                                  |                  |
| Cash and investments (Note 4):              |                                  |                                  |                  |
| Local Agency Investment Fund -              |                                  |                                  |                  |
| Domestic fixed income securities            | \$ 67,754                        | \$ 67,754                        | \$ 74,798        |
| <b>Total assets</b>                         | <b>67,754</b>                    | <b>67,754</b>                    | <b>74,798</b>    |
| <br>  |                                  |                                  |                  |
| <b>Net position restricted for pensions</b> | <b>\$ 67,754</b>                 | <b>\$ 67,754</b>                 | <b>\$ 74,798</b> |

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|  | <b>Pension<br/>Trust Funds</b>   | <b>Total Pension Trust Funds</b> |                                |
|--|----------------------------------|----------------------------------|--------------------------------|
|  | <b>Extra Help<br/>Retirement</b> | <b>2017</b>                      | <b>2016</b>                    |
| <b>Additions:</b>  |                                  |                                  |                                |
| Contributions:   |                                  |                                  |                                |
| Employer   | \$ 839                           | \$ 839                           | \$ 2,267                       |
| Plan members   | 21,080                           | 21,080                           | 8,923                          |
| Total contributions  | <u>21,919</u>                    | <u>21,919</u>                    | <u>11,190</u>                  |
| Net investment income:   |                                  |                                  |                                |
| Interest   | 2,407                            | 2,407                            | 1,219                          |
| Total net investment income                                    | <u>2,407</u>                     | <u>2,407</u>                     | <u>1,219</u>                   |
| <b>Total additions</b>   | <u><b>24,326</b></u>             | <u><b>24,326</b></u>             | <u><b>12,409</b></u>           |
| <b>Deductions:</b>   |                                  |                                  |                                |
| Benefits and refunds paid to<br>plan members and beneficiaries | <u>31,370</u>                    | <u>31,370</u>                    | <u>10,642</u>                  |
| <b>Total deductions</b>  | <u><b>31,370</b></u>             | <u><b>31,370</b></u>             | <u><b>10,642</b></u>           |
| Change in net position   | (7,044)                          | (7,044)                          | 1,767                          |
| Net position, beginning of year                                | 74,798                           | 74,798                           | 73,031                         |
| <b>Net position, end of year</b>                               | <u><u><b>\$ 67,754</b></u></u>   | <u><u><b>\$ 67,754</b></u></u>   | <u><u><b>\$ 74,798</b></u></u> |

See Notes to the Financial Statements



**ORANGE COUNTY FIRE AUTHORITY**

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**Year ended June 30, 2017**

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# **ORANGE COUNTY FIRE AUTHORITY**

## **Notes to the Financial Statements**

**Year ended June 30, 2017**

### **(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 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 OCFA will be conveyed or distributed to each member in proportion to all funds provided to 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 discretely presented 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 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, 2017, 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 OCFA as a whole, excluding its fiduciary activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. During the course of operations, OCFA has activity between its governmental funds for various purposes. Residual balances at the end of the fiscal year, interfund transfers, and other transactions between governmental funds, if any, are eliminated in the preparation of the government-wide financial 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 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 or

more. 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 acquisition 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. Capital assets received in a service concession arrangement, if any, are reported at acquisition value. 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. 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) have been accrued when incurred in the government-wide 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 effective interest 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, 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"), 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 sub-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, 2017.

|   | Fund Balance<br>as of<br>June 30, 2017 |
|---|--|
| Budgetary basis:                                  |  |
| General Operating Fund                            | \$ 70,222,900                          |
| General Fund Capital Improvement Program (CIP)    | 1,208,972                              |
| Structural Fire Entitlement                       | 549,651                                |
| Self Insurance                                    | <u>75,375,829</u>                      |
| General Fund for financial statement presentation | <u>\$147,357,352</u>                   |

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<br>Budget   | Increase/<br>(Decrease) | Final<br>Budget      |
|--|----------------------|-------------------------|----------------------|
| General Fund                           | \$344,189,401        | \$45,560,422            | \$389,749,823        |
| Communications and Information Systems | 9,619,832            | (145,635)               | 9,474,197            |
| Fire Apparatus                         | 16,511,788           | 11,951,401              | 28,463,189           |
| Fire Stations and Facilities           | <u>8,388,135</u>     | <u>547,569</u>          | <u>8,935,704</u>     |
| Total budgeted governmental funds      | <u>\$378,709,156</u> | <u>\$57,913,757</u>     | <u>\$436,622,913</u> |

(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.

(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 governmental 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 fiscal year. All appropriations lapse at year-end with the exception of encumbered appropriations, which are effectually re-appropriated in the ensuing year's budget.

**(d) Expenditures in Excess of Appropriations**

For the year ended June 30, 2017, actual expenditures exceeded appropriations in the Communications and Information Systems Fund by \$3,324,828. The variance was caused primarily by an unbudgeted transfer out to the General Fund totaling \$5,552,492, which was reported in accordance with OCFA's *Assigned Fund Balance Policy*.

**(3) Impairment of Capital Assets**

On January 12, 2017, a significant and unexpected fire occurred at Fire Station No. 61 in Buena Park, resulting in extensive damage to the station and its contents. Although the station itself is owned by the City of Buena Park, vehicles and equipment items located within the station at the time of the fire were owned by OCFA. The physical damage sustained by these capital assets resulted in a significant and unexpected decline in their utility service. Although still in the possession of OCFA as of June 30, 2017, capital assets meeting the criteria for impairment are reported in the financial statements as follows:

| Capital Asset Category<br>and Description                            | Original<br>Cost   | Accumulated<br>Depreciation as of<br>January 12, 2017 | Amount of<br>Impairment | Carrying Value as<br>of June 30, 2017 | Insurance Recoveries |                              |  |
|--|--------------------|---|-------------------------|---------------------------------------|----------------------|------------------------------|--|
|  |                    |   |                         |                                       | Cash<br>Received     | Estimated<br>Receivable, Net | Impairment<br>Gain (Loss) on<br>Capital Assets |
| <b>Vehicles:</b>   |                    |   |                         |                                       |                      |                              |  |
| Squad, Ford F550   | \$ 82,159          | \$ 68,466   | \$ 13,693               | \$ -                                  | \$ 74,850            | \$ -                         | \$ 61,157                                      |
| SUV, Chevrolet Suburban<br>Truck, 100' Tractor<br>Drawn Aerial Quint | 64,170             | 64,170  | -                       | -                                     | 80,000               | -                            | 80,000   |
|  | 898,655            | 449,327   | 449,328                 | -                                     | 1,000,000            | -                            | 550,672  |
| <b>Equipment:</b>  |                    |   |                         |                                       |                      |                              |  |
| Boat   | 11,706             | 11,706  | -                       | -                                     | 11,706               | -                            | 11,706   |
| Camera, Thermal Imaging  | 8,117              | 2,503   | 5,614                   | -                                     | -                    | 2,000                        | (3,614)  |
| Defibrillator, Zoll E-Series   | 12,776             | 12,168  | 608                     | -                                     | -                    | 2,500                        | 1,892  |
| Defibrillator, Zoll E-Series   | 12,776             | 12,168  | 608                     | -                                     | -                    | 2,500                        | 1,892  |
| Hydraulic Tool, Combination  | 10,897             | 1,635   | 9,262                   | -                                     | -                    | 2,000                        | (7,262)  |
| Hydraulic Tool, Cutter   | 5,962              | 2,037   | 3,925                   | -                                     | -                    | 1,000                        | (2,925)  |
| Hydraulic Tool, Power Unit   | 6,753              | 6,753   | -                       | -                                     | -                    | 1,000                        | 1,000  |
| Hydraulic Tool, Spreader   | 7,881              | 4,334   | 3,547                   | -                                     | -                    | 2,000                        | (1,547)  |
| <b>Total</b>   | <b>\$1,121,852</b> | <b>\$635,267</b>                                      | <b>\$486,585</b>        | <b>\$ -</b>                           | <b>\$1,166,556</b>   | <b>\$13,000</b>              | <b>\$692,971</b>                               |

Insurance recoveries are reported as other financing sources in the General Fund of the governmental fund

financial statements. The capital asset impairment gain is reported as a general revenue in the governmental activities of the government-wide financial statements.

During Fiscal Year 2016/17, OCFA received \$1,166,556 from its insurance carrier for capital assets that were covered under the auto liability coverage. For all items covered under the general liability policy, including those capital equipment items identified above, OCFA has established an estimated receivable from its insurance carrier as of June 30, 2017, in the amount of \$952,000. That receivable is offset by an 80% allowance for doubtful accounts in the amount of \$762,000. The net difference of \$190,000 is reported as accounts receivable in the governmental activities of the government-wide financial statements, with the portion pertaining to capital assets totaling \$13,000.

In the fund financial statements, OCFA's non-property tax revenues are only recognized when they are collected or expected to be collected within 180 days of the end of the fiscal year. As such, the \$190,000 estimated net receivable from the insurance carrier is offset by unavailable revenue in the General Fund, rather than being recognized as insurance recoveries (other financing sources).

#### **(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 balance sheet as cash and investments.

Cash and investments as of June 30, 2017, are reported in the financial statements as follows:

|   |                      |
|---|----------------------|
| Statement of Net Position:                            |                      |
| Governmental activities                               | \$178,194,261        |
| Discretely presented component unit – OCFA Foundation | 122,585              |
| Statement of Fiduciary Net Position:                  |                      |
| Fiduciary funds                                       | <u>67,754</u>        |
| Total cash and investments                            | <u>\$178,384,600</u> |

Cash and investments consist of the following as of June 30, 2017:

|                            |                      |
|----------------------------|----------------------|
| Petty cash / cash on hand  | \$ 16,074            |
| Demand deposits            | 198,993              |
| Investments                | <u>178,169,533</u>   |
| Total cash and investments | <u>\$178,384,600</u> |

##### **(b) Demand Deposits**

At June 30, 2017, the carrying amount of OCFA's demand deposits was \$198,993 and the bank balance was \$1,023,332. The \$824,339 difference represents outstanding checks and other reconciling items.

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% <sup>(1)</sup>                        | 75% <sup>(1)</sup>                      |
| Bankers' acceptances               | 180 days         | 25% <sup>(1)</sup>                        | 25% <sup>(1)</sup>                      |
| Commercial paper                   | 270 days         | 15% <sup>(1)</sup>                        | 15% <sup>(1)</sup>                      |
| Negotiable certificates of deposit | 5 years          | 25% <sup>(1)</sup>                        | 25% <sup>(1)</sup>                      |
| Repurchase agreements              | 14 days          | 15% <sup>(1)</sup>                        | 15% <sup>(1)</sup>                      |
| Money market mutual funds          | n/a              | 15% <sup>(1,2)</sup>                      | 15% <sup>(1,2)</sup>                    |
| Local Agency Investment Fund       | n/a              | 75% <sup>(1)</sup>                        | 75% <sup>(1)</sup>                      |

(1) Based on OCFA investment policy requirement, which is more restrictive than state law

(2) No limit on automatic overnight sweep

(d) Local Agency Investment Fund

OCFA is a voluntary participant in the 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 and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of OCFA's investment in this pool, which approximates cost, is reported in the accompanying financial statements based on OCFA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the

accounting records maintained by LAIF, which are recorded on an amortized cost basis and reported as cash equivalents in the Statement of Net Position. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. Deposits and withdrawals to and from LAIF are made on the basis of \$1 and not at fair value. Accordingly, under the fair value hierarchy, the investment with LAIF is uncategorized.

The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. The value of OCFA's LAIF deposits as of June 30, 2017, was \$64,456,210 and had a weighted average maturity of 194 days. LAIF is not rated as to credit risk by a nationally recognized statistical rating organization.

LAIF is administered by the State Treasurer's Office and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office, 915 Capitol Mall, Sacramento, California 95814.

(e) GASB Statement No. 72

GASB Statement No. 72, *Fair Value Measurement and Application*, 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 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 as of June 30, 2017:

|                            | Fair Value Hierarchy Level |                      |             | Total                |
|----------------------------|----------------------------|----------------------|-------------|----------------------|
|                            | Level 1                    | Level 2              | Level 3     |                      |
| U.S. Treasury obligations  | \$ -                       | \$ 18,947,900        | \$ -        | \$ 18,947,900        |
| Federal agency securities  | -                          | 82,795,940           | -           | 82,795,940           |
| Money market mutual funds  | -                          | 11,969,483           | -           | 11,969,483           |
|                            | <u>\$ -</u>                | <u>\$113,713,323</u> | <u>\$ -</u> | 113,713,323          |
| Uncategorized investments: |                            |                      |             |                      |
| LAIF                       |                            |                      |             | <u>64,456,210</u>    |
|                            |                            |                      |             | <u>\$178,169,533</u> |

U.S. Treasury obligations and 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*.

(f) 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<br>Rating<br>Required | Rating at Year-End   |                     |                      |
|---------------------------|-------------------------------|----------------------|---------------------|----------------------|
|                           |                               | Aaa/ AA+/<br>AAA     | Unrated             | Total                |
| U.S. Treasury obligations | N/A                           | \$ 18,947,900        | \$ -                | \$ 18,947,900        |
| Federal agency securities | N/A                           | 82,795,940           | -                   | 82,795,940           |
| Money market mutual funds | Aaa/AAA                       | -                    | 11,969,483          | 11,969,483           |
| LAIF                      | N/A                           | -                    | 64,456,210          | 64,456,210           |
| Total                     |                               | <u>\$101,743,840</u> | <u>\$76,425,693</u> | <u>\$178,169,533</u> |

(g) 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, 2017, none of the OCFA's deposits or investments was exposed to disclosable custodial credit risk.

(h) 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, 2017, 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, 2017, are summarized below.

| Issuer  | Fair Value   | % of Portfolio |
|---|--------------|----------------|
| Federal Home Loan Mortgage Corp (Freddie Mac) | \$44,922,150 | 25.2%          |
| Federal Home Loan Bank (FHLB)                 | 20,976,990   | 11.8%          |
| Federal Farm Credit Bank (FFCB)               | 16,896,800   | 9.5%           |



(i) 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, 2017, the OCFA had the following investments and maturities:

|                           | Investment Maturities in Months |                     |                     | Total                |
|---------------------------|---------------------------------|---------------------|---------------------|----------------------|
|                           | 6 or Less                       | 7 to 12             | 13 to 60            |                      |
| U.S. Treasury obligations | \$18,947,900                    | \$ -                | \$ -                | \$ 18,947,900        |
| Federal agency securities | 47,909,940                      | 8,985,150           | 25,900,850          | 82,795,940           |
| Money market mutual funds | 11,969,483                      | -                   | -                   | 11,969,483           |
| LAIF                      | -                               | 64,456,210          | -                   | 64,456,210           |
| Total                     | <u>\$78,827,323</u>             | <u>\$73,441,360</u> | <u>\$25,900,850</u> | <u>\$178,169,533</u> |

As of June 30, 2017, 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  |
|---|--------------|---------------|---------------|-------------|
| Federal Farm Credit Bank (FFCB)               | Anytime      | 0.559%        | 10/15/2018    | \$9,956,300 |
| Federal Home Loan Mortgage Corp (Freddie Mac) | 10/25/2017   | 1.100%        | 10/25/2019    | 9,004,050   |
| Federal Farm Credit Bank (FFCB)               | 8/1/2017     | 1.375%        | 8/1/2019      | 6,940,500   |

**(5) Accounts Receivable**

Accounts receivable, net of an allowance for doubtful accounts, consists of the following as of June 30, 2017:

|                                 | Governmental Funds | Component Unit  |
|---------------------------------|--------------------|-----------------|
|                                 | General Fund       | OCFA Foundation |
| Fire prevention/late fees       | \$ 825,630         | \$ -            |
| Ambulance/other reimbursements  | 2,172,082          | -               |
| Station 61 fire insurance claim | 952,000            | -               |
| Other/miscellaneous             | 54,508             | 3,557           |
| Accounts receivable             | 4,004,220          | 3,557           |
| Allowance for doubtful accounts | <u>(871,368)</u>   | <u>-</u>        |
| Accounts receivable, net        | <u>\$3,132,852</u> | <u>\$3,557</u>  |

**(6) Prepaid Costs, Other Assets, and Nonspendable Fund Balance of Governmental Funds**

Prepaid costs and other assets consist of the following as of June 30, 2017:

|                               | <u>Governmental Funds</u> |   | <u>Primary Government</u>      | <u>Component Unit</u>  |
|-------------------------------|---------------------------|---|--------------------------------|------------------------|
|                               | <u>General Fund</u>       | <u>Communications and Information Systems</u> | <u>Governmental Activities</u> | <u>OCFA Foundation</u> |
| Prepaid costs:                |                           |   |                                |                        |
| Retirement contributions:     |                           |   |                                |                        |
| Fiscal Year 2017/18           | \$31,676,810              | \$ -  | \$17,056,810                   | \$ -                   |
| Fiscal Year 2016/17           | 1,376,158                 | -   | 1,376,158                      | -                      |
| Maintenance and support       | 580,277                   | 4,608   | 584,885                        | -                      |
| Subscriptions and memberships | 27,508                    | -   | 27,508                         | -                      |
| Warranties                    | 5,746                     | -   | 5,746                          | -                      |
| Other                         | <u>84,049</u>             | <u>-</u>                                      | <u>84,049</u>                  | <u>564</u>             |
| Total prepaid costs           | 33,750,548                | 4,608   | 19,135,156                     | 564                    |
| Other assets:                 |                           |   |                                |                        |
| Health spending deposits      | 22,296                    | -   | 22,296                         | -                      |
| Total                         | <u>\$33,772,844</u>       | <u>\$4,608</u>                                | <u>\$19,157,452</u>            | <u>\$564</u>           |

In October 2015 and January 2016, OCFA prepaid a portion of its Fiscal Year 2016/17 retirement contributions to the Orange County Employees Retirement System (OCERS) totaling a combined \$35,000,000. In January 2017, OCFA prepaid a portion of its Fiscal Year 2017/18 retirement contributions to OCERS totaling \$31,676,810. In the governmental funds, the unamortized balance of the January 2016 prepayment totaled \$1,376,158 as of June 30, 2017, due to the timing of the pay period calendar. The entire amount of the January 2017 prepayment was unamortized as of June 30, 2017. In the governmental activities, a portion of Fiscal Year 2017/18 prepaid retirement contributions totaling \$14,620,000 was reported as a deferred outflow of resources related to pensions, since the contributions will reduce the net pension liability with OCERS prior to the Plan's next measurement date.

Other prepaid costs and assets as of June 30, 2017, included various equipment warranties on laptops, computers, and tablets; other amounts such as annual maintenance and support fees, subscriptions, and professional memberships; and deposits with the third party administrator of an employee benefit flexible health spending program.

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 totaled \$33,755,156 as of June 30, 2017, and is reported in the General Fund (\$33,750,548) and the Communications and Information Systems Fund (\$4,608).

**(7) Due from Other Governments**

Amounts due from other governments, net of an allowance for doubtful accounts, consist of the following as of June 30, 2017:

|                                     | Governmental Funds  |                 |                     | Primary Government      |
|-------------------------------------|---------------------|-----------------|---------------------|-------------------------|
|                                     | General Fund        | Fire Apparatus  | Total               | Governmental Activities |
| Fire protection and other services: |                     |                 |                     |                         |
| Cash contract cities                | \$ 1,486,535        | \$35,883        | \$ 1,522,418        | \$ 1,522,418            |
| State responsibility area           | 2,614,000           | -               | 2,614,000           | 2,614,000               |
| Airport rescue firefighting         | 376,253             | -               | 376,253             | 376,253                 |
| Other services                      | <u>149,320</u>      | <u>-</u>        | <u>149,320</u>      | <u>149,320</u>          |
| Subtotal                            | 4,626,108           | 35,883          | 4,661,991           | 4,661,991               |
| Assistance by hire/activation       | 2,388,715           | -               | 2,388,715           | 2,388,715               |
| Grants                              | 307,254             | -               | 307,254             | 307,254                 |
| Property tax/tax increment          | 3,840,465           | -               | 3,840,465           | 3,840,465               |
| Other/miscellaneous                 | <u>25,922</u>       | <u>-</u>        | <u>25,922</u>       | <u>25,922</u>           |
| Due from other governments          | 11,188,464          | 35,883          | 11,224,347          | 11,224,347              |
| Allowance for doubtful accounts     | <u>(60,625)</u>     | <u>-</u>        | <u>(60,625)</u>     | <u>(60,625)</u>         |
| Due from other governments, net     | <u>\$11,127,839</u> | <u>\$35,883</u> | <u>\$11,163,722</u> | <u>\$11,163,722</u>     |

#### **(8) Due to Other Governments**

As of June 30, 2017, due to other governments totaling \$152,192, 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.

#### **(9) Unearned and Unavailable Revenue**

Revenue amounts that have been collected but are *unearned* are reported as liabilities of both the governmental activities and the governmental funds. Revenue amounts that have been earned but are considered *unavailable* to finance the expenditures of the current fiscal period are reported as deferred inflows of resources of the governmental funds. Unearned and unavailable revenues consist of the following as of June 30, 2017:

|  | Governmental Funds | Primary Government      |
|--|--------------------|-------------------------|
|  | General Fund       | Governmental Activities |
| Unearned revenue:  |                    |                         |
| Helicopter hangar rental deposits                              | \$ 16,612          | \$ 16,612               |
| Helicopter hangar rent – July 2017                             | 5,302              | 5,302                   |
| Cell tower rent – July 2017                                    | 3,679              | 3,679                   |
| Hazardous materials course registration – July and August 2017 | 18,900             | 18,900                  |
| Zoll Medical Corp trade-in credit                              | 917,045            | 917,045                 |
| Miscellaneous cash advances                                    | <u>11,185</u>      | <u>11,185</u>           |
| Total  | <u>\$972,723</u>   | <u>\$972,723</u>        |
| Unavailable revenue:   |                    |                         |
| Station 61 fire insurance claim recoveries                     | <u>\$190,000</u>   |                         |

**(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; donations for specific programs; and state funding restricted for drought augmentation activities. 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, 2017:

| Purpose of<br>encumbrances:                            | General Fund             |  |  | Fire Stations<br>and Facilities   | Total              |
|--|--------------------------|--|--|-----------------------------------|--------------------|
|  | Operations<br>Department | Community<br>Risk<br>Reduction<br>Department | Organizational<br>Planning<br>Department | Capital<br>Improvement<br>Program |                    |
| Urban Search and<br>Rescue and other<br>grant programs | \$26,073                 | \$ -   | \$21,620                                 | \$ -                              | \$ 47,693          |
| California Joint<br>Apprenticeship<br>Committee        | -                        | -  | 6,702                                    | -                                 | 6,702              |
|  | 26,073                   | -  | 28,322                                   | -                                 | 54,395             |
| Donations – disaster<br>preparation academy            | 2,478                    | -  | -  | -                                 | 2,478              |
| Drought augmentation                                   | -                        | 3,307,509                                    | -  | -                                 | 3,307,509          |
| CALFIRE station(s)                                     | -                        | -  | -  | 533,232                           | 533,232            |
| Total  | <u>\$28,551</u>          | <u>\$3,307,509</u>                           | <u>\$28,322</u>                          | <u>\$533,232</u>                  | <u>\$3,897,614</u> |

**(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, 2017, the remaining unspent amount, plus accrued interest earnings, totaling \$549,651 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   | \$ 282           |
| Irvine        | 500,415          |
| Laguna Niguel | 48,954           |
| Total         | <u>\$549,651</u> |

## **(12) Fund Balance of Governmental Funds – Assigned**

Assigned fund balance includes the following as of June 30, 2017:

|                                   |                      |
|-----------------------------------|----------------------|
| Capital Improvement Program       | \$ 49,146,633        |
| Workers' compensation             | 75,375,829           |
| Assigned, unexpended encumbrances | <u>18,839,023</u>    |
| Total                             | <u>\$143,361,485</u> |

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 \$49,146,633 as of June 30, 2017, and is reported in the General Fund (\$1,107,430), Communications and Information Systems Fund (\$11,255,995), Fire Apparatus Fund (\$13,470,899) and Fire Stations and Facilities Fund (\$23,312,309).
- 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 \$75,375,829 as of June 30, 2017.

Assigned fund balance pertaining to unexpended encumbrances outstanding as of June 30, 2017, totaled \$18,839,023 and is summarized below for each governmental fund:

| Purpose of Encumbrance                    | Communications and<br>Information Systems | Fire Apparatus                       | Fire Stations<br>and Facilities |
|---|---|--------------------------------------|---------------------------------|
|   | Communications<br>and IT Projects         | Fire Apparatus and<br>Other Vehicles | Construction<br>Projects        |
| 100' tractor drawn aerial quints          | \$ -                                      | \$ 9,650,863                         | \$ -                            |
| Type 1 engines                            | -   | 5,677,517                            | -                               |
| Type 6 brush patrols and paramedic squads | -   | 1,013,050                            | -                               |
| Suburbans                                 | -   | 191,714                              | -                               |
| Urban Search and Rescue                   |   |                                      |                                 |
| warehouse improvements                    | -   | -                                    | 196,766                         |
| RFOTC emergency power extension           | -   | -                                    | 113,690                         |
| 800 MHz radio programming                 | 71,132                                    | -                                    | -                               |
| RFOTC audio visual upgrade project        | <u>61,451</u>                             | -                                    | -                               |
| Total                                     | <u>\$132,583</u>                          | <u>\$16,533,144</u>                  | <u>\$310,456</u>                |

| Purpose of Encumbrance  | General Fund         |                       |                                     |                    |                             |                                    |                     |                                |                    |
|---|----------------------|-----------------------|-------------------------------------|--------------------|-----------------------------|------------------------------------|---------------------|--------------------------------|--------------------|
|   | Executive Management | Operations Department | Community Risk Reduction Department | Business Services  | Support Services Department | Organizational Planning Department | Facilities Projects | Communications and IT Projects | Total              |
| Turnout coats and pants   | \$ -                 | \$ -                  | \$ -                                | \$1,011,663        | \$ -                        | \$ -                               | \$ -                | \$ -                           | \$1,011,663        |
| Installation of flight director systems on Bell 412 helicopters | -                    | 179,793               | -                                   | -                  | -                           | -                                  | -                   | -                              | 179,793            |
| Fire shelters   | -                    | -                     | -                                   | 163,524            | -                           | -                                  | -                   | -                              | 163,524            |
| Legal advice on pension liability                               | 66,396               | -                     | -                                   | -                  | -                           | -                                  | -                   | -                              | 66,396             |
| Other   | -                    | 57,150                | 34,759                              | 166,013            | 23,307                      | 62,047                             | 89,361              | 8,827                          | 441,464            |
| Total   | <u>\$66,396</u>      | <u>\$236,943</u>      | <u>\$34,759</u>                     | <u>\$1,341,200</u> | <u>\$23,307</u>             | <u>\$62,047</u>                    | <u>\$89,361</u>     | <u>\$8,827</u>                 | <u>\$1,862,840</u> |

### **(13) Fund Balance of Governmental Funds – Unassigned**

Unassigned fund balance in the General Fund consists of the following as of June 30, 2017:

|  |                     |
|--|---------------------|
| 10% Operating Contingency                            | \$29,923,608        |
| All other residual amounts available for any purpose | <u>1,423,064</u>    |
| Total  | <u>\$31,346,672</u> |

### **(14) Interfund Transfers**

Interfund transfers are used to move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them. Interfund transfers for the year ended June 30, 2017, are as follows:

| Fund                                   | Transfers In        | Transfers Out       |
|--|---------------------|---------------------|
| General Fund                           | \$ 5,552,492        | \$28,171,607        |
| Communications and Information Systems | 4,866,307           | 5,552,492           |
| Fire Apparatus                         | 15,405,300          | -                   |
| Fire Stations and Facilities           | <u>7,900,000</u>    | <u>-</u>            |
| Total                                  | <u>\$33,724,099</u> | <u>\$33,724,099</u> |

Transfers totaling \$28,171,607 were made from the General Fund to the Communications and Information Systems (\$4,866,307), Fire Apparatus (\$15,405,300), and Fire Stations and Facilities (\$7,900,000) funds for current and future capital improvement projects identified in the Capital Improvement Plan.

At the close of the fiscal year, net resources that had accumulated in the Communications and Information Systems fund exceeded projects identified in the upcoming five-year capital improvement program by \$5,552,492, and were transferred back to the General Fund in accordance with OCFA's *Assigned Fund Balance Policy*.

# **(15) Capital Assets**

## **(a) Changes in Capital Asset Balances by Asset Class**

Capital asset activity of OCFA's governmental activities for the year ended June 30, 2017, was as follows:

| <u>Primary Government/<br/>Governmental Activities</u> | <u>Beginning<br/>Balances</u> | <u>Increases</u>   | <u>Decreases</u>   | <u>Transfers</u>   | <u>Ending<br/>Balances</u> |
|--|-------------------------------|--------------------|--------------------|--------------------|----------------------------|
| Capital assets not<br>depreciated/amortized:           |                               |                    |                    |                    |                            |
| Land   | \$ 37,887,850                 | \$ -               | \$ -               | \$ -               | \$ 37,887,850              |
| Construction in progress                               | 102,341                       | 1,050,117          | -                  | -                  | 1,152,458                  |
| Work in progress                                       | <u>2,795,704</u>              | <u>3,247,488</u>   | <u>-</u>           | <u>(3,012,156)</u> | <u>3,031,036</u>           |
| Total capital assets not<br>depreciated/amortized      | <u>40,785,895</u>             | <u>4,297,605</u>   | <u>-</u>           | <u>(3,012,156)</u> | <u>42,071,344</u>          |
| Capital assets<br>depreciated/amortized:               |                               |                    |                    |                    |                            |
| Buildings  | 142,864,133                   | 267,939            | -                  | -                  | 143,132,072                |
| Equipment  | 59,874,567                    | 4,739,128          | (699,140)          | -                  | 63,914,555                 |
| Vehicles   | <u>74,539,771</u>             | <u>2,889,767</u>   | <u>(1,928,876)</u> | <u>3,012,156</u>   | <u>78,512,818</u>          |
| Subtotal   | <u>277,278,471</u>            | <u>7,896,834</u>   | <u>(2,628,016)</u> | <u>3,012,156</u>   | <u>285,559,445</u>         |
| Less accumulated<br>depreciation/amortization:         |                               |                    |                    |                    |                            |
| Buildings  | (40,488,856)                  | (3,169,686)        | -                  | -                  | (43,658,542)               |
| Equipment  | (36,215,000)                  | (2,671,309)        | 610,802            | -                  | (38,275,507)               |
| Vehicles   | <u>(47,339,386)</u>           | <u>(3,671,782)</u> | <u>1,458,202</u>   | <u>-</u>           | <u>(49,552,966)</u>        |
| Subtotal   | <u>(124,043,242)</u>          | <u>(9,512,777)</u> | <u>2,069,004</u>   | <u>-</u>           | <u>(131,487,015)</u>       |
| Total capital assets<br>depreciated/amortized, net     | <u>153,235,229</u>            | <u>(1,615,943)</u> | <u>(559,012)</u>   | <u>3,012,156</u>   | <u>154,072,430</u>         |
| Capital assets, net                                    | <u>\$194,021,124</u>          | <u>\$2,681,662</u> | <u>\$(559,012)</u> | <u>\$ -</u>        | <u>\$196,143,774</u>       |

Capital asset activity of the OCFA Foundation for the year ended June 30, 2017, was as follows:

| <u>Component Unit/<br/>OCFA Foundation</u>     | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|------------------|------------------|------------------|----------------------------|
| Capital assets<br>depreciated/amortized:       |                               |                  |                  |                  |                            |
| Equipment                                      | \$ -                          | \$15,979         | \$ -             | \$ -             | \$15,979                   |
| Less accumulated<br>depreciation/amortization: |                               |                  |                  |                  |                            |
| Equipment                                      | -                             | (67)             | -                | -                | (67)                       |
| Capital assets, net                            | <u>\$ -</u>                   | <u>\$15,912</u>  | <u>-</u>         | <u>-</u>         | <u>\$15,912</u>            |

(b) Net Investment in Capital Assets

The portion of net position that is invested in net capital assets is calculated as follows:

|  | <u>Primary<br/>Government<br/>Governmental<br/>Activities</u> | <u>Component<br/>Unit<br/>OCFA<br/>Foundation</u> |
|--|---|---|
| Capital assets, net of accumulated depreciation/amortization | \$196,143,774   | \$15,912  |
| Capital-related debt – 2011 aircraft lease refinance         | (3,713,307)   | -   |
| Net investment in capital assets                             | <u>\$192,430,467</u>  | <u>\$15,912</u>                                   |

(c) Capital Assets Acquired Under Capital Lease

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

|                    | <u>As of June 30, 2017</u> |  |                                | <u>Fiscal Year<br/>2016/17<br/>Depreciation<br/>Expense</u> |
|--------------------|----------------------------|--|--------------------------------|---|
| <u>Asset Class</u> | <u>Capital<br/>Assets</u>  | <u>Less<br/>Accumulated<br/>Depreciation</u> | <u>Capital<br/>Assets, Net</u> |   |
| Equipment          | \$22,060,494               | \$ (9,408,857)                               | \$12,651,637                   | \$1,104,914   |
| Vehicles           | <u>15,992,482</u>          | <u>(13,552,600)</u>                          | <u>2,439,882</u>               | <u>604,064</u>  |
| Total              | <u>\$38,052,976</u>        | <u>\$(22,961,457)</u>                        | <u>\$15,091,519</u>            | <u>\$1,708,978</u>  |

(d) Depreciation/Amortization Expense

Depreciation/amortization expense in the amounts of \$9,512,777 and \$67 were charged to public safety in the Statement Activities of the primary government and the component unit, respectively.

(e) Gain on Disposal of Capital Assets

The gain on disposal of capital assets reported in the government-wide Statement of Activities for the year ended June 30, 2017, was calculated as follows:



|   | Fire Station No.<br>61 Impaired<br>Assets | Other Capital<br>Assets | Total Capital<br>Assets |
|---|---|-------------------------|-------------------------|
| Equipment                                 | \$ 76,868                                 | \$ 622,272              | \$ 699,140              |
| Vehicles                                  | <u>1,044,984</u>                          | <u>883,892</u>          | <u>1,928,876</u>        |
| Subtotal                                  | 1,121,852                                 | 1,506,164               | 2,628,016               |
| Accumulated depreciation                  | <u>(635,267)</u>                          | <u>(1,433,737)</u>      | <u>(2,069,004)</u>      |
| Net book value                            | <u>486,585</u>                            | <u>72,427</u>           | <u>559,012</u>          |
| Sale of capital and other assets          | -   | 37,400                  | 37,400                  |
| Insurance recoveries                      | 1,166,556                                 | -                       | 1,166,556               |
| Estimated receivable, net                 | <u>13,000</u>                             | <u>-</u>                | <u>13,000</u>           |
| Subtotal                                  | <u>1,179,556</u>                          | <u>37,400</u>           | <u>1,216,956</u>        |
| Gain (loss) on disposal of capital assets | <u>\$ 692,971</u>                         | <u>\$ (35,027)</u>      | <u>\$ 657,944</u>       |

For the year ended June 30, 2017, sale of capital and other assets reported in the General Fund totaled \$76,633, which included \$37,400 and \$39,233 for capital and non-capital assets, respectively. Insurance recoveries reported in the General Fund totaled \$1,218,433, which included \$1,166,556 and \$51,877 for capital and non-capital assets, respectively.

## **(16) Long-term Liabilities**

### **(a) Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2017, is summarized in the table below.

| <u>Governmental Activities</u>    | <u>Beginning<br/>Balances</u> | <u>Additions</u>    | <u>Deletions</u>       | <u>Ending<br/>Balances</u> | <u>Due Within<br/>One Year</u> |
|-----------------------------------|-------------------------------|---------------------|------------------------|----------------------------|--------------------------------|
| Net pension liability:            |                               |                     |                        |                            |                                |
| OCERS pension plan                | \$517,669,806                 | \$36,408,591        | \$(84,647,737)         | \$469,430,660              | \$ -                           |
| Extra Help pension plan           | <u>163,691</u>                | <u>-</u>            | <u>(39,232)</u>        | <u>124,459</u>             | <u>-</u>                       |
|                                   | 517,833,497                   | 36,408,591          | (84,686,969)           | 469,555,119                | -                              |
| Capital lease purchase agreement: |                               |                     |                        |                            |                                |
| Aircraft Lease                    |                               |                     |                        |                            |                                |
| Refinance-2011                    | 6,110,447                     | -                   | (2,397,140)            | 3,713,307                  | 2,459,589                      |
| Accrued claims and judgments:     |                               |                     |                        |                            |                                |
| Workers' compensation             | 61,196,645                    | 14,933,512          | (10,202,005)           | 65,928,152                 | 10,990,788                     |
| Compensated absences              | 17,019,208                    | 15,553,921          | (15,635,289)           | 16,937,840                 | 3,521,710                      |
| Net OPEB obligation               | <u>66,643,396</u>             | <u>20,492,153</u>   | <u>(4,880,839)</u>     | <u>82,254,710</u>          | <u>-</u>                       |
| Total                             | <u>\$668,803,193</u>          | <u>\$87,388,177</u> | <u>\$(117,802,242)</u> | <u>\$638,389,128</u>       | <u>\$16,972,087</u>            |

The capital lease purchase agreement is liquidated by the Fire Apparatus 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 plan information is provided 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, 2017:

| Description   | OCERS<br>Pension Plan | Extra Help<br>Pension Plan | Total         |
|---|-----------------------|----------------------------|---------------|
| Net pension liability   | \$469,430,660         | \$124,459                  | \$469,555,119 |
| Deferred outflows of resources<br>related to pensions   | 122,180,027           | 17,232                     | 122,197,259   |
| Deferred inflows of resources<br>related to pensions  | (55,142,127)          | (62,320)                   | (55,204,447)  |
| Pension expense associated with<br>net pension liabilities (as reported in the<br>government-wide financial statements) | 79,967,025            | (47,544)                   | 79,919,481    |

(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 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.

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, 2017, OCFA made principal and interest payments totaling \$2,397,140 and \$134,583, respectively. The outstanding balance of the capital lease liability was \$3,713,307 as of June 30, 2017. Future annual lease payment requirements are as follows:

| Fiscal Year<br>Ended June 30 | Principal          | Interest        | Total              |
|------------------------------|--------------------|-----------------|--------------------|
| 2018                         | \$2,459,589        | \$72,134        | \$2,531,723        |
| 2019                         | 1,253,718          | 12,144          | 1,265,862          |
| Total                        | <u>\$3,713,307</u> | <u>\$84,278</u> | <u>\$3,797,585</u> |

(d) Compensated Absences

OCFA is obligated to its employees for accumulated earned but unused leave benefits as of June 30, 2017. Sick leave includes only those amounts that OCFA is obligated to reimburse employees at the end of their active service life.

|                 | <u>Vacation</u>     | <u>Comp/Other</u> | <u>Sick Leave</u>  | <u>Total</u>        |
|-----------------|---------------------|-------------------|--------------------|---------------------|
| Safety Members  | \$10,526,513        | \$178,419         | \$1,791,681        | \$12,496,613        |
| General Members | <u>2,176,577</u>    | <u>393,087</u>    | <u>1,871,563</u>   | <u>4,441,227</u>    |
| Total           | <u>\$12,703,090</u> | <u>\$571,506</u>  | <u>\$3,663,244</u> | <u>\$16,937,840</u> |

**(17) Commitments and Contingencies**

As of June 30, 2017, commitments with vendors for outstanding encumbrances (unperformed purchase orders and contracts for goods and services) by major governmental fund are as follows:

|  |                     |
|--|---------------------|
| General Fund                           | \$ 1,917,235        |
| Communications and Information Systems | 132,583             |
| Fire Apparatus                         | 16,533,144          |
| Fire Stations and Facilities           | <u>310,456</u>      |
| Total outstanding encumbrances         | <u>\$18,893,418</u> |

Significant individual commitments with vendors as of June 30, 2017 are identified below.

| <u>Fund / Vendor</u>                           | <u>Description</u>  | <u>Original<br/>Commitment</u> | <u>Spent-to-<br/>Date</u> | <u>Remaining<br/>Commitment</u> |
|--|---|--------------------------------|---------------------------|---------------------------------|
| <u>General Fund:</u>                           |   |                                |                           |                                 |
| Allstar Fire Equipment                         | Turnout coats and pants   | \$1,011,663                    | \$ -                      | \$1,011,663                     |
| Rotorcraft Support, Inc.                       | Installation of flight director systems on Bell 412 helicopters | 179,793                        | -                         | 179,793                         |
| Linegear Fire & Rescue                         | Fire shelters   | 163,524                        | -                         | 163,524                         |
| Meyers, Nave, Riback, Silver & Wilson          | Legal advice on pension liability                               | 100,000                        | 33,604                    | 66,396                          |
| <u>Communications and Information Systems:</u> |   |                                |                           |                                 |
| County of Orange                               | 800 MHz radio programming                                       | 77,200                         | 6,068                     | 71,132                          |
| Western A/V                                    | RFOTC audio visual upgrade project                              | 554,117                        | 502,156                   | 51,961                          |

| <u>Fund / Vendor</u>                        | <u>Description</u>  | <u>Original<br/>Commitment</u> | <u>Spent-to-<br/>Date</u> | <u>Remaining<br/>Commitment</u> |
|---|---|--------------------------------|---------------------------|---------------------------------|
| <i><u>Fire Apparatus:</u></i>               |   |                                |                           |                                 |
| KME Fire Apparatus                          | (6) 100' tractor drawn aerial quints                            | 8,278,103                      | -                         | 8,278,103                       |
| KME Fire Apparatus                          | (10) Type 1 engines   | 5,677,517                      | -                         | 5,677,517                       |
| KME Fire Apparatus                          | (1) 100' tractor drawn aerial quint                             | 1,372,760                      | -                         | 1,372,760                       |
| Boise Mobile Equipment                      | (1) Type 6 brush patrol;<br>(5) paramedic squads                | 1,203,215                      | 190,165                   | 1,013,050                       |
| <i><u>Fire Stations and Facilities:</u></i> |   |                                |                           |                                 |
| Hoffman Management & Construction           | Construction for Urban Search and Rescue warehouse improvements | 651,961                        | 473,763                   | 178,198                         |
| GA Technical Services, Inc.                 | RFOTC emergency power extension                                 | 409,556                        | 298,866                   | 110,690                         |

**(18) Lessor in Operating Lease Agreements**

**(a) Aircraft Hangar Leases**

OCFA 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 portion was \$2,201,950, and the net book value was \$2,006,222 as of June 30, 2017. Fiscal Year 2016/17 depreciation expense was \$48,932. Terms of the agreements are as follows:

| <u>Lessee/Tenant</u>  | <u>Agreement Date</u>                    | <u>Term</u> | <u>Initial<br/>Monthly<br/>Rent</u> | <u>Automatic<br/>Annual Rent<br/>Increase</u> |
|-----------------------|--|-------------|-------------------------------------|---|
| 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;<br>Amended June 1, 2016 | Three Years | \$5,750                             | 0.0%  |

Rental revenue totaled \$202,406 for Fiscal Year 2016/17. 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            |
|-------------|----------------------|--------------------|-----------------------|------------------|
| 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           |
| Total       | <u>\$86,428</u>      | <u>\$203,388</u>   | <u>\$132,250</u>      | <u>\$422,066</u> |

**(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 \$43,482 for Fiscal Year 2016/17. Future potential rental revenue, assuming rent for the three additional carriers may commence January 1, 2018, is as follows:

| Fiscal Year(s)    | Carriers 1-3       | Carriers 4-6       | Total              |
|-------------------|--------------------|--------------------|--------------------|
| 2017/18           | \$ 44,799          | \$ 20,268          | \$ 65,067          |
| 2018/19           | 46,143             | 41,760             | 87,903             |
| 2019/20           | 47,533             | 43,020             | 90,553             |
| 2020/21           | 48,961             | 44,316             | 93,277             |
| 2021/22           | 50,425             | 45,648             | 96,073             |
| 2022/23 - 2026/27 | 275,703            | 249,588            | 525,291            |
| 2027/28 - 2031/32 | 319,589            | 289,332            | 608,921            |
| 2032/33 - 2036/37 | 370,601            | 335,484            | 706,085            |
| 2037/38 - 2041/42 | <u>5,401</u>       | <u>6,105</u>       | <u>11,506</u>      |
| Total             | <u>\$1,209,155</u> | <u>\$1,075,521</u> | <u>\$2,284,676</u> |

## **(19) Lessee in Operating Lease Agreements**

OCFA is obligated under operating lease agreements as follows:

- 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. Fiscal Year 2016/17 rent expenditures totaled \$71,013.
- 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. Fiscal Year 2016/17 rent expenditures totaled \$19,944.

Future minimum lease payments for the OCFA's operating lease obligations are as follows:

| <u>Fiscal Year(s)</u> | <u>Airport Land<br/>Lease</u> | <u>Airport Training<br/>Tower</u> | <u>Total</u>       |
|-----------------------|-------------------------------|-----------------------------------|--------------------|
| 2017/18               | \$ 73,140                     | \$20,160                          | \$ 93,300          |
| 2018/19               | 75,324                        | 20,376                            | 95,700             |
| 2019/20               | 77,592                        | 20,592                            | 98,184             |
| 2020/21               | 79,920                        | 20,808                            | 100,728            |
| 2021/22               | 82,308                        | 3,474                             | 85,782             |
| 2022/23 - 2026/27     | 450,108                       | -                                 | 450,108            |
| 2027/28 - 2031/32     | 521,856                       | -                                 | 521,856            |
| 2032/33 - 2036/37     | 605,004                       | -                                 | 605,004            |
| 2037/38 - 2041/42     | 701,352                       | -                                 | 701,352            |
| 2042/43 - 2046/47     | 813,036                       | -                                 | 813,036            |
| 2047/48 - 2051/52     | <u>645,732</u>                | <u>-</u>                          | <u>645,732</u>     |
| Total                 | <u>\$4,125,372</u>            | <u>\$85,410</u>                   | <u>\$4,210,782</u> |

## **(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  |                     |
| Auto Liability                         | \$1,000,000 combined limit                                       | \$1,000 - \$3,000   |
| Umbrella Liability                     | \$10,000,000 each occurrence;<br>\$20,000,000 aggregate          |                     |
| Property Liability:                    |  |                     |
| Real and Business Personal<br>Property | Scheduled replacement cost;<br>\$783,545,979 limit               | \$5,000             |
| Coverage Extension Blanket             | \$2,000,000  |                     |
| Volunteer Accident:                    |  |                     |
| Accidental Death<br>and Dismemberment  | \$25,000 each occurrence;<br>\$250,000 aggregate per<br>accident |                     |
| Accident Medical Expense<br>Dental     | \$100,000 per occurrence<br>\$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   |                     |

There have been no significant changes in insurance coverage as compared to last year. Settlements have not exceeded coverage in each of the past three fiscal years, except as follows:

- OCFA is expected to seek reimbursement for personal property and tools lost in the fire at Station No. 61 that belonged to its employees. As of June 30, 2017, the estimated loss for personal property and tools totaled \$189,000, of which \$171,000 had been reimbursed by OCFA directly to its employees. OCFA's insurance policy limits for personal property and tools are \$50,000 and \$25,000, respectively. As of June 30, 2017, general claims pertaining to the Station No. 61 fire have not yet been submitted to the insurance carrier; however, OCFA anticipates that claims for this portion of the policy will exceed insurance coverage by approximately \$114,000.

#### (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, 2017, accrued claims and judgments for workers' compensation totaled \$65,928,152 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, 2016, 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, 2017 and 2016, including the current and long-term portions at year-end.

|   | Fiscal Year Ended   |                     |
|---|---------------------|---------------------|
|   | June 30, 2017       | June 30, 2016       |
| Unpaid claims at beginning of fiscal year | \$61,196,645        | \$62,372,690        |
| Incurred claims (including IBNR's)        | 14,933,512          | 6,716,066           |
| Claim payments                            | (10,202,005)        | (7,892,111)         |
| Unpaid claims at end of fiscal year       | <u>\$65,928,152</u> | <u>\$61,196,645</u> |
| Current portion                           | \$10,990,788        | \$ 7,743,304        |
| Long-term portion                         | <u>54,937,364</u>   | <u>53,453,341</u>   |
| Unpaid claims at end of fiscal year       | <u>\$65,928,152</u> | <u>\$61,196,645</u> |
| Confidence level at end of fiscal year    | 50%                 | 50%                 |
| Discount rate                             | 1%                  | 1%                  |

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 \$75,375,829. 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. The OCERS Board of Retirement is responsible for establishing policies governing the administration of the retirement plan; making disability determinations; assuring benefit payments; establishing investment policy for the retirement system; and monitoring execution of its policies. 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:

| <b>Years of Service Credit</b>  | <b>Eligible Age</b> |
|---|---------------------|
| 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              |

Retired member monthly allowances are adjusted annually in accordance with changes in the cost-of-living, as determined by the average annual change in the Consumer Price Index (CPI) for the prior calendar year. The cost-of-living adjustment is limited to a maximum increase or decrease of three percent per year as established by the OCERS Board of Retirement.

The OCFA's Board establishes and amends benefit plan formulas for active OCFA members through negotiations with its labor bargaining units. The provisions and benefits provided by OCFA to its safety and general members as of June 30, 2017, are summarized below:

| <b>Benefits Provided to Safety Members</b> |             |                        |  |  |   |
|--|-------------|------------------------|--|--|---|
| <b>Plan</b>                                | <b>Tier</b> | <b>Benefit Formula</b> | <b>Representation / Bargaining Unit / Employee Hire Date</b> |  |   |
|  |             |                        | <b>Orange County Professional Firefighters Association</b>   | <b>Orange County Fire Authority Chief Officers Association</b> | <b>Unrepresented</b>                            |
|  |             |                        | <b>Firefighter Unit</b>                                      | <b>Fire Management Unit</b>                                    | <b>Executive Management in Safety Positions</b> |
| 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)      |

| <b>Benefits Provided to General Members</b> |             |                        |  |  |  |
|---|-------------|------------------------|--|--|--|
| <b>Plan</b>                                 | <b>Tier</b> | <b>Benefit Formula</b> | <b>Representation / Bargaining Unit / Employee Hire Date</b> |  |  |
|   |             |                        | <b>Orange County Employees Association</b>                   | <b>Orange County Fire Authority Management Association</b> | <b>Unrepresented</b>                             |
|   |             |                        | <b>General and Supervisory Management</b>                    | <b>Administrative Management</b>                           | <b>Executive Management in General Positions</b> |
| 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, 2017:

| Category | Plan | Tier | Benefit Formula    | Employer Contribution Rates |        |        |                       | Employee Contribution Rates<br>(See Below) |
|----------|------|------|--------------------|-----------------------------|--------|--------|-----------------------|--|
|          |      |      |                    | Normal Cost                 | UAAL   | Total  | Total After Phase-In* |  |
| Safety   | E    | I    | 3.0% at 50         | 27.05%                      | 24.42% | 51.47% | 48.60%                | 10.49% - 14.11%                            |
| Safety   | F    | II   | 3.0% at 50         | 27.05%                      | 24.42% | 51.47% | 48.60%                | 14.32% - 20.22%                            |
| Safety   | R    | II   | 3.0% at 55         | 22.38%                      | 24.42% | 46.80% | 43.93%                | 13.70% - 19.35%                            |
| Safety   | V    | II   | 2.7% at 57 (PEPRA) | 15.71%                      | 24.42% | 40.13% | 38.08%                | 13.04% - 20.53%                            |
| General  | I    | I    | 2.7% at 55         | 13.53%                      | 20.28% | 33.81% | N/A                   | 9.67% - 15.99%                             |
| General  | J    | II   | 2.7% at 55         | 13.53%                      | 20.28% | 33.81% | N/A                   | 9.22% - 15.99%                             |
| General  | N    | II   | 2.0% at 55         | 12.47%                      | 20.28% | 32.75% | N/A                   | 6.84% - 12.95%                             |
| General  | U    | II   | 2.5% at 67 (PEPRA) | 9.63%                       | 20.28% | 29.91% | N/A                   | 7.29% - 14.02%                             |

\* The OCERS Board adopted a three-year phase-in of the impact of the change in economic assumptions on the employer contribution rates for safety members.

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, 2017.

| Employee Hire Date                          | Benefit Formula    | Employee Contribution Rate                         |
|---|--------------------|--|
| <b>Safety – Firefighter Unit</b>            |                    |  |
| Prior to 1/1/2011                           | 3.0% at 50         | 9.0% as of 11/14/2014<br>14.5% as of 9/16/2016 **^ |
| 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         | 14.5% as of 9/16/2016 **^                          |
| On or After 1/1/2013 (without reciprocity)  | 2.7% at 57 (PEPRA) | 50% of Normal Cost                                 |
| <b>Safety – Firefighter Management Unit</b> |                    |  |
| Prior to 7/1/2012                           | 3.0% at 50         | 12.5% as of 7/1/2016^                              |
| 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                                 |
| <b>Safety – Executive Management</b>        |                    |  |
| Prior to 7/1/2011                           | 3.0% at 50         | 13.5% as of 3/4/2016^                              |
| On or After 7/1/2011 (with reciprocity)     | 3.0% at 55         | 50% of Normal Cost as of 3/3/2017^                 |
| On or After 1/1/2013 (without reciprocity)  | 2.7% at 57 (PEPRA) | 50% of Normal Cost                                 |

| Employee Hire Date                                  | Benefit Formula    | Employee Contribution Rate         |
|---|--------------------|------------------------------------|
| <b>General – General and Supervisory Management</b> |                    |                                    |
| Prior to 7/1/2011                                   | 2.7% at 55         | 13.5% as of 3/4/2016^              |
| On or After 7/1/2011 (with reciprocity)             | 2.0% at 55         | 16.5% as of 3/3/2017^              |
| On or After 1/1/2013 (without reciprocity)          | 2.5% at 67 (PEPRA) | 50% of Normal Cost                 |
| <b>General – Administrative Management</b>          |                    |                                    |
| Prior to 12/1/2012                                  | 2.7% at 55         | 14.25% as of 1/8/2016^             |
| On or After 12/1/2012 (with reciprocity)            | 2.0% at 55         | 16.5% as of 1/6/2017^              |
| On or After 1/1/2013 (without reciprocity)          | 2.5% at 67 (PEPRA) | 50% of Normal Cost                 |
| <b>General – Executive Management</b>               |                    |                                    |
| Prior to 12/1/2012                                  | 2.7% at 55         | 13.5% as of 3/4/2016^              |
| On or After 12/1/2012 (with reciprocity)            | 2.0% at 55         | 50% of Normal Cost as of 3/3/2017^ |
| 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.

\*\* Consists of a 12.5% 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, 2017, employer and employee contributions remitted to OCERS were as follows:

|                                 | Employer Contributions | Employee Contributions | Total Contributions  |
|---------------------------------|------------------------|------------------------|----------------------|
| Contributions paid by OCFA      | \$82,880,775           | \$ 1,766,962           | \$ 84,647,737        |
| Contributions paid by employees | -                      | 17,102,899             | 17,102,899           |
| Contributions remitted to OCERS | <u>\$82,880,775</u>    | <u>\$18,869,861</u>    | <u>\$101,750,636</u> |

**(b) Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources**

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, 2016, 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, 2015, rolled forward to December 31, 2016, 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, 2016 and 2017 was as follows:

| Member Type | OCFA's Proportionate Share of the Total OCERS Net Pension Liability |             |                       |               |                      |             |
|-------------|---|-------------|-----------------------|---------------|----------------------|-------------|
|             | At June 30, 2016  |             | Increase (Decrease)   |               | At June 30, 2017     |             |
|             | Amount  | %           | Amount                | %             | Amount               | %           |
| Safety      | \$449,472,023   | 7.9%        | \$(46,997,781)        | (0.1%)        | \$402,474,242        | 7.8%        |
| General     | 68,197,783  | 1.2%        | (1,241,365)           | 0.0%          | 66,956,418           | 1.2%        |
| Total       | <u>\$517,669,806</u>  | <u>9.1%</u> | <u>\$(48,239,146)</u> | <u>(0.1%)</u> | <u>\$469,430,660</u> | <u>9.0%</u> |

For the year ended June 30 2017, OCFA recognized pension expense of \$79,967,025. At June 30, 2017, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between actual and<br>expected experience in the Total Pension Liability | \$ 1,181,288                         | \$(52,828,035)                      |
| Changes in assumptions   | 18,503,614                           | (2,314,092)                         |
| Net differences between projected and<br>actual earnings on plan investments         | <u>45,677,125</u>                    | <u>-</u>                            |
|  | 65,362,027                           | (55,142,127)                        |
| Employer contributions subsequent to measurement date                                | <u>56,818,000</u>                    | <u>-</u>                            |
| Total  | <u>\$122,180,027</u>                 | <u>\$(55,142,127)</u>               |

Deferred outflows of resources related to contributions subsequent to the measurement date totaling \$56,818,000 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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<br>June 30 | Amount               |
|-----------------------|----------------------|
| 2018                  | \$ 11,179,230        |
| 2019                  | 11,179,227           |
| 2020                  | 5,615,645            |
| 2021                  | (12,597,825)         |
| 2022                  | <u>(5,156,377)</u>   |
| Total                 | <u>\$ 10,219,900</u> |

(c) Actuarial Assumptions

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions:

|                             |  |
|-----------------------------|--|
| Valuation Date              | December 31, 2015  |
| Measurement Date            | December 31, 2016, 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   |
| • Date of experience study  | Actuarial assumptions were based on the results of an experience study for the period January 1, 2011 through December 31, 2013. |

| • Mortality:                  | Safety   | General   |
|-------------------------------|--|---|
| ○ 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.   |
| ○ 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. |
| ○ 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. |   |
| ○ 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 above were determined to contain about a 10% margin to reflect future mortality improvement, based on a review of the mortality experience by OCERS, as of December 31, 2016.

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25% as of December 31, 2016, and December 31, 2015. 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, 2016, and December 31, 2015.

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                                | <u>100.00%</u>    |  |

*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<br>(6.25%) | Current Discount<br>Rate (7.25%) | 1% Increase<br>(8.25%) |
|--|------------------------|----------------------------------|------------------------|
| Total proportionate share of net pension liability | <u>\$709,796,767</u>   | <u>\$469,430,660</u>             | <u>\$271,606,264</u>   |

*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 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, 2017, lump sum distributions totaling \$31,370 were made to sixteen participants. Currently, there are no participants collecting retirement benefits.

### Plan Membership

As of June 30, 2017, Plan membership consisted of the following:

| Plan Members (or Beneficiaries)                      | Balance as of June 30, 2017 |                      |           |
|--|-----------------------------|----------------------|-----------|
|  | \$3,500 or<br>Less          | More than<br>\$3,500 | Total     |
| Inactive; currently receiving benefits               | -                           | -                    | -         |
| Inactive; entitled to but not yet receiving benefits | 43                          | 3                    | 46        |
| Active   | <u>31</u>                   | -                    | <u>31</u> |
| Total plan members                                   | <u>74</u>                   | <u>3</u>             | <u>77</u> |

### 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, 2017, employee and employer contributions totaled \$21,080 and \$839, respectively.

## (b) Investments

### Method Used to Value Investments

All Plan assets are invested in the Local Agency Investment Fund (LAIF), which is reported based on OCFA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).



### Investment Policy

Contributions are deposited into 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 and the Pooled Money Investment Board. Additional LAIF information is provided within these notes as Note 4(e).

### Concentrations

All Plan assets are invested in the Local Agency Investment Fund (LAIF).

### (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, 2017, using an actuarial valuation as of January 1, 2016, rolled forward to June 30, 2017, using standard update procedures. A summary of components of the Plan's net pension liability as of June 30, 2017, is shown below, followed by principal assumptions and methods used to determine the net pension liability.

|   |                  |
|---|------------------|
| Total pension liability   | \$192,213        |
| Plan fiduciary net position                                       | <u>(67,754)</u>  |
| Net pension liability   | <u>\$124,459</u> |
| Plan fiduciary net position as a % of the total pension liability | 35.25%           |

### 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, 2017, actuarial valuation was determined using the following actuarial assumptions:

|                             |   |
|-----------------------------|---|
| Valuation Date              | January 1, 2016   |
| Measurement Date            | June 30, 2017, rolled forward on an actuarial basis   |
| Actuarial Cost Method       | Entry age normal  |
| Actuarial Assumptions:      |   |
| • Discount rate             | 3.40%, net of pension investment expense, including inflation; average of 3-20 year municipal bond rate indices, rounded to 5 basis points (S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA 20 Year Bond Index) |
| • Inflation                 | 2.75%   |
| • Investment rate of return | 0.50%   |

|   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Salary increases</li> <li>• Mortality</li> </ul> | 3.00%, including merit, seniority, and inflation; annual salary for the current year assumed to be equal to the average annual salary over the last 3 years<br>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. Assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. 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 0 years, Rate 30%; Service 1-3 years, Rate 50%; Service 4 years, Rate 25%; Service 5+ years, Rate 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.  |

### Changes of Assumptions

Following is a comparison of actuarial assumptions for the years ended June 30, 2017 and 2016:

|                           | As of June 30, 2017 | As of June 30, 2016 | Change |
|---------------------------|---------------------|---------------------|--------|
| Discount rate             | 3.40%               | 2.90%               | 0.50%  |
| Inflation                 | 2.75%               | 2.75%               | n/a    |
| Investment rate of return | 0.50%               | 0.50%               | n/a    |
| Salary increases          | 3.00%               | 3.00%               | n/a    |

### Discount Rate

The discount rate used to measure the total pension liability was 3.40% (an increase of 0.50% since the prior measurement date). 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.

### Rate of Return

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 pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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 and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

| Asset Class                  | Target Allocation | Long-term Expected Real Rate of Return |
|------------------------------|-------------------|--|
| Local Agency Investment Fund | 100.00%           | 0.50%                                  |

The annual money-weighted rate of return was 3.43%, and was an estimate based on mid-year timing of contributions and benefit payments. The money rate of return expresses investment performance, net of pension plan investment expenses, adjusted for changing amounts actually invested.

(d) Changes in the Net Pension Liability

Changes in the Plan's net pension liability for the year ended June 30, 2017, were as follows:

|   | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/ (Asset) |
|---|-------------------------|-----------------------------|--------------------------------|
| Balance at June 30, 2016                                      | <u>\$238,489</u>        | <u>\$74,798</u>             | <u>\$163,691</u>               |
| Changes in the year:  |                         |                             |                                |
| Service cost  | 6,050                   | -                           | 6,050                          |
| Interest  | 6,637                   | -                           | 6,637                          |
| Changes of assumptions  | (27,593)                | -                           | (27,593)                       |
| Contributions – employer                                      | -                       | 839                         | (839)                          |
| Contributions – plan members                                  | -                       | 21,080                      | (21,080)                       |
| Net investment income   | -                       | 2,407                       | (2,407)                        |
| Benefit payments, including refunds of employee contributions | <u>(31,370)</u>         | <u>(31,370)</u>             | <u>-</u>                       |
| Net changes   | <u>(46,276)</u>         | <u>(7,044)</u>              | <u>(39,232)</u>                |
| Balance at June 30, 2017                                      | <u>\$192,213</u>        | <u>\$ 67,754</u>            | <u>\$124,459</u>               |

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 3.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.40%) or one percentage point higher (4.40%) than the current rate:

|                       | 1% Decrease (2.40%) | Current Discount Rate (3.40%) | 1% Increase (4.40%) |
|-----------------------|---------------------|-------------------------------|---------------------|
| Net pension liability | <u>\$287,819</u>    | <u>\$124,459</u>              | <u>\$80,198</u>     |

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

For the year ended June 30 2017, OCFA recognized pension expense (credit) of \$(47,544). At June 30, 2017, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between actual and expected experience in the Total Pension Liability | \$ -                                 | \$(43,925)                          |
| Changes in assumptions  | 15,775                               | (18,395)                            |
| Net differences between projected and actual earnings on plan investments         | <u>618</u>                           | <u>-</u>                            |
|   | 16,393                               | (62,320)                            |
| Employer contributions subsequent to measurement date                             | <u>839</u>                           | <u>-</u>                            |
| Total   | <u>\$17,232</u>                      | <u>\$(62,320)</u>                   |

Deferred outflows of resources related to contributions subsequent to the measurement date totaling \$839 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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<br>June 30 | Amount            |
|-----------------------|-------------------|
| 2018                  | \$(37,117)        |
| 2019                  | (8,966)           |
| 2020                  | 231               |
| 2021                  | <u>(75)</u>       |
| Total                 | <u>\$(45,927)</u> |

**(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. 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.

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.

All retirees and full-time employees hired prior to January 1, 2007, are eligible to participate in the Plan. As of June 30, 2017, there were 1,257 active Plan participants (excluding any terminated/declined participants), which consisted of 567 active employees; and 690 current retirees and survivors.

(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, 2017, there were 690 eligible retirees and survivors who received monthly benefits aggregating to an annual total of \$5,178,437. In addition, there were two deferred retirees who received benefits directly from the OCFA during Fiscal Year 2016/17 totaling \$871.

(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). For the year ended June 30, 2017, OCFA's annual OPEB cost was \$20,492,153, as determined by an actuarial valuation with a measurement date as of July 1, 2016, and was calculated as follows:

|  |                     |
|--|---------------------|
| Annual Required Contribution (ARC)           | \$22,707,032        |
| Interest on the Net OPEB Obligation (NOPEBO) | 2,732,379           |
| Actuary's adjustment on the ARC              | <u>(4,947,258)</u>  |
| Annual OPEB Cost                             | <u>\$20,492,153</u> |

During the year ended June 30, 2017, actual contributions totaled \$4,880,839 resulting in an increase to the NOPEBO of \$15,611,314 (the difference between the Annual OPEB Cost and actual contributions). The outstanding balance of the NOPEBO as of June 30, 2017, was \$82,254,710. 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<br>June 30 | Annual<br>OPEB Cost | Actual<br>Contributions | % of<br>Annual<br>OPEB Cost<br>Contributed | Net Increase<br>to<br>Net OPEB<br>Obligation | Cumulative<br>Net OPEB<br>Obligation<br>at June 30 |
|----------------|---------------------|-------------------------|--|--|--|
| 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   |
| 2017           | 20,492,153          | 4,880,839               | 23.82%                                     | 15,611,314                                   | 82,254,710   |

The Annual OPEB Cost includes an implicit subsidy for safety members under the age of 65. Accordingly, the Actual Contributions also reflect the implicit subsidy for the current and previous two fiscal years:

|   | 2017               | 2016               | 2015               |
|---|--------------------|--------------------|--------------------|
| Amounts irrevocably transferred to OCERS trust:           |                    |                    |                    |
| Active employees  | \$2,491,681        | \$2,454,900        | \$2,601,233        |
| Retirees and other plan members                           | <u>879,640</u>     | <u>939,826</u>     | <u>714,338</u>     |
| Subtotal  | 3,371,321          | 3,394,726          | 3,315,571          |
| Implicit insurance premiums paid<br>on behalf of retirees | 1,508,647          | 1,058,599          | 916,573            |
| Amounts paid directly to retirees                         | <u>871</u>         | <u>6,790</u>       | <u>5,019</u>       |
| Total actual contributions                                | <u>\$4,880,839</u> | <u>\$4,460,115</u> | <u>\$4,237,163</u> |

(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.

|                 | (a)                             | (b)   | (b-a)                     | (a/b)           | (c)                | (b-a)/c<br>UAAL as<br>a % of<br>Covered<br>Payroll |
|-----------------|---------------------------------|---|---------------------------|-----------------|--------------------|--|
| As of<br>July 1 | Actuarial<br>Value of<br>Assets | Entry Age<br>Actuarial Accrued<br>Liability (AAL) | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | Covered<br>Payroll                                 |
| 2016            | 35,857,649                      | 263,303,006                                       | 227,445,357               | 13.62%          | 61,161,000         | 371.88%  |

(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, 2017, was determined by an actuarial valuation of the Plan dated July 1, 2016. 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, 2016   |
| Actuarial cost method   | Entry age normal   |
| Amortization method   | 30 years beginning July 1, 2006, closed, level dollar  |
| Remaining amortization period   | 20 years as of July 1, 2016  |
| Asset valuation method  | Market value   |
| Actuarial assumptions: <ul style="list-style-type: none"><li>• Discount rate</li><li>• Wage inflation</li><li>• Asset rate of return</li><li>• Projected salary increases</li><li>• Medical trend rates</li><li>• Increase in retiree medical grant</li></ul> | 4.1%, blended using a short-term rate of 4.0% for portion of expected benefits not expected to be paid from contributions and return on assets<br>3.25%<br>7.25%<br>N/A<br>5.00% - 7.00%<br>5.0% |
| Plan membership: <ul style="list-style-type: none"><li>• Current retirees and survivor</li><li>• Current active members</li><li>• Terminated participants entitled but not yet eligible</li><li>• Declined</li></ul>  | 662<br>602<br>39<br>15   |

**(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 \$2,326,102 for the year ended June 30, 2017.



## **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, 2017**  
**Last Ten Fiscal Years (A)**  
**Schedule of OCFA's Proportionate Share of the Net Pension Liability**

|   | <b>Fiscal Year Ended June 30</b> |                   |                   |                   |
|---|----------------------------------|-------------------|-------------------|-------------------|
|   | <b>2014</b>                      | <b>2015</b>       | <b>2016</b>       | <b>2017</b>       |
| OCFA's proportion of the collective net pension liability   | 8.366%                           | 9.188%            | 9.056%            | 9.043%            |
| OCFA's proportionate share of the collective net pension liability                                    | \$ 442,651,348                   | \$ 466,968,323    | \$ 517,669,806    | \$ 469,430,660    |
| OCFA's covered payroll  | \$ 129,689,221                   | \$ 129,187,729    | \$ 129,452,647    | \$ 124,514,004    |
| OCFA's proportionate share of the collective net pension liability as a percentage of covered payroll | 341.32%                          | 361.46%           | 399.89%           | 377.01%           |
| Plan's fiduciary net position   | \$ 10,821,318,000                | \$ 11,536,106,000 | \$ 11,657,318,000 | \$ 12,809,208,000 |
| Plan's fiduciary net position as a percentage of the total pension liability                          | 67.16%                           | 69.42%            | 67.10%            | 71.16%            |

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**Notes to Schedule:**

(A) Fiscal year ended June 30, 2015 was the first year of implementation; therefore only four 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, 2017**  
**Last Ten Fiscal Years**  
**Schedule of Contributions**

|  | <b>Fiscal Year Ended June 30</b> |                    |                    |                    |
|--|----------------------------------|--------------------|--------------------|--------------------|
|  | <b>2008</b>                      | <b>2009</b>        | <b>2010</b>        | <b>2011</b>        |
| Required contributions<br>(actuarially determined)             | \$ 35,709,526                    | \$ 37,183,082      | \$ 42,331,507      | \$ 45,543,856      |
| Actual contributions   | 35,709,526                       | 37,183,082         | 42,331,507         | 45,543,856         |
| Contribution excess (deficiency)                               | <u>\$ -</u>                      | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| <br>Covered payroll  | <br>\$ 100,313,038               | <br>\$ 104,571,731 | <br>\$ 106,718,627 | <br>\$ 107,268,263 |
| <br>Actual contributions as a<br>percentage of covered payroll | <br>35.60%                       | <br>35.56%         | <br>39.67%         | <br>42.46%         |

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**Notes to Schedule:**

(A) Beginning in Fiscal Year 2014/15, required and actual contributions presented in the above schedule exclude any employer-paid member contributions. Since it was not practical to obtain data in this format prior to Fiscal Year 2014/15, earlier periods have not been restated. Required and actual contributions presented for Fiscal Year 2013/14 and prior include any employer-paid member contributions.

| <b>2012</b>    | <b>2013</b>    | <b>2014</b>         | <b>2015</b>          | <b>2016</b>          | <b>2017</b>          |
|----------------|----------------|---------------------|----------------------|----------------------|----------------------|
| \$ 55,756,764  | \$ 61,206,670  | \$ 57,795,043       | \$ 61,323,319        | \$ 63,297,103        | \$ 66,284,815        |
| 55,756,764     | 61,206,670     | 63,030,796          | 82,699,618           | 78,708,605           | 82,880,775           |
| <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 5,235,753</u> | <u>\$ 21,376,299</u> | <u>\$ 15,411,502</u> | <u>\$ 16,595,960</u> |
| (A)            |                |                     |                      |                      |                      |
| \$ 111,444,130 | \$ 128,121,447 | \$ 125,869,628      | \$ 128,215,528       | \$ 132,248,620       | \$ 144,564,215       |
| 50.03%         | 47.77%         | 50.08%              | 64.50%               | 59.52%               | 57.33%               |

**ORANGE COUNTY FIRE AUTHORITY**  
**Extra Help Retirement Plan**  
**A Single-Employer Defined Benefit Pension Plan**  
**As of June 30, 2017**  
**For the Last Ten Fiscal Years (A)**  
**Schedule of Changes in Net Pension Liability and Related Ratios**

|   | <b>Fiscal Year Ended June 30</b> |                   |                   |                   |
|---|----------------------------------|-------------------|-------------------|-------------------|
|   | <b>2014</b>                      | <b>2015</b>       | <b>2016</b>       | <b>2017</b>       |
| Total pension liability (TPL):                              |                                  |                   |                   |                   |
| Service cost  | \$ 8,030                         | \$ -              | \$ 8,331          | \$ 6,050          |
| Interest  | 11,484                           | -                 | 11,865            | 6,637             |
| Differences between expected and actual experience          | (3,269)                          | 9,728             | (131,777)         | -                 |
| Changes of assumptions                                      | -                                | -                 | 47,323            | (27,593)          |
| Benefit payments, including refunds of member contributions | (8,676)                          | (6,459)           | (10,642)          | (31,370)          |
| Net change in total pension liability                       | 7,569                            | 3,269             | (74,900)          | (46,276)          |
| Total pension liability - beginning                         | 302,551                          | 310,120           | 313,389           | 238,489           |
| Total pension liability - ending                            | 310,120                          | 313,389           | 238,489           | 192,213           |
| Plan fiduciary net position (FNP):                          |                                  |                   |                   |                   |
| Contributions - employer                                    | 2,117                            | 2,481             | 2,267             | 839               |
| Contributions - plan members                                | 13,542                           | 11,831            | 8,923             | 21,080            |
| Net investment income                                       | 586                              | 714               | 1,219             | 2,407             |
| Benefit payments, including refunds of member contributions | (8,676)                          | (6,459)           | (10,642)          | (31,370)          |
| Net change in plan fiduciary net position                   | 7,569                            | 8,567             | 1,767             | (7,044)           |
| Total plan fiduciary net position - beginning               | 56,895                           | 64,464            | 73,031            | 74,798            |
| Total plan fiduciary net position - ending                  | 64,464                           | 73,031            | 74,798            | 67,754            |
| Net pension liability (NPL)                                 | <u>\$ 245,656</u>                | <u>\$ 240,358</u> | <u>\$ 163,691</u> | <u>\$ 124,459</u> |
| Plan FNP as a % of the TPL                                  | 20.79%                           | 23.30%            | 31.36%            | 35.25%            |
| Covered payroll   | \$ 205,340                       | \$ 205,340        | \$ 108,526        | \$ 108,526        |
| NPL as a % of covered payroll                               | 119.63%                          | 117.05%           | 150.83%           | 114.68%           |

**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 as they become available in the future.

Change in actuarial assumptions:

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Discount rate and investment rate of return | 3.75% | 3.75% | 2.90% | 3.40% |
| Inflation                                   | 3.00% | 3.00% | 2.75% | 2.75% |
| Salary increases                            | 3.00% | 3.00% | 3.00% | 3.00% |

**ORANGE COUNTY FIRE AUTHORITY**  
**Extra Help Retirement Plan**  
**A Single-Employer Defined Benefit Pension Plan**  
**As of June 30, 2017**  
**For the Last Ten Fiscal Years (A)**  
**Schedule of Contributions**

|   | <b>Fiscal Year Ended June 20</b> |             |             |             |
|---|----------------------------------|-------------|-------------|-------------|
|   | <b>2014</b>                      | <b>2015</b> | <b>2016</b> | <b>2017</b> |
| Required employer contributions                       | \$ 2,117                         | \$ 2,481    | \$ 2,267    | \$ 839      |
| Actual employer contributions                         | 2,117                            | 2,481       | 2,267       | 839         |
| Contribution excess (deficiency)                      | \$ -                             | \$ -        | \$ -        | \$ -        |
| Actual contributions as a % of required contributions | 100.00%                          | 100.00%     | 100.00%     | 100.00%     |
| Covered payroll                                       | \$ 205,340                       | \$ 205,340  | \$ 108,526  | \$ 108,526  |
| Actual contributions as a % of covered payroll        | 1.03%                            | 1.21%       | 2.09%       | 0.77%       |

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**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 as they become available in the future.

**Changes in size or composition of plan members:**

|  |    |    |    |    |
|--|----|----|----|----|
| Inactive; currently receiving benefits               | -  | -  | -  | -  |
| Inactive; entitled to but not yet receiving benefits | 10 | 39 | 47 | 46 |
| Active   | 59 | 41 | 17 | 31 |
| Total plan members as of June 30                     | 69 | 80 | 64 | 77 |

**ORANGE COUNTY FIRE AUTHORITY**  
**Extra Help Retirement Plan**  
**A Single-Employer Defined Benefit Pension Plan**  
**As of June 30, 2017**  
**For the Last Ten Fiscal Years (A)**  
**Schedule of Money Weighted Rate of Return**

|  | <b>Fiscal Year Ended June 30</b> |             |             |             |
|--|----------------------------------|-------------|-------------|-------------|
|  | <b>2014</b>                      | <b>2015</b> | <b>2016</b> | <b>2017</b> |
| Annual money-weighted rate of return,<br>net of investment expense | 0.97%                            | 1.24%       | 1.66%       | 3.43%       |

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**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.



**ORANGE COUNTY FIRE AUTHORITY**

**Retiree Medical Plan**

**A Single-Employer Defined Benefit Plan**

**As of June 30, 2017**

**Last Three Actuarial Valuations**

**Schedule of Funding Progress**

|   | <b>Actuarial Valuation Dated July 1</b> |                       |                       |
|---|---|-----------------------|-----------------------|
|   | <b>2012</b>                             | <b>2014</b>           | <b>2016</b>           |
| Entry age actuarial accrued liability (AAL) | \$156,623,184                           | \$179,056,290         | \$263,303,006         |
| Actuarial value of assets                   | 28,910,090                              | 36,945,371            | 35,857,649            |
| Unfunded AAL (UAAL)                         | <u>\$ 127,713,094</u>                   | <u>\$ 142,110,919</u> | <u>\$ 227,445,357</u> |
|   |   |                       |                       |
| Funded ratio                                | 18.46%                                  | 20.63%                | 13.62%                |
|   |   |                       |                       |
| Covered payroll                             | \$ 75,432,000                           | \$ 66,021,000         | \$ 61,161,000         |
|   |   |                       |                       |
| UAAL as a percentage of covered payroll     | 169.31%                                 | 215.25%               | 371.88%               |

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**Notes to Schedule:**

|   | <b>Actuarial Valuation Dated July 1</b> |              |              |
|---|---|--------------|--------------|
|   | <b>2012</b>                             | <b>2014</b>  | <b>2016</b>  |
| Changes in size or composition of plan members:       |   |              |              |
| Current retirees and surviving spouses                | 471                                     | 573          | 662          |
| Current active members                                | 804                                     | 697          | 602          |
| Terminated participants entitled but not yet eligible | 9                                       | 13           | 39           |
| Declined  | 13                                      | 14           | 15           |
|   | <u>1,297</u>                            | <u>1,297</u> | <u>1,318</u> |

A publicly available financial report can be obtained from the Orange County Employees Retirement System (OCERS) at 2223 Wellington Avenue, Santa Ana, California 92701.

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## **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, 2017**  
**(With Comparative Data for Prior Year)**

|   | 2017           |               |                   |   | 2016              |
|---|----------------|---------------|-------------------|---|-------------------|
|   | Budget Amounts |               | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) | Actual<br>Amounts |
|   | Original       | Final         |                   |   |                   |
| Budgetary fund<br>balance, July 1       | \$ 19,002,272  | \$ 19,002,272 | \$ 19,002,272     | \$ -  | \$ 18,655,855     |
| Resources (inflows):                    |                |               |                   |   |                   |
| Use of money and property               | 164,012        | 148,621       | 120,120           | (28,501)  | 111,865           |
| Miscellaneous                           | 166,092        | 203,512       | 203,512           | -   | 312,605           |
| Transfers in                            | 4,866,307      | 4,866,307     | 4,866,307         | -   | 78,187            |
| Total resources (inflows)               | 5,196,411      | 5,218,440     | 5,189,939         | (28,501)  | 502,657           |
| Amounts available<br>for appropriations | 24,198,683     | 24,220,712    | 24,192,211        | (28,501)  | 19,158,512        |
| Charges to<br>appropriation (outflows): |                |               |                   |   |                   |
| Services and supplies                   | 24,715         | 24,715        | 6,536,197         | (6,511,482)   | 84,845            |
| Capital outlay                          | 9,595,117      | 9,449,482     | 710,336           | 8,739,146   | 71,395            |
| Transfers out                           | -              | -             | 5,552,492         | (5,552,492)   | -                 |
| Total charges<br>to appropriations      | 9,619,832      | 9,474,197     | 12,799,025        | (3,324,828)   | 156,240           |
| Budgetary fund<br>balance, June 30      | \$ 14,578,851  | \$ 14,746,515 | \$ 11,393,186     | \$ (3,353,329)  | \$ 19,002,272     |

**ORANGE COUNTY FIRE AUTHORITY**  
**Fire Apparatus**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|                                  | <b>2017</b>           |                      |                      | <b>2016</b>          |
|----------------------------------|-----------------------|----------------------|----------------------|----------------------|
|                                  | <b>Budget Amounts</b> |                      | <b>Actual</b>        | <b>Variance with</b> |
|                                  | <b>Original</b>       | <b>Final</b>         | <b>Amounts</b>       | <b>Final Budget</b>  |
|                                  |                       |                      |                      | <b>Positive</b>      |
|                                  |                       |                      |                      | <b>(Negative)</b>    |
|                                  |                       |                      |                      | <b>Actual</b>        |
|                                  |                       |                      |                      | <b>Amounts</b>       |
| <b>Budgetary fund</b>            |                       |                      |                      |                      |
| <b>balance, July 1</b>           | <b>\$ 21,452,261</b>  | <b>\$ 21,452,261</b> | <b>\$ 21,452,261</b> | <b>\$ -</b>          |
| <b>Resources (inflows):</b>      |                       |                      |                      |                      |
| Charges for services             | 1,358,858             | 1,350,190            | 1,350,190            | -                    |
| Use of money and property        | 184,423               | 186,890              | 165,829              | (21,061)             |
| Miscellaneous                    | 101,923               | 124,886              | 124,886              | -                    |
| Transfers in                     | 9,813,587             | 15,405,300           | 15,405,300           | -                    |
| <b>Total resources (inflows)</b> | <b>11,458,791</b>     | <b>17,067,266</b>    | <b>17,046,205</b>    | <b>(21,061)</b>      |
| <b>Amounts available</b>         |                       |                      |                      |                      |
| <b>for appropriations</b>        | <b>32,911,052</b>     | <b>38,519,527</b>    | <b>38,498,466</b>    | <b>(21,061)</b>      |
| <b>Charges to</b>                |                       |                      |                      |                      |
| <b>appropriation (outflows):</b> |                       |                      |                      |                      |
| Services and supplies            | -                     | 100,000              | 9,358                | 90,642               |
| Capital outlay                   | 13,980,065            | 25,831,466           | 5,953,342            | 19,878,124           |
| Principal retirement             | 2,397,140             | 2,397,140            | 2,397,140            | -                    |
| Interest and fiscal charges      | 134,583               | 134,583              | 134,583              | -                    |
| <b>Total charges</b>             |                       |                      |                      |                      |
| <b>to appropriations</b>         | <b>16,511,788</b>     | <b>28,463,189</b>    | <b>8,494,423</b>     | <b>19,968,766</b>    |
| <b>Budgetary fund</b>            |                       |                      |                      |                      |
| <b>balance, June 30</b>          | <b>\$ 16,399,264</b>  | <b>\$ 10,056,338</b> | <b>\$ 30,004,043</b> | <b>\$ 19,947,705</b> |

**ORANGE COUNTY FIRE AUTHORITY**  
**Fire Stations and Facilities**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | 2017           |               |                   | 2016  |                   |
|---|----------------|---------------|-------------------|---|-------------------|
|   | Budget Amounts |               | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) | Actual<br>Amounts |
|   | Original       | Final         |                   |   |                   |
| Budgetary fund<br>balance, July 1       | \$ 15,858,647  | \$ 15,858,647 | \$ 15,858,647     | \$ -  | \$ 12,520,242     |
| Resources (inflows):                    |                |               |                   |   |                   |
| Use of money and property               | 132,393        | 151,582       | 140,935           | (10,647)  | 74,414            |
| Miscellaneous                           | 98,381         | 120,546       | 120,546           | -   | 185,165           |
| Developer contributions                 | -              | 630,394       | 962,627           | 332,233   | 3,233,082         |
| Transfers in                            | 7,900,000      | 7,900,000     | 7,900,000         | -   | -                 |
| Total resources (inflows)               | 8,130,774      | 8,802,522     | 9,124,108         | 321,586   | 3,492,661         |
| Amounts available<br>for appropriations | 23,989,421     | 24,661,169    | 24,982,755        | 321,586   | 16,012,903        |
| Charges to<br>appropriation (outflows): |                |               |                   |   |                   |
| Services and supplies                   | 875,000        | 824,931       | 10,857            | 814,074   | 53,433            |
| Capital outlay                          | 7,513,135      | 8,110,773     | 815,901           | 7,294,872   | 100,823           |
| Total charges<br>to appropriations      | 8,388,135      | 8,935,704     | 826,758           | 8,108,946   | 154,256           |
| Budgetary fund<br>balance, June 30      | \$ 15,601,286  | \$ 15,725,465 | \$ 24,155,997     | \$ 8,430,532  | \$ 15,858,647     |

## **Major Governmental Funds**

### ***“Sub-Fund” Components of General Fund***

The following “sub-funds” are have been combined and consolidated in order to report a single General Fund for financial statement presentation. Descriptions of each “sub-fund” component are identified below.

#### **General Operating Fund**

This sub-fund is used to account for all operating activities not accounted for in another sub-fund.

#### **General Fund Capital Improvement Program (CIP)**

This sub-fund is used to account for financial activity associated with maintenance and improvement projects that are considered “capital in nature” but do not meet the criterial to be included in a Capital Projects Fund.

#### **Structural Fire Entitlement**

This sub-fund is used to account for service enhancement funds of over-funded Structural Fire Fund members.

#### **Self Insurance**

This sub-fund is used to account the workers’ compensation self-insurance program.

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Balance Sheet**  
**June 30, 2017**  
**(With Comparative Data for Prior Year)**

|  | <b>General<br/>Operating Fund</b> |
|--|-----------------------------------|
| <b>Assets:</b>   |                                   |
| Cash and investments   | \$ 34,725,928                     |
| Receivables:   |                                   |
| Accounts, net  | 3,132,852                         |
| Accrued interest   | 104,122                           |
| Prepaid costs and other assets   | 33,692,900                        |
| Due from other governments, net  | 11,127,839                        |
|  | <b>\$ 82,783,641</b>              |
| <b>Liabilities:</b>  |                                   |
| Accounts payable   | \$ 2,952,695                      |
| Accrued liabilities  | 8,293,131                         |
| Unearned revenue   | 972,723                           |
| Due to other governments   | 152,192                           |
| <b>Total liabilities</b>   | <b>12,370,741</b>                 |
| <b>Deferred Inflows of Resources:</b>                                      |                                   |
| Unavailable revenue  | 190,000                           |
| <b>Total deferred inflows of resources</b>                                 | <b>190,000</b>                    |
| <b>Fund balances:</b>  |                                   |
| Nonspendable - prepaid costs   | 33,670,604                        |
| Restricted for:  |                                   |
| Operations Department  | 28,551                            |
| Community Risk Reduction Department  | 3,307,509                         |
| Organizational Planning Department   | 28,322                            |
| Committed to - SFF cities enhancements                                     | -                                 |
| Assigned to:   |                                   |
| Capital improvement program  | -                                 |
| Workers' compensation  | -                                 |
| Executive Management   | 66,396                            |
| Operations Department  | 236,943                           |
| Community Risk Reduction Department  | 21,988                            |
| Business Services Department   | 1,341,200                         |
| Support Services Department  | 23,307                            |
| Organizational Planning Department   | 62,047                            |
| Facilities projects  | 89,361                            |
| Communications and IT projects   | -                                 |
| Unassigned   | 31,346,672                        |
| <b>Total fund balances</b>   | <b>70,222,900</b>                 |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 82,783,641</b>              |



| General<br>Fund CIP | Structural<br>Fire<br>Entitlement | Self<br>Insurance    | Eliminations | Total General Fund    |                       |
|---------------------|-----------------------------------|----------------------|--------------|-----------------------|-----------------------|
|                     |                                   |                      |              | 2017                  | 2016                  |
| \$ 1,235,994        | \$ 572,263                        | \$ 75,816,383        | \$ -         | \$ 112,350,568        | \$ 121,350,414        |
| -                   | -                                 | -                    | -            | 3,132,852             | 2,442,570             |
| -                   | 390                               | 49,446               | -            | 153,958               | 125,706               |
| 79,944              | -                                 | -                    | -            | 33,772,844            | 36,789,256            |
| -                   | -                                 | -                    | -            | 11,127,839            | 10,050,255            |
| <b>\$ 1,315,938</b> | <b>\$ 572,653</b>                 | <b>\$ 75,865,829</b> | <b>\$ -</b>  | <b>\$ 160,538,061</b> | <b>\$ 170,758,201</b> |
| \$ 106,966          | \$ 23,002                         | \$ 490,000           | \$ -         | \$ 3,572,663          | \$ 2,720,274          |
| -                   | -                                 | -                    | -            | 8,293,131             | 14,824,059            |
| -                   | -                                 | -                    | -            | 972,723               | 33,116                |
| -                   | -                                 | -                    | -            | 152,192               | 123,047               |
| <b>106,966</b>      | <b>23,002</b>                     | <b>490,000</b>       | <b>-</b>     | <b>12,990,709</b>     | <b>17,700,496</b>     |
| -                   | -                                 | -                    | -            | 190,000               | -                     |
| -                   | -                                 | -                    | -            | <b>190,000</b>        | -                     |
| 79,944              | -                                 | -                    | -            | 33,750,548            | 36,779,845            |
| -                   | -                                 | -                    | -            | 28,551                | 13,867                |
| -                   | -                                 | -                    | -            | 3,307,509             | 2,334,811             |
| -                   | -                                 | -                    | -            | 28,322                | -                     |
| -                   | 549,651                           | -                    | -            | 549,651               | 584,464               |
| 1,107,430           | -                                 | -                    | -            | 1,107,430             | 4,668,314             |
| -                   | -                                 | 75,375,829           | -            | 75,375,829            | 73,720,054            |
| -                   | -                                 | -                    | -            | 66,396                | 36,690                |
| -                   | -                                 | -                    | -            | 236,943               | 51,484                |
| 12,771              | -                                 | -                    | -            | 34,759                | 15,845                |
| -                   | -                                 | -                    | -            | 1,341,200             | 162,699               |
| -                   | -                                 | -                    | -            | 23,307                | 119,743               |
| -                   | -                                 | -                    | -            | 62,047                | 21,000                |
| -                   | -                                 | -                    | -            | 89,361                | 69,987                |
| 8,827               | -                                 | -                    | -            | 8,827                 | 56,909                |
| -                   | -                                 | -                    | -            | 31,346,672            | 34,421,993            |
| <b>1,208,972</b>    | <b>549,651</b>                    | <b>75,375,829</b>    | <b>-</b>     | <b>147,357,352</b>    | <b>153,057,705</b>    |
| <b>\$ 1,315,938</b> | <b>\$ 572,653</b>                 | <b>\$ 75,865,829</b> | <b>\$ -</b>  | <b>\$ 160,538,061</b> | <b>\$ 170,758,201</b> |

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Year ended June 30, 2017**  
**(With Comparative Data for Prior Year)**

|   | <b>General<br/>Operating<br/>Fund</b> |
|---|---------------------------------------|
| <b>Revenues:</b>  |                                       |
| Taxes   | \$ 232,832,758                        |
| Intergovernmental   | 29,069,065                            |
| Charges for services                                      | 104,710,870                           |
| Use of money and property                                 | 413,788                               |
| Miscellaneous   | 4,123,033                             |
| <b>Total revenues</b>                                     | <b>371,149,514</b>                    |
| <b>Expenditures:</b>                                      |                                       |
| Current - public safety:                                  |                                       |
| Salaries and benefits                                     | 320,951,898                           |
| Services and supplies                                     | 30,119,055                            |
| Capital outlay  | 485,968                               |
| Debt service:   |                                       |
| Interest and fiscal charges                               | 266,304                               |
| <b>Total expenditures</b>                                 | <b>351,823,225</b>                    |
| Excess (deficiency) of revenues over (under) expenditures | 19,326,289                            |
| <b>Other financing sources (uses):</b>                    |                                       |
| Transfers in  | 5,552,492                             |
| Transfers out   | (29,942,999)                          |
| Sale of capital and other assets                          | 76,633                                |
| Insurance recoveries                                      | 1,218,433                             |
| <b>Total other financing sources (uses)</b>               | <b>(23,095,441)</b>                   |
| Net change in fund balances                               | (3,769,152)                           |
| Fund balances, beginning of year, as restated             | 73,992,052                            |
| <b>Fund balances, end of year</b>                         | <b>\$ 70,222,900</b>                  |

| General<br>Fund CIP | Structural<br>Fire<br>Entitlement | Self<br>Insurance    | Eliminations        | Total General Fund    |                       |
|---------------------|-----------------------------------|----------------------|---------------------|-----------------------|-----------------------|
|                     |                                   |                      |                     | 2017                  | 2016                  |
| \$ -                | \$ -                              | \$ -                 | \$ -                | \$ 232,832,758        | \$ 219,840,417        |
| -                   | -                                 | -                    | -                   | 29,069,065            | 25,978,081            |
| -                   | -                                 | 11,444,465           | (11,444,465)        | 104,710,870           | 102,408,896           |
| -                   | 3,168                             | 413,315              | -                   | 830,271               | 1,353,083             |
| -                   | -                                 | -                    | -                   | 4,123,033             | 2,096,571             |
| -                   | <b>3,168</b>                      | <b>11,857,780</b>    | <b>(11,444,465)</b> | <b>371,565,997</b>    | <b>351,677,048</b>    |
| -                   | -                                 | -                    | (11,444,465)        | 309,507,433           | 294,414,084           |
| 1,172,165           | 37,981                            | 10,202,005           | -                   | 41,531,206            | 36,165,092            |
| 4,151,390           | -                                 | -                    | -                   | 4,637,358             | 622,906               |
| -                   | -                                 | -                    | -                   | 266,304               | 740,437               |
| <b>5,323,555</b>    | <b>37,981</b>                     | <b>10,202,005</b>    | <b>(11,444,465)</b> | <b>355,942,301</b>    | <b>331,942,519</b>    |
| (5,323,555)         | (34,813)                          | 1,655,775            | -                   | 15,623,696            | 19,734,529            |
| 1,771,392           | -                                 | -                    | (1,771,392)         | 5,552,492             | -                     |
| -                   | -                                 | -                    | 1,771,392           | (28,171,607)          | (78,187)              |
| -                   | -                                 | -                    | -                   | 76,633                | 24,470                |
| -                   | -                                 | -                    | -                   | 1,218,433             | 121,288               |
| <b>1,771,392</b>    | <b>-</b>                          | <b>-</b>             | <b>-</b>            | <b>(21,324,049)</b>   | <b>67,571</b>         |
| (3,552,163)         | (34,813)                          | 1,655,775            | -                   | (5,700,353)           | 19,802,100            |
| 4,761,135           | 584,464                           | 73,720,054           | -                   | 153,057,705           | 133,255,605           |
| <b>\$ 1,208,972</b> | <b>\$ 549,651</b>                 | <b>\$ 75,375,829</b> | <b>\$ -</b>         | <b>\$ 147,357,352</b> | <b>\$ 153,057,705</b> |

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Original Budget**  
**Year ended June 30, 2017**

|   | <b>General<br/>Operating<br/>Fund</b> | <b>General<br/>Fund CIP</b> | <b>Structural<br/>Fire<br/>Entitlement</b> |
|---|---------------------------------------|-----------------------------|--|
| <b>Budgetary fund balance, July 1</b>       | <b>\$ 73,992,052</b>                  | <b>\$ 4,761,135</b>         | <b>\$ 584,464</b>                          |
| <b>Resources (inflows):</b>                 |                                       |                             |  |
| Taxes                                       | 227,439,867                           | -                           | -  |
| Intergovernmental                           | 15,392,901                            | -                           | -  |
| Charges for services                        | 102,840,465                           | -                           | -  |
| Use of money and property                   | 961,615                               | -                           | 4,567                                      |
| Miscellaneous                               | 1,062,197                             | -                           | -  |
| Transfers in                                | -                                     | 1,823,000                   | -  |
| Sale of capital and other assets            | 50,000                                | -                           | -  |
| <b>Total resources (inflows)</b>            | <b>347,747,045</b>                    | <b>1,823,000</b>            | <b>4,567</b>                               |
| <b>Amounts available for appropriations</b> | <b>421,739,097</b>                    | <b>6,584,135</b>            | <b>589,031</b>                             |
| <b>Charges to appropriation (outflows):</b> |                                       |                             |  |
| Salaries and benefits                       | 294,735,887                           | -                           | -  |
| Services and supplies                       | 27,647,038                            | 1,333,909                   | -  |
| Capital outlay                              | 542,683                               | 546,000                     | -  |
| Interest and fiscal charges                 | 754,436                               | -                           | -  |
| Transfers out                               | 24,402,894                            | -                           | -  |
| <b>Total charges to appropriations</b>      | <b>348,082,938</b>                    | <b>1,879,909</b>            | <b>-</b>                                   |
| <b>Budgetary fund balance, June 30</b>      | <b>\$ 73,656,159</b>                  | <b>\$ 4,704,226</b>         | <b>\$ 589,031</b>                          |

| <b>Self<br/>Insurance</b> | <b>Eliminations</b> | <b>Total<br/>General Fund<br/>2017</b> |
|---------------------------|---------------------|--|
| <b>\$ 73,720,054</b>      | <b>\$ -</b>         | <b>\$ 153,057,705</b>                  |
| -                         | -                   | 227,439,867                            |
| -                         | -                   | 15,392,901                             |
| 11,444,465                | (11,444,465)        | 102,840,465                            |
| 569,615                   | -                   | 1,535,797                              |
| -                         | -                   | 1,062,197                              |
| -                         | (1,823,000)         | -                                      |
| -                         | -                   | 50,000                                 |
| <b>12,014,080</b>         | <b>(13,267,465)</b> | <b>348,321,227</b>                     |
| <b>85,734,134</b>         | <b>(13,267,465)</b> | <b>501,378,932</b>                     |
| -                         | (11,444,465)        | 283,291,422                            |
| 7,494,019                 | -                   | 36,474,966                             |
| -                         | -                   | 1,088,683                              |
| -                         | -                   | 754,436                                |
| -                         | (1,823,000)         | 22,579,894                             |
| <b>7,494,019</b>          | <b>(13,267,465)</b> | <b>344,189,401</b>                     |
| <b>\$ 78,240,115</b>      | <b>\$ -</b>         | <b>\$ 157,189,531</b>                  |

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Final Budget**  
**Year ended June 30, 2017**

|  | <b>General<br/>Operating<br/>Fund</b> | <b>General<br/>Fund<br/>CIP</b> | <b>Structural<br/>Fire<br/>Entitlement</b> |
|--|---------------------------------------|---------------------------------|--|
| <b>Budgetary fund balance, July 1</b>        | <b>\$ 73,992,052</b>                  | <b>\$ 4,761,135</b>             | <b>\$ 584,464</b>                          |
| <b>Resources (inflows):</b>                  |                                       |                                 |  |
| Taxes  | 230,301,459                           | -                               | -  |
| Intergovernmental                            | 27,567,139                            | -                               | -  |
| Charges for services                         | 102,816,931                           | -                               | -  |
| Use of money and property                    | 283,622                               | -                               | 3,895                                      |
| Miscellaneous                                | 3,873,324                             | -                               | -  |
| Transfers in                                 | -                                     | 1,771,392                       | -  |
| Sale of capital<br>and other assets          | 38,000                                | -                               | -  |
| Insurance recoveries                         | 51,130                                | -                               | -  |
| <b>Total resources (inflows)</b>             | <b>364,931,605</b>                    | <b>1,771,392</b>                | <b>3,895</b>                               |
| <b>Amounts available for appropriations</b>  | <b>438,923,657</b>                    | <b>6,532,527</b>                | <b>588,359</b>                             |
| <b>Charges to appropriations (outflows):</b> |                                       |                                 |  |
| Salaries and benefits                        | 319,999,934                           | -                               | -  |
| Services and supplies                        | 35,169,895                            | 1,869,044                       | 584,464                                    |
| Capital outlay                               | 962,917                               | 4,966,264                       | -  |
| Interest and fiscal charges                  | 212,800                               | -                               | -  |
| Transfers out                                | 29,942,999                            | -                               | -  |
| <b>Total charges to appropriations</b>       | <b>386,288,545</b>                    | <b>6,835,308</b>                | <b>584,464</b>                             |
| <b>Budgetary fund balance, June 30</b>       | <b>\$ 52,635,112</b>                  | <b>\$ (302,781)</b>             | <b>\$ 3,895</b>                            |

| <b>Self</b>          |                     | <b>Total</b>          |
|----------------------|---------------------|-----------------------|
| <b>Insurance</b>     | <b>Eliminations</b> | <b>General Fund</b>   |
|                      |                     | <b>2017</b>           |
| <b>\$ 73,720,054</b> | <b>\$ -</b>         | <b>\$ 153,057,705</b> |
| -                    | -                   | 230,301,459           |
| -                    | -                   | 27,567,139            |
| 11,444,465           | (11,444,465)        | 102,816,931           |
| 498,258              | -                   | 785,775               |
| -                    | -                   | 3,873,324             |
| -                    | (1,771,392)         | -                     |
| -                    | -                   | 38,000                |
| -                    | -                   | 51,130                |
| <b>11,942,723</b>    | <b>(13,215,857)</b> | <b>365,433,758</b>    |
| <b>85,662,777</b>    | <b>(13,215,857)</b> | <b>518,491,463</b>    |
| -                    | (11,444,465)        | 308,555,469           |
| 9,257,363            | -                   | 46,880,766            |
| -                    | -                   | 5,929,181             |
| -                    | -                   | 212,800               |
| -                    | (1,771,392)         | 28,171,607            |
| <b>9,257,363</b>     | <b>(13,215,857)</b> | <b>389,749,823</b>    |
| <b>\$ 76,405,414</b> | <b>\$ -</b>         | <b>\$ 128,741,640</b> |

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**ORANGE COUNTY FIRE AUTHORITY**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

# **ORANGE COUNTY FIRE AUTHORITY**

## **FOR THE YEAR ENDED JUNE 30, 2017**

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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 aggregate remaining fund information of the Orange County Fire Authority (Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 18, 2017.

**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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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*.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California

October 18, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE 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 the Orange County Fire Authority's (Authority) 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 Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority'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 Authority'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 Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the 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, 2017.

## **Report on Internal Control over Compliance**

Management of the Authority 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 Authority'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 Authority'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 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 aggregate remaining fund information of the Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 18, 2017, which contained unmodified opinions 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 purposes of additional analysis as required by the Uniform Guidance 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. 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.



Laguna Hills, California

October 18, 2017

**ORANGE COUNTY FIRE AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| <b>U.S. DEPT/PASS-THROUGH AGENCY/<br/>PROGRAM TITLE/CLUSTER</b> | <b>FEDERAL<br/>CFDA<br/>NUMBER</b> | <b>DIRECT OR<br/>PASS-THROUGH<br/>ENTITY IDENTIFYING<br/>NUMBER</b> | <b>FEDERAL<br/>EXPENDITURES</b> |
|---|------------------------------------|---|---------------------------------|
| <b><u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u></b>             |                                    |   |                                 |
| Direct assistance via Federal Emergency Management Agency       |                                    |   |                                 |
| National Urban Search and Rescue (US&R) Response System         |                                    |   |                                 |
| 2015 Cooperative Agreement                                      | 97.025                             | EMW-2015-CA-K00014  | \$ 538,137                      |
| 2016 Cooperative Agreement                                      | 97.025                             | EMW-2016-CA-K00013  | 829,094                         |
| <b>Subtotal - CFDA 97.025</b>                                   |                                    |   | <b>1,367,231</b>                |
| Passed through the City of Santa Ana:                           |                                    |   |                                 |
| Homeland Security Grant Program                                 |                                    |   |                                 |
| 2015 Urban Area Security Initiative - Regional Training         | 97.067                             | DHS 2015-SS-00078   | 2,200                           |
| Passed through the Orange County Sheriff's Department:          |                                    |   |                                 |
| Homeland Security Grant Program                                 |                                    |   |                                 |
| 2015 Regional Training  | 97.067                             | DHS 2015-SS-00078   | 3,943                           |
| 2015 Wildland Urban Interface Pre-Fire Plans                    | 97.067                             | DHS 2015-SS-00078   | 63,800                          |
| 2015 Orange County Intelligence Assessment Center               | 97.067                             | DHS 2015-SS-00078   | 127,802                         |
| 2016 Orange County Intelligence Assessment Center               | 97.067                             | DHS 2016-SS-00102   | 19,264                          |
| <b>Subtotal - CFDA 97.067</b>                                   |                                    |   | <b>217,009</b>                  |
| <b>Total U.S. Department of Homeland Security</b>               |                                    |   | <b>1,584,240</b>                |
| <b>Total Federal Expenditures</b>                               |                                    |   | <b>\$ 1,584,240</b>             |

See accompanying notes to Schedule of Expenditures of Federal Awards

**ORANGE COUNTY FIRE AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

***NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**A. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs of the Orange County Fire Authority (Authority). The information in this schedule is presented in accordance with the 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). Because this schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in position, or cash flows of the Authority. All financial assistance received directly from the Federal agencies as well as Federal financial assistance passed through other government agencies to the Authority is included in the accompanying schedule. The Authority's reporting entity is defined in Note 1 of the notes to the Authority's basic financial statements.

**B. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the Authority's Financial Statements. The Authority has elected not to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

**C. Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.



**ORANGE COUNTY FIRE AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**I. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

|  |                      |
|--|----------------------|
| Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: | <u>Unmodified</u>    |
| Internal control over financial reporting:   |                      |
| Material Weaknesses identified?  | <u>No</u>            |
| Significant Deficiencies identified?   | <u>None reported</u> |
| Noncompliance material to financial statements noted?  | <u>No</u>            |

**FEDERAL AWARDS**

|  |                      |
|--|----------------------|
| Internal control over major federal programs:  |                      |
| Material Weaknesses identified?  | <u>No</u>            |
| Significant Deficiencies identified?   | <u>None reported</u> |
| Type of auditors' report issued on compliance for major federal programs:                                  | <u>Unmodified</u>    |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | <u>No</u>            |
| Identification of major federal programs:  |                      |

|                    |  |
|--------------------|--|
| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u>                          |
| <u>97.025</u>      | <u>National Urban Search and Rescue (US&amp;R) Response System</u> |

|  |                   |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee?                                   | <u>No</u>         |

**ORANGE COUNTY FIRE AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**II. FINANCIAL STATEMENT FINDINGS**

None noted.

**ORANGE COUNTY FIRE AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**ORANGE COUNTY FIRE AUTHORITY  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

None noted.



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 (Authority) for the year ended June 30, 2017. 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 March 27, 2017, as well as at our meeting with the Budget and Finance Committee on May 10, 2017. 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 Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year. 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. The most sensitive estimates affecting the Authority's financial statements were:

#### Management's estimate of the:

- Fair value measurements for investments are based on observable market inputs and information from the Authority's safekeeping custodian banks,
- Amounts related to the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, and related disclosures are based on actuarial valuations,
- Amounts related to the net OPEB obligation are based on actuarial valuations,
- Amounts related to the accrued claims and judgements for workers' compensation are based on actuarial valuations, using a 50% confidence level.

We evaluated the key factors and assumptions used to develop these estimates in determining that they appeared reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note 20 to the financial statements disclose the Authority's estimated workers' compensation claims liabilities.

Note 21 to the financial statements disclose the Authority's proportionate share of the net pension liability and related deferred outflows of resources, deferred inflows of resources and pension expense of the OCERS retirement cost-sharing plan. The valuation of the net pension liability and related deferred outflows and inflows are sensitive to the underlying actuarial assumptions used, including but not limited to, the investment rate of return and discount rates. As disclosed in Note 21, a 1% increase or decrease in the discount rate has a significant effect on the Authority's net pension liability.

Note 23 to the financial statements disclose the Authority's Retiree Medical OPEB plan. The Net OPEB Obligation is sensitive to the underlying actuarial assumptions used, including but not limited to, the investment rate of return and discount rates.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *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 October 18, 2017.

#### *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 auditor's 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.

### Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of the Authority's proportionate share of the net pension liability and schedule of contributions for the OCERS Retirement plan, schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of money-weighted rate of return for the Extra Help Retirement plan, and schedule of funding progress for the Retiree Medical plan, 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 individual fund budgetary comparison schedules and combining general fund statements, and the schedule of expenditures of federal awards, 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 RSI. Such information has 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 it.

### Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



Laguna Hills, California  
October 18, 2017

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## ASSIGNED FUND BALANCE POLICY

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### 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**  
**Fund Balance Assigned for Capital Improvement Program**  
**Final Calculation**  
**As of June 30, 2017**

**Attachment 6A**

| Final Calculation   |  |                  |                   |                   |                   |                   |
|---|--|------------------|-------------------|-------------------|-------------------|-------------------|
| As of June 30, 2017   |  | General Fund     | Communications    |                   | Fire Stations     |                   |
|   |  | CIP              | and Information   |                   | and Facilities    |                   |
|   | Source                                   | Fund 12110       | Systems           | Fire Apparatus    | Fund 123          | Total             |
|   |  | Fund 124         | Fund 133          |                   |                   |                   |
| <u>Actual Fund Balance Available for CIP Assignment</u>                 |  |                  |                   |                   |                   |                   |
| Total actual fund balance @ 6/30/2017                                   | FYE 6/30/2017 CAFR, pages 34-35, 108-109 | 1,208,972        | 11,393,186        | 30,004,043        | 24,155,997        | 66,762,198        |
| Less nonspendable fund balance - prepaid items                          | FYE 6/30/2017 CAFR, pages 34-35, 108-109 | (79,944)         | (4,608)           | -                 | -                 | (84,552)          |
| Less restricted fund balance - CALFIRE station(s)                       | FYE 6/30/2017 CAFR, pages 34-35, 108-109 | -                | -                 | -                 | (533,232)         | (533,232)         |
| Less outstanding encumbrances:  |  |                  |                   |                   |                   |                   |
| Pertaining to assigned resources  | FYE 6/30/2017 CAFR, pages 34-35, 108-109 | (21,598)         | (132,583)         | (16,533,144)      | (310,456)         | (16,997,781)      |
| <b>Actual fund balance available for CIP assignment @ 6/30/2017 (A)</b> |  | <b>1,107,430</b> | <b>11,255,995</b> | <b>13,470,899</b> | <b>23,312,309</b> | <b>49,146,633</b> |

**Possible CIP Expenditures, Net of Offsetting Revenues and Funding Sources**

**Possible CIP Expenditures**

|  |   |                  |                   |                   |                   |                    |
|--|---|------------------|-------------------|-------------------|-------------------|--------------------|
| Re-budgeted appropriations                                     | Board of Directors approval 9/28/2017, Item #3C | 1,288,881        | 1,885,180         | 1,377,240         | 7,714,115         | 12,265,416         |
| Subtotal   |   | 1,288,881        | 1,885,180         | 1,377,240         | 7,714,115         | 12,265,416         |
| Planned project expenditures:                                  |   |                  |                   |                   |                   |                    |
| Projects in five-year CIP plan                                 | FY 2017/18 Draft/Adopted Budget, pages 33-35    | 7,791,100        | 10,855,995        | 33,057,940        | 12,525,000        | 64,230,035         |
| Projects beyond five-year plan - helicopter lease debt service | FYE 6/30/2017 CAFR, page 70                     | -                | -                 | -                 | -                 | -                  |
| Subtotal   |   | 7,791,100        | 10,855,995        | 33,057,940        | 12,525,000        | 64,230,035         |
| Deferred project expenditures:                                 |   |                  |                   |                   |                   |                    |
| Deferred five-year CIP plan                                    | FY 2017/18 Draft/Adopted Budget, page 36        | -                | 400,000           | -                 | 26,000,000        | 26,400,000         |
| Subtotal   |   | -                | 400,000           | -                 | 26,000,000        | 26,400,000         |
| <b>Possible CIP expenditures</b>                               |   | <b>9,079,981</b> | <b>13,141,175</b> | <b>34,435,180</b> | <b>46,239,115</b> | <b>102,895,451</b> |

**Offsetting Revenues and Funding Sources**

|  |   |          |          |                    |                  |                     |
|--|---|----------|----------|--------------------|------------------|---------------------|
| Re-budgeted revenues   | Board of Directors approval 9/28/2017, Item #3C                                     | -        | -        | -                  | -                | -                   |
| Subtotal   |   | -        | -        | -                  | -                | -                   |
| Restricted fund balance for projects in 5-year CIP and deferred plans: |   |          |          |                    |                  |                     |
| CALFIRE station(s)   | N/A   | -        | -        | -                  | (533,232)        | (533,232)           |
| Subtotal   |   | -        | -        | -                  | (533,232)        | (533,232)           |
| Cash Contract City revenues:   |   |          |          |                    |                  |                     |
| Vehicle replacement charges (5 years)                                  | Cash Contract City annual vehicle charge, as prepared by Finance Division / GA Unit | -        | -        | (6,871,355)        | -                | (6,871,355)         |
| Subtotal   |   | -        | -        | (6,871,355)        | -                | (6,871,355)         |
| 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)         |
| <b>Possible offsetting revenues</b>                                    |   | <b>-</b> | <b>-</b> | <b>(9,662,615)</b> | <b>(533,232)</b> | <b>(10,195,847)</b> |

|  |  |                  |                   |                   |                   |                   |
|--|--|------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Possible CIP expenditures, net of offsetting revenues (B)</b> |  | <b>9,079,981</b> | <b>13,141,175</b> | <b>24,772,565</b> | <b>45,705,883</b> | <b>92,699,604</b> |
|--|--|------------------|-------------------|-------------------|-------------------|-------------------|

|  |  |                    |                    |                     |                     |                     |
|--|--|--------------------|--------------------|---------------------|---------------------|---------------------|
| <b>Over (under) funded as of 6/30/2017 (A-B)</b> |  | <b>(7,972,551)</b> | <b>(1,885,180)</b> | <b>(11,301,666)</b> | <b>(22,393,574)</b> | <b>(43,552,971)</b> |
|--|--|--------------------|--------------------|---------------------|---------------------|---------------------|

**Final Fund Balance Assignment**

|   |  |                  |                   |                   |                   |                   |
|---|--|------------------|-------------------|-------------------|-------------------|-------------------|
| Actual fund balance available for CIP assignment @ 6/30/2017        |  | 1,107,430        | 11,255,995        | 13,470,899        | 23,312,309        | 49,146,633        |
| Less: Over funded amount to be transferred back to the General Fund |  | -                | -                 | -                 | -                 | -                 |
| <b>Final fund balance assignment @ 6/30/2017</b>                    | <b>FYE 6/30/2017 CAFR, pages 34-35</b> | <b>1,107,430</b> | <b>11,255,995</b> | <b>13,470,899</b> | <b>23,312,309</b> | <b>49,146,633</b> |

**ORANGE COUNTY FIRE AUTHORITY**  
**Fund Balance Assigned for Workers Compensation**  
**Final Calculation**  
**As of June 30, 2017**

**Attachment 6B**

|  |                                   | Self Insurance Fund |                                    |                     |
|--|-----------------------------------|---------------------|------------------------------------|---------------------|
| Description                                      | Source                            | Final Budget        | Positive<br>(Negative)<br>Variance | Actual              |
| <b>Revenues:</b>                                 |                                   |                     |                                    |                     |
| Interest   | FYE 6/30/2017 CAFR, pages 111,115 | \$ 498,258          | (84,943)                           | \$ 413,315          |
| Workers' compensation charges                    | FYE 6/30/2017 CAFR, pages 111,115 | 11,444,465          | -                                  | 11,444,465          |
| Subtotal - revenues                              |                                   | 11,942,723          | (84,943)                           | 11,857,780          |
| <b>Expenditures:</b>                             |                                   |                     |                                    |                     |
| Workers' compensation claims paid                | FYE 6/30/2017 CAFR, pages 111,115 | (9,257,363)         | (944,642)                          | (10,202,005)        |
| Subtotal - expenditures                          |                                   | (9,257,363)         | (944,642)                          | (10,202,005)        |
| <b>Total change in fund balance</b>              |                                   | <b>\$ 2,685,360</b> | <b>\$ (1,029,585)</b>              | <b>\$ 1,655,775</b> |
|  |                                   | (A)                 | (B)                                |                     |
| <b>Assignment for Workers' Compensation:</b>     |                                   |                     |                                    |                     |
| Actual assignment @ 6/30/2016                    | FYE 6/30/2016 CAFR, page 35       |                     | \$ 73,720,054                      |                     |
| Budgeted change in fund balance                  | (A)                               |                     | 2,685,360                          |                     |
| Budgeted assignment @ 6/30/2017                  |                                   |                     | 76,405,414                         |                     |
| Variance between final budget and actual amounts | (B)                               |                     | (1,029,585)                        |                     |
| Actual assignment @ 6/30/2017                    | FYE 6/30/2017 CAFR, page 35       |                     | \$ 75,375,829                      |                     |

**Orange County Fire Authority  
Calculation of Unencumbered Fund Balance  
General Operating Fund\*  
Fiscal Year 2016/17**

|   |       | <b>Final Budget</b> | <b>Actual</b>  | <b>Difference</b>    |
|---|-------|---------------------|----------------|----------------------|
| Property tax revenue (Structural Fire Fund - SFF)               |       | \$ 230,301,459      | \$ 232,832,758 | \$ 2,531,299         |
| Other revenues  |       | 134,630,146         | 139,611,822    | 4,981,676            |
| Transfers in  |       | -                   | 5,552,492      | 5,552,492            |
| Subtotal revenues and transfers in                              | (A)   | 364,931,605         | 377,997,072    | 13,065,467           |
| Expenditures  |       | 356,345,546         | 351,823,225    | 4,522,321            |
| Transfers out   |       | 29,942,999          | 29,942,999     | -                    |
| Subtotal expenditures and transfers out                         |       | 386,288,545         | 381,766,224    | 4,522,321            |
| Less: Prior year encumbrances                                   |       | (488,736)           | (509,538)      | 20,802               |
| Subtotal  |       | 385,799,809         | 381,256,686    | 4,543,123            |
| Plus: Current year encumbrances                                 |       | -                   | 1,895,638      | (1,895,638)          |
| Subtotal budgetary expenditures                                 | (B)   | 385,799,809         | 383,152,324    | 2,647,485            |
| Total unencumbered fund balance before adjustments              | (A+B) |                     |                | 15,712,952           |
| Reconciling items:  |       |                     |                |                      |
| Rebudget of FY 2016/17 uncompleted projects:                    |       |                     |                |                      |
| Increase budgeted FY 2017/18 revenues                           |       |                     |                | 520,739              |
| Increase budgeted FY 2017/18 appropriations                     |       |                     |                | (2,126,976)          |
| Subtotal  |       |                     |                | (1,606,237)          |
| GASB 31 interest adjustment                                     |       |                     |                | 67,801               |
| Total reconciling items   | (C)   |                     |                | (1,538,436)          |
| <b>Total unencumbered fund balance with adjustments (A+B+C)</b> |       |                     |                | <b>\$ 14,174,516</b> |

FY 2017/18 General Operating Fund budget (expenditures, other uses, and transfers out) \$ 350,252,953

Unencumbered fund balance as a percentage of next year's General Operating Fund budget 4.05%

\* In the 2016/17 Financial Statements, the Combined General Fund includes the General Fund CIP Sub-Fund (12110), Structural Fire Entitlement Sub-Fund (171), and the Workers' Compensation Sub-Fund (190), which should not be included in the calculations of unencumbered fund balance. Therefore, activities in these three sub-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**  
**November 8, 2017**

**Agenda Item No. 4C**  
**Discussion Calendar**

**Service Delivery Enhancements – Phase Four**

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**Contact(s) for Further Information**

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**Summary**

This item is submitted to request permanent funding for the 4<sup>th</sup> position on Engine 13 (La Palma). Currently, the 4<sup>th</sup> position is being funded by overtime following the fire at Fire Station 61 (Buena Park). Additionally, this agenda item, if approved, would serve to represent Phase 4 of the Emergency Services Delivery Enhancements.

**Prior Board/Committee Action**

Three previous Service Delivery Enhancements have been authorized by the Board, including: Phase 1 approved in April 2015 impacting the cities of Yorba Linda, Tustin, and Laguna Niguel; Phase 2 approved in November 2015 impacting the cities of Irvine, Lake Forest, Mission Viejo, and Santa Ana; and Phase 3 approved in January 2017 impacting the cities of Buena Park, Cypress, Laguna Niguel, Los Alamitos, Placentia, San Clemente, Seal Beach, and Tustin.

**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 16, 2017, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Authorize staff to increase FY 2017/18 appropriations in the General Fund (121) by \$343,340 in FY 2017/18 to fund a 4<sup>th</sup> position on Engine 13 effective December 22, 2017.
2. Authorize staff to add 3 Firefighter positions to the Master Position Control (one post position with three employees) for the Engine 13 position.

**Impact to Cities/County**

This enhanced staffing for Engine 13 will improve service delivery and enhance firefighter safety in La Palma, Buena Park, and the surrounding service delivery areas. Advanced Life Support (ALS) response times and the number of responding agencies will also be reduced, while allowing surrounding units to stay in service more often. Additionally, the need for automatic aid support from neighboring agencies will be reduced.

**Fiscal Impact**

The partial year impact is an increase in FY 2017/18 General Fund appropriations of \$343,340. The full annual impact is an ongoing expenditure increase of \$686,679 per year.

## **Background**

Engine 13 has traditionally been a 3-person Paramedic Assessment Unit (PAU). A PAU is staffed with three daily personnel, including a Captain, Engineer, and Firefighter, of which one position is a paramedic and two positions are Emergency Medical Technicians (EMTs). As a result, this unit requires the response of a second unit which is a paramedic unit to meet the county minimum of two paramedics for ALS level calls. Examples of ALS calls are strokes, heart attacks, allergic reactions, seizures, and other life threatening emergencies. On structure fire calls, per Occupational Safety and Health Administration (OSHA) requirements, staff on this unit is not permitted to make entry into a burning structure without additional fire units arriving to the scene so that a two-person stand-by rescue team is available. These ALS and fire call requirements draw other units from their primary “first due” delivery areas and result in larger areas of lessening coverage to the region, while they are assisting PAU Engine 13.

Due to the ongoing impacts of requiring an additional unit to respond with Engine 13, this unit is recommended for enhancement as the planned Phase 4 Service Delivery Enhancements. With an additional position and paramedic skill set, Engine 13 will meet ALS/Paramedic Engine (PME) requirements and be authorized to initiate interior firefighting operations without the assistance of another fire company being on-scene.

Following the fire at Station 61 on January 12, 2017, Engine 13 was augmented with a 4<sup>th</sup> position qualified as a paramedic utilizing overtime to enhance regional coverage, while Engine 61 was displaced from its response area. Subsequent data extracted from the six months before Engine 13 was a PAU and six months after becoming a PME showed significant local and regional improvements. Locally, Engine 13 saw a 27% decrease in the time it took to respond and render ALS care. Regionally, after becoming a PME, Engine 13 was able to handle its own medical calls without the need of an additional company which saved over 670 unit responses from other resources in the surrounding areas.

## **Attachment(s)**

None.