ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, November 4, 2015
12:00 Noon

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

Jerry McCloskey, Chair
Beth Swift, Vice Chair
Gene Hernandez   Al Murray   Ta, Tri   Ed Sachs
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 Vice Chair Swift

ROLL CALL

PUBLIC COMMENTS

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

2. MINUTES

A. Minutes for the October 14, 2015, Budget and Finance Committee Meeting
Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:
Approve as submitted.

3. CONSENT 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 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Annual Statement of Investment Policy and Investment Authorization
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 19, 2015, 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, 2016.
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, 2016.

4. DISCUSSION CALENDAR

A. 2015 Long Term Liability Study & Expedited Pension Payment Plan

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 19, 2015, with the Budget and Finance Committee's recommendations that the Board of Directors:

1. Direct staff to continue the Expedited Pension Payment Plan as indicated and the Updated Snowball Strategy.
2. Approve a budget adjustment in Fund 121 to allocate the $12.6 million of available unencumbered funds identified in the FY 2014/15 financial audit to OCFA's unfunded pension liability.
3. Direct staff to evaluate options identified through discussions with the joint-labor groups to address the Retiree Medical unfunded liability.
4. Direct staff to continue seeking cost-saving options related to Workers' Compensation.

B. Audited Financial Reports for the Fiscal Year Ended June 30, 2015

Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Actions:

1. Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 19, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors 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. Capital Improvement Program Budget for Fire Station 10

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 19, 2015, with the Budget and Finance Committee's recommendations that the Board of Directors:

1. Approve an update to the FY 2015 – FY 2020 Five-Year Capital Improvement Program activating the replacement Fire Station 10 (Yorba Linda) from deferred status.
2. Direct staff to evaluate the timing for the Fire Station 10 construction contract award and if timing is appropriate, include the necessary expenditure budget changes of approximately $6.5 million in the FY 2015/16 Mid-Year Budget Adjustments that will be reviewed with the Board in January 2016.

D. Service Delivery Enhancements – Phase Two
Submitted by: Brian Young, Assistant Chief, Organizational Planning

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 19, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Direct staff to include funding for the Phase-Two enhancements in the proposed Mid-Year FY 2015/16 Budget Adjustments.
2. Direct staff to continue to evaluate and recommend the phase-in of service enhancements, as feasible, at six month intervals.

REPORTS
No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, January 13, 2016, 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, front gate public display case, and website 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 29th day of October 2015.

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

UPCOMING MEETINGS:

Claims Settlement Committee Meeting	Thursday, November 19, 2015, 5:30 p.m.
*Executive Committee Meeting	Thursday, November 19, 2015, 6:30 p.m.
*Board of Directors Meeting	Thursday, November 19, 2015, 6:30 p.m.
Human Resources Committee Meeting	Tuesday, January 5, 2016, 12:00 noon
Budget and Finance Committee Meeting	Wednesday, January 13, 2016, 12:00 noon

*Meeting business combined on the Board agenda, due to the holiday.

MINUTES
ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Meeting
Wednesday, October 14, 2015
12:00 Noon

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

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on October 14, 2015, at 11:58 a.m. by Chair McCloskey.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present:

Gerard Goedhart, La Palma
Jerry McCloskey, Laguna Niguel
Ed Sachs, Mission Viejo
Tri Ta, Westminster

Absent:

Gene Hernandez, Yorba Linda
Al Murray, Tustin
Elizabeth Swift, Buena Park

Also present were:

Assistant Chief Michael Schroeder
Assistant Chief Brian Young
Human Resources Director Jeremy Hammond
General Counsel David Kendig
Assistant Chief David Thomas
Assistant Chief Lori Zeller
Clerk of the Authority Sherry Wentz

1. PRESENTATIONS

No items.

PUBLIC COMMENTS (F: 12.02B3)

Chair McCloskey opened the Public Comments portion of the meeting.

Stephen Wontrobski, Mission Viejo resident, addressed his public records request for the working papers of Lance, Soll, Lunghard, LLP.

Chair McCloskey closed the Public Comments portion of the meeting without any further comments.

2. MINUTES

A. Minutes for the September 9, 2015, Budget and Finance Committee Meeting (F: 12.02B2)

On motion of Director Ta and second by Director Goedhart, the Committee voted unanimously by those present to approve the Minutes for the September 9, 2015, Budget and Finance Committee meeting as submitted. Director Sachs was recorded as an abstention, since at the time of the meeting he had not yet been appointed to the committee.

3. CONSENT CALENDAR

A. Fourth Quarter Financial Newsletter (F: 15.07)

Ray Geagan, President of the Orange County Professional Firefighters Association, Local 3631, spoke regarding the year-end unencumbered fund balance.

On motion of Director Goedhart and second by Director Sachs, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of October 15, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

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

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

C. Quarterly Change Order Report (F: 11.10H1)

On motion of Director Goedhart and second by Director Sachs, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of October 15, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee:

1. Received and file the quarterly report.
2. Approve and authorize the Purchasing Manager to renew four blanket order contracts for heavy duty vehicle parts with Romaine Electric, Stommel dba Lehr Auto, Code 3, and Wattco for three years and add/redistribute funds to the contracts as needed, so long as the annual value does not exceed $100,000 for the four contracts combined.
3. Approve and authorize the Purchasing Manager to renew the blanket order contract for light duty vehicle parts with One Stop Parts Source for three years at $50,000 annually.

4. DISCUSSION CALENDAR

A. Monthly Investment Reports (F: 11.10D2)

Treasurer Tricia Jakubiak provided an overview of the Monthly Investment Reports.

On motion of Director Ta and second by Director Sachs, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of October 15, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Replacements for Broker/Dealer List (F: 11.10D4)

Treasurer Tricia Jakubiak provided a report on the Replacements for Broker/Dealer List.

Stephen Wontrobski, Mission Viejo resident, spoke regarding his objections to OCFA's recommendation to include UBS Financial on its prior Broker/Dealer List.

On motion of Director Ta and second by Vice Chair Swift, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of October 15, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee approve the addition of RBC Capital Markets, LLC and Wedbush Securities Inc. to the Broker/Dealer List, which already includes FTN Financial Securities Corp. and Raymond James Financial Services Inc., and authorize the List for a term of two years through October 31, 2017.

REPORTS (F: 12.02B6)

No items.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

Director Sachs stated he looked forward to being a member of the Budget and Finance Committee.

ADJOURNMENT – Chair McCloskey adjourned the meeting at 12:28 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, November 4, 2015, at 12:00 noon.

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

Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting	**Agenda Item No. 3A**
November 4, 2015	**Consent Calendar**

Monthly Investment Reports

Contact(s) for Further Information

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

Summary

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

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of November 19, 2015, 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, 2015. A preliminary investment report as of October 16, 2015, 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 2015/Preliminary Report – October 2015

Attachment

Orange County Fire Authority Monthly Investment Report

Final Report – September 2015

Preliminary Report – October 2015

Monthly Investment Report
Table of Contents

Orange County Fire Authority

Final Investment Report

September 30, 2015

EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of September 2015, the size of the portfolio decreased by \$7.2 million to \$158.3 million. Significant receipts for the month included cash contract payments, charges for current services and other intergovernmental payments totaling \$13.1 million and the first apportionment of unsecured property taxes in the amount of \$4.6 million. Significant disbursements for the month included primarily two biweekly payrolls, which were approximately \$10.1 million each with related benefits, and a \$2.8 million payment to OCERS as part of the Fiscal Year 2015/16 Adopted Budget in May for the UAAL (Unfunded Actuarial Accrued Liability) pay-down. Total September cash outflows for operating expenditures including the UAAL pay-down amounted to approximately \$26.1 million. The portfolio's balance is expected to decrease further in the following month as there are no major receipts scheduled for October.

In September, the portfolio's yield to maturity (365-day equivalent) rose by 1 basis point to 0.37% from the prior month. The effective rate of return increased by 2 basis points to 0.36% for the month and edged up by 1 basis point to 0.34% for the fiscal year-to-date. The average maturity of the portfolio shortened further by 12 days to 149 days to maturity.

Economic News

The U.S. economy appeared to pull back somewhat in September 2015. Employment conditions weakened slightly. There were 142,000 new jobs created in September, a much lower number than expected for the month, and an unexpected downward adjustment was also made for the prior month. The unemployment rate stayed unchanged at 5.1%. Consumer confidence remained mixed in September, and retail sales came in weaker than expected for the month. Both manufacturing and non-manufacturing activity continued to drop marginally in September. Industrial production also fell. The CPI (Consumer Price Index) and the PPI (Producer Price Index) both decreased in September as low energy prices persisted. Housing activity continued to improve, but stayed mixed. The NFIB (National Federation of Independent Business) Small Business Optimism Index edged up slightly. Due to the weak economic activity in September and the lingering China and global economic uncertainty, current expectations are that the Fed will likely begin to lift interest rates in 2016 instead of later this year.

BENCHMARK COMPARISON AS OF SEPTEMBER 30, 2015

3 Month T-Bill:	*0.02%*	*1 Year T-Bill:*	*0.37%*
6 Month T-Bill:	*0.18%*	*LAIF:*	*0.34%*

OCFA Portfolio: 0.36%

PORTFOLIO SIZE, YIELD, & DURATION

	Current Month	***Prior Month***	***Prior Year***
Book Value-	*$158,324,031*	*$165,512,055*	*$148,128,923*
Yield to Maturity (365 day)	*0.37%*	*0.36%*	*0.29%*
Effective Rate of Return	*0.36%*	*0.34%*	*0.28%*
Days to Maturity	*149*	*161*	*190*

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

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
September 30, 2015

Investments	Par Value	Market Value (See Note 1 on page 9)	Book Value (See Note 2 on page 9)	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	22,535,519.94	22,535,519.94	22,535,519.94	14.34	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	9,585,000.00	9,581,538.15	9,582,124.24	6.10	198	52	0.212	0.215
Federal Agency Coupon Securities	42,000,000.00	42,013,590.00	42,009,028.85	26.74	1,307	504	0.834	0.846
Federal Agency Disc. -Amortizing	33,000,000.00	32,995,830.00	32,995,000.00	21.00	140	48	0.109	0.111
Local Agency Investment Funds	50,000,000.00	50,029,732.30	50,000,000.00	31.82	1	1	0.332	0.337
Investments	**157,120,519.94**	**157,156,210.39**	**157,121,673.03**	**100.00%**	**391**	**149**	**0.365**	**0.370**
Cash								
Passbook/Checking (not included in yield calculations)	1,221,794.42	1,221,794.42	1,221,794.42		1	1	0.000	0.000
Total Cash and Investments	**158,342,314.36**	**158,378,004.81**	**158,343,467.45**		**391**	**149**	**0.365**	**0.370**

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	48,235.63	149,108.13
Average Daily Balance	**162,387,661.69**	**175,077,555.22**
Effective Rate of Return	**0.36%**	**0.34%**

"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, 2015. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

P Jakubiak 10/2/15

Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	*$*	*158,343,467.45*
GASB 31 Adjustment to Books (See Note 3 on page 9)	*$*	*(19,436.11)*
Total	*$*	*158,324,031.34*

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
September 30, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value *(See Note 1 on page 9)*	Book Value *(See Note 2 on page 9)*	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			22,535,519.94	22,535,519.94	22,535,519.94	0.001	0.001	1	
		Subtotal and Average	**17,903,198.72**		**22,535,519.94**	**22,535,519.94**	**22,535,519.94**		**0.001**	**1**	
Commercial Paper Disc. -Amortizing											
36959JYR8	860	GEN ELEC CAP CRP		04/23/2015	2,570,000.00	2,569,023.40	2,569,214.72	0.200	0.206	55	11/25/2015
36595JYL1	862	GEN ELEC CAP CRP		05/06/2015	6,015,000.00	6,012,894.75	6,013,245.63	0.210	0.218	50	11/20/2015
36959JYR8	866	GEN ELEC CAP CRP		07/01/2015	1,000,000.00	999,620.00	999,663.89	0.220	0.223	55	11/25/2015
		Subtotal and Average	**9,581,319.83**		**9,585,000.00**	**9,581,538.15**	**9,582,124.24**		**0.215**	**52**	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank(Callable anytime)		04/25/2013	9,000,000.00	9,000,180.00	8,998,824.23	0.400	0.424	204	04/22/2016
3133EEA75	861	Federal Farm Credit Bank		04/23/2015	9,000,000.00	8,996,850.00	9,000,000.00	0.990	0.998	844	01/22/2018
3134G7FK2	863	Fed Home Loan Mtg Corp(Callable 12-23-15)		06/30/2015	9,000,000.00	9,014,490.00	9,003,999.28	1.100	0.905	83	03/23/2018
3133804V6	787	Fed Home Loan Bank(Callable anytime)		08/09/2012	6,000,000.00	6,000,540.00	6,000,000.00	1.000	0.981	678	08/09/2017
3133813R4	800	Fed Home Loan Bank(Callable 10-9-15)		12/20/2012	9,000,000.00	9,001,530.00	9,006,205.34	1.000	0.966	770	11/09/2017
		Subtotal and Average	**42,009,769.93**		**42,000,000.00**	**42,013,590.00**	**42,009,028.85**		**0.846**	**504**	
Federal Agency Disc. -Amortizing											
313384NG0	864	Fed Home Loan Bank		07/01/2015	9,000,000.00	8,999,820.00	8,999,475.00	0.100	0.103	21	10/22/2015
313384NX3	865	Fed Home Loan Bank		07/01/2015	9,000,000.00	8,999,370.00	8,999,145.00	0.095	0.098	36	11/06/2015
313384QB8	867	Fed Home Loan Bank		07/01/2015	6,000,000.00	5,998,800.00	5,998,720.00	0.120	0.123	64	12/04/2015
313384QR3	868	Fed Home Loan Bank		07/01/2015	9,000,000.00	8,997,840.00	8,997,660.00	0.120	0.123	78	12/18/2015
		Subtotal and Average	**42,893,373.21**		**33,000,000.00**	**32,995,830.00**	**32,995,000.00**		**0.111**	**48**	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,029,732.30	50,000,000.00	0.337	0.337	1	
		Subtotal and Average	**50,000,000.00**		**50,000,000.00**	**50,029,732.30**	**50,000,000.00**		**0.337**	**1**	
		Total and Average	**162,387,661.69**		**157,120,519.94**	**157,156,210.39**	**157,121,673.03**		**0.370**	**149**	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
September 30, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2015	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2015	1,201,794.42	1,201,794.42	1,201,794.42		0.000	1
		Average Balance	**0.00**							**1**
		Total Cash and Investments	**162,387,661.69**		**158,342,314.36**	**158,378,004.81**	**158,343,467.45**		**0.370**	**149**

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of October 1, 2015

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

					Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	(10/01/2015 - 10/01/2015)		4 Maturities	0 Payments	73,757,314.36	46.58%	73,757,314.36	73,787,046.66
Aging Interval: 1 - 30 days	(10/02/2015 - 10/31/2015)		1 Maturities	0 Payments	9,000,000.00	5.68%	8,999,475.00	8,999,820.00
Aging Interval: 31 - 60 days	(11/01/2015 - 11/30/2015)		4 Maturities	0 Payments	18,585,000.00	11.73%	18,581,269.24	18,580,908.15
Aging Interval: 61 - 91 days	(12/01/2015 - 12/31/2015)		2 Maturities	0 Payments	15,000,000.00	9.47%	14,996,380.00	14,996,640.00
Aging Interval: 92 - 121 days	(01/01/2016 - 01/30/2016)		0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 122 - 152 days	(01/31/2016 - 03/01/2016)		0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 153 - 183 days	(03/02/2016 - 04/01/2016)		0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	(04/02/2016 - 07/01/2016)		1 Maturities	0 Payments	9,000,000.00	5.68%	8,998,824.23	9,000,180.00
Aging Interval: 275 - 365 days	(07/02/2016 - 09/30/2016)		0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(10/01/2016 - 09/30/2018)		4 Maturities	0 Payments	33,000,000.00	20.85%	33,010,204.62	33,013,410.00
Aging Interval: 1096 days and after	(10/01/2018 -)		0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
		Total for	16 Investments	0 Payments		100.00	158,343,467.45	158,378,004.81

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, 2015 includes an increase of $18,799 to the LAIF investment and a decrease of ($38,235) to the remaining investments.

Note 4: The Highmark 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, 2015, OCFA has $50,000,000 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, 2015 is 1.000594646. When applied to OCFA's LAIF investment, the fair value is $50,029,732 or $29,732 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at September 30, 2015 is included on the following page.

State of California
Pooled Money Investment Account
Market Valuation
9/30/2015

Description	Carrying Cost Plus Accrued Interest Purch.	Amortized Cost	Fair Value	Accrued Interest
United States Treasury:				
Bills	$ 12,871,664,593.62	$ 12,883,160,576.35	$ 12,891,502,500.00	NA
Notes	$ 21,753,246,738.90	$ 21,752,488,853.94	$ 21,783,297,000.00	$ 27,448,187.50
Federal Agency:				
SBA	$ 602,701,636.28	$ 602,693,367.65	$ 596,900,482.69	$ 522,669.38
MBS-REMICs	$ 80,585,488.85	$ 80,585,488.85	$ 86,209,374.07	$ 382,602.35
Debentures	$ 1,364,527,837.95	$ 1,364,526,185.17	$ 1,365,823,350.00	$ 1,384,349.30
Debentures FR	$ -	$ -	$ -	$ -
Discount Notes	$ 7,086,977,374.95	$ 7,092,738,013.84	$ 7,093,404,000.00	NA
GNMA	$ -	$ -	$ -	$ -
Supranational Debentures	$ 350,165,819.35	$ 350,165,819.35	$ 350,950,000.00	$ 454,512.50
CDs and YCDs FR	$ -	$ -	$ -	$ -
Bank Notes	$ 600,000,000.00	$ 600,000,000.00	$ 600,018,032.38	$ 456,888.90
CDs and YCDs	$ 12,875,010,933.58	$ 12,875,010,933.58	$ 12,872,759,172.35	$ 8,756,708.37
Commercial Paper	$ 2,822,034,319.49	$ 2,823,728,763.90	$ 2,823,785,298.62	NA
Corporate:				
Bonds FR	$ -	$ -	$ -	$ -
Bonds	$ -	$ -	$ -	$ -
Repurchase Agreements	$ -	$ -	$ -	$ -
Reverse Repurchase	$ -	$ -	$ -	$ -
Time Deposits	$ 5,628,540,000.00	$ 5,628,540,000.00	$ 5,628,540,000.00	NA
AB 55 & GF Loans	$ 458,557,202.41	$ 458,557,202.41	$ 458,557,202.41	NA
TOTAL	$ 66,494,011,945.38	$ 66,512,195,205.04	$ 66,551,746,412.52	$ 39,405,918.30

Fair Value Including Accrued Interest $ 66,591,152,330.82

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

The value of each participating dollar equals the fair value divided by the amortized cost **(1.000594646)**.
As an example: if an agency has an account balance of $20,000,000.00, then the agency would report its participation in the LAIF valued at $20,011,892.92 or $20,000,000.00 x**1.000594646**.

Orange County Fire Authority

Preliminary Investment Report

October 16, 2015

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

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
October 16, 2015

(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	8,938,722.93	8,938,722.93	8,938,722.93	6.45	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	9,585,000.00	9,583,071.75	9,583,011.87	6.92	198	36	0.212	0.215
Federal Agency Coupon Securities	37,000,000.00	37,015,670.00	37,015,336.76	26.71	1,049	288	0.779	0.790
Federal Agency Disc. -Amortizing	33,000,000.00	32,998,530.00	32,996,580.00	23.81	140	32	0.109	0.111
Local Agency Investment Funds	50,040,262.65	50,070,018.89	50,040,262.65	36.11	1	1	0.332	0.337
Investments	**138,563,985.58**	**138,606,013.57**	**138,573,914.21**	**100.00%**	**328**	**87**	**0.369**	**0.374**
Cash								
Passbook/Checking (not included in yield calculations)	855,636.94	855,636.94	855,636.94		1	1	0.000	0.000
Total Cash and Investments	**139,419,622.52**	**139,461,650.51**	**139,429,551.15**		**328**	**87**	**0.369**	**0.374**

Total Earnings	October 16 Month Ending	Fiscal Year To Date
Current Year	17,410.24	166,518.37
Average Daily Balance	**153,879,476.64**	**171,937,099.14**
Effective Rate of Return	**0.26%**	**0.33%**

"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, 2015. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

P Jakubiak 10/23/15

Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	$	139,429,551.15
GASB 31 Adjustment to Books (See Note 3 on page 18)	$	(19,436.11)
Total	$	139,410,115.04

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
October 16, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value (See Note 1 on page 18)	Book Value (See Note 2 on page 18)	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			8,938,722.93	8,938,722.93	8,938,722.93	0.001	0.001	1	
		Subtotal and Average	**23,663,806.35**		**8,938,722.93**	**8,938,722.93**	**8,938,722.93**		**0.001**	**1**	
Commercial Paper Disc. -Amortizing											
36959JYR8	860	GEN ELEC CAP CRP		04/23/2015	2,570,000.00	2,569,434.60	2,569,443.17	0.200	0.206	39	11/25/2015
36595JYL1	862	GEN ELEC CAP CRP		05/06/2015	6,015,000.00	6,013,857.15	6,013,807.03	0.210	0.218	34	11/20/2015
36959JYR8	866	GEN ELEC CAP CRP		07/01/2015	1,000,000.00	999,780.00	999,761.67	0.220	0.223	39	11/25/2015
		Subtotal and Average	**9,582,595.79**		**9,585,000.00**	**9,583,071.75**	**9,583,011.87**		**0.215**	**36**	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank(Callable anytime)		04/25/2013	9,000,000.00	9,000,000.00	8,998,917.83	0.400	0.424	188	04/22/2016
3133EEA75	861	Federal Farm Credit Bank		04/23/2015	9,000,000.00	9,000,360.00	9,000,000.00	0.990	0.998	828	01/22/2018
3133EFJP3	869	Federal Farm Credit Bank (Callable 1-15-16)		10/15/2015	10,000,000.00	10,003,700.00	10,013,200.00	1.100	0.829	90	10/15/2018
3134G7FK2	863	Fed Home Loan Mtg Corp (Callable 12-23-15)		06/30/2015	9,000,000.00	9,011,610.00	9,003,218.93	1.100	0.905	67	03/23/2018
		Subtotal and Average	**37,632,202.30**		**37,000,000.00**	**37,015,670.00**	**37,015,336.76**		**0.790**	**288**	
Federal Agency Disc. -Amortizing											
313384NG0	864	Fed Home Loan Bank		07/01/2015	9,000,000.00	9,000,000.00	8,999,875.00	0.100	0.103	5	10/22/2015
313384NX3	865	Fed Home Loan Bank		07/01/2015	9,000,000.00	8,999,910.00	8,999,525.00	0.095	0.098	20	11/06/2015
313384QB8	867	Fed Home Loan Bank		07/01/2015	6,000,000.00	5,999,520.00	5,999,040.00	0.120	0.123	48	12/04/2015
313384QR3	868	Fed Home Loan Bank		07/01/2015	9,000,000.00	8,999,100.00	8,998,140.00	0.120	0.123	62	12/18/2015
		Subtotal and Average	**32,995,839.38**		**33,000,000.00**	**32,998,530.00**	**32,996,580.00**		**0.111**	**32**	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,040,262.65	50,070,018.89	50,040,262.65	0.337	0.337	1	
		Subtotal and Average	**50,005,032.83**		**50,040,262.65**	**50,070,018.89**	**50,040,262.65**		**0.337**	**1**	
		Total and Average	**153,879,476.64**		**138,563,985.58**	**138,606,013.57**	**138,573,914.21**		**0.374**	**87**	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
October 16, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2015	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2015	835,636.94	835,636.94	835,636.94		0.000	1
		Average Balance	**0.00**							**1**
		Total Cash and Investments	**153,879,476.64**		**139,419,622.52**	**139,461,650.51**	**139,429,551.15**		**0.374**	**87**

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of October 17, 2015

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

					Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(10/17/2015 - 10/17/2015)	4 Maturities	0 Payments	59,834,622.52	42.91%	59,834,622.52	59,864,378.76
Aging Interval:	1 - 30 days	(10/18/2015 - 11/16/2015)	2 Maturities	0 Payments	18,000,000.00	12.91%	17,999,400.00	17,999,910.00
Aging Interval:	31 - 60 days	(11/17/2015 - 12/16/2015)	4 Maturities	0 Payments	15,585,000.00	11.18%	15,582,051.87	15,582,591.75
Aging Interval:	61 - 91 days	(12/17/2015 - 01/16/2016)	1 Maturities	0 Payments	9,000,000.00	6.45%	8,998,140.00	8,999,100.00
Aging Interval:	92 - 121 days	(01/17/2016 - 02/15/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	122 - 152 days	(02/16/2016 - 03/17/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	(03/18/2016 - 04/17/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(04/18/2016 - 07/17/2016)	1 Maturities	0 Payments	9,000,000.00	6.45%	8,998,917.83	9,000,000.00
Aging Interval:	275 - 365 days	(07/18/2016 - 10/16/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(10/17/2016 - 10/16/2018)	3 Maturities	0 Payments	28,000,000.00	20.09%	28,016,418.93	28,015,670.00
Aging Interval:	1096 days and after	(10/17/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
		Total for	15 Investments	0 Payments		100.00	139,429,551.15	139,461,650.51

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, 2015 includes an increase of $18,799 to the LAIF investment and a decrease of ($38,235) to the remaining investments.

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

GLOSSARY

INVESTMENT TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yield. Rate of return on a bond.

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

<u>ECONOMIC TERMS</u>

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

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

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

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

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

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

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

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

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

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

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

Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting — **Agenda Item No. 3B**
November 4, 2015 — **Consent Calendar**

Annual Statement of Investment Policy and Investment Authorization

Contact(s) for Further Information

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

Summary
This agenda item is submitted to the Committee annually in compliance with the Authority's Investment Policy that requires the Statement of Investment Policy to be reviewed and approved 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 19, 2015, 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, 2016.
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, 2016.

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.

Since the Deputy Fire Chief position is currently unfilled, proposed changes to the Investment Policy on Pages 2, 3, and 4 are indicated below:

<u>5. Authorization and Delegation of Authority:</u>

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 Department and (2) the Deputy Fire Chief or Fire Chief's designee.

<u>6. Duties and Responsibilities:</u>

6.4 *Deputy Fire Chief or Fire Chief's designee*: Charged with responsibility (in the absence of the Treasurer and Assistant Chief/Business Services Department) 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.

<u>7. Ethics and Conflicts of Interest:</u>

7.5 The Treasurer, the Assistant Chief/Business Services Department, 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.

On October 15, 2015, the Executive Committee authorized the List of Broker/Dealers for a term of two years; therefore, the proposed change on Page 4 is indicated below:

<u>8. Authorized Financial Dealers and Institutions:</u>

8.1 On a biennial ~~annual~~ 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.

The Proposed Investment Policy is attached for review and approval, to be effective January 1, 2016. (Attachment).

Attachment(s)
Proposed Investment Policy (to be effective January 1, 2016)

Attachment

ORANGE COUNTY FIRE AUTHORITY

INVESTMENT POLICY

Calendar Year 2016

INVESTMENT POLICY

History of OCFA's Investment Policy & Cash Management Program

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

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

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

During the past year, there were no significant legislative amendments to the California Government Code regarding investments that would require a change to the 2015 Investment Policy.

INVESTMENT POLICY

TABLE OF CONTENTS

INVESTMENT POLICY

ORANGE COUNTY FIRE AUTHORITY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. **Duties and Responsibilities:**

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

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

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

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

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

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

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

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

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

7.1. Act responsibly as custodians of the public trust.

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

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

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

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

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

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

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

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

8.1.3 Must have a branch office in California.

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

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

8.1.6 Must provide current audited financial statements.

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

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

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

8.2.1 Current audited financial statements.

8.2.2 Depository contracts.

8.2.3 A copy of the latest FDIC call report.

8.2.4 Proof that the institution is state or federally chartered.

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

Authorized Investment Advisors

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

Authorized Investment Managers

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

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

10.1. U.S Treasury or Federal Agency securities.

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

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

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

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

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

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

10.8. Commercial paper in compliance with the following requirements:

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

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

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

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

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

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

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

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

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

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

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

11.3. Financial futures or financial options.

11.4. Common stocks or corporate bonds.

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

12.1. A statement of investment policy and objectives.

12.2. A list of allowable investments.

12.3. Disclosure regarding settlement and safeguarding of investments.

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

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

12.6. Deposit and withdrawal restrictions.

12.7. Disclosure of audit findings and reports.

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

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

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

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

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

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

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

15.1.1	Treasury securities	100%
15.1.2	Local Agency Investment Fund	75% *(Excludes moneys deposited in LAIF bond funds.)*
15.1.3	Federal Agency securities	75%
15.1.4	Bankers' Acceptances	25%
15.1.5	Negotiable CD's	25%

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

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

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

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

16. **Internal Control**:

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

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

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

16.3.1 Treasurer.

16.3.2 Assistant Chief, Business Services.

16.3.3 Deputy Fire Chief.

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

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

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

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

18. **Reporting:**

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

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

18.1.2 Issuer.

18.1.3 Purchase date.

18.1.4 Date of maturity.

18.1.5 Amount of deposit.

18.1.6 Face value of the securities.

18.1.7 Current market value of securities.

18.1.8 Portfolio yield and comparison to benchmark.

18.1.9 Interest earnings.

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

18.1.11 Statement relating the report to the Investment Policy.

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

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

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

18.1.15 GASB 31 effects on financial statements.

18.1.16 Comments on the fixed income markets and economic conditions.

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

18.1.18 Any other information required by the Board.

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

18.2.1 Analysis of the composition of the investment fund.

18.2.2 Discussion of investment risk in the portfolio.

18.2.3 GASB 31 impacts.

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

18.2.5 Portfolio performance and comparison to benchmark.

18.2.6 Investment income.

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

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

Glossary

Active Deposits. Funds which are immediately required for disbursement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Inactive deposits. Funds not immediately needed for disbursement.

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

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

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

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

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

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

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

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

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

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

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

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

Negotiable. Salable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting
November 4, 2015

Agenda Item No. 4A
Discussion Calendar

2015 Long Term Liability Study & Expedited Pension Payment Plan

Contact(s) for Further Information

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Summary

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

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 19, 2015, with the Budget and Finance Committee's recommendations that the Board of Directors:

1. Direct staff to continue the Expedited Pension Payment Plan as indicated and the Updated Snowball Strategy.
2. Approve a budget adjustment in Fund 121 to allocate the $12.6 million of available unencumbered funds identified in the FY 2014/15 financial audit to OCFA's unfunded pension liability.
3. Direct staff to evaluate options identified through discussions with the joint-labor groups to address the Retiree Medical unfunded liability.
4. Direct staff to continue seeking cost-saving options related to Workers' Compensation.

Impact to Cities/County

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

Fiscal Impact

The Adopted Budget for FY 2015/16 and the five-year financial forecast already included a $2.8 million payment for the Expedited Pension Payment Plan. The additional accelerated payments to OCERS proposed herein are recommended for implementation in a manner which minimizes the impact to cash contract city charges. Continuous pursuit of the recommended actions will lower OCFA's salary and benefit costs over the long term, ultimately reducing OCFA's expenditure budget and positively impacting our annual charges to cash contract cities.

Background

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

In an effort to continue the accelerated funding of OCFA's pension liability (Unfunded Actuarially Accrued Liability, or UAAL), the OCFA submitted a request to OCERS to have its actuary, Segal Consulting, estimate the impact on OCFA's UAAL amortization period and retirement contribution rates based on an updated accelerated funding plan. Segal was asked to look at the combination of the following four strategies for funding the UAAL:

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

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

Staff evaluated the affordability of various expedited payment options, using the OCFA's long term financial forecast. The long-term financial forecast (Attachment 2) includes the impact of the updated snowball strategy (Attachment 3). The value of the proposed expedited payments from these combined strategies results in a "snowball" effect with growing annual values that add up to a cumulative $254.5 million over 12 years. This projected $254.5 million UAAL payment is *in addition to* the minimum annual required UAAL payments that OCFA currently makes each year, and will continue to make each year until the UAAL is paid in full. Alternatively, future events could cause retirement contribution rates to rise rather than fall. When that occurs, OCFA staff will present options to the OCFA Board for funding those required increases, while also continuing to work on progress with accelerated payment of OCFA's UAAL.

The OCFA has already taken steps to reduce some of its long-term liabilities and accelerate funding of other liabilities. Staff is committed to continue seeking additional ways to mitigate liability impacts, fund the accrued liabilities, and ensure the long term viability of the organization. In pursuing these actions, staff also seeks to assist OCFA's member agencies through financial efficiencies that will positively impact our cost of service.

Attachment(s)

1. 2015 Long Term Liability Study
2. OCFA's Long Term Financial Forecast
3. Updated Snowball Strategy

Attachment 1

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

2015

LIABILITY STUDY

OCFA'S LONG TERM LIABILITES

N O V E M B E R   2 0 1 5

OCFA'S LONG TERM LIABILITY STUDY

I. OBJECTIVE

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

II. BACKGROUND

OCFA's long term liabilities include:

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

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

DEFINED BENEFIT PENSION PLAN

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

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

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

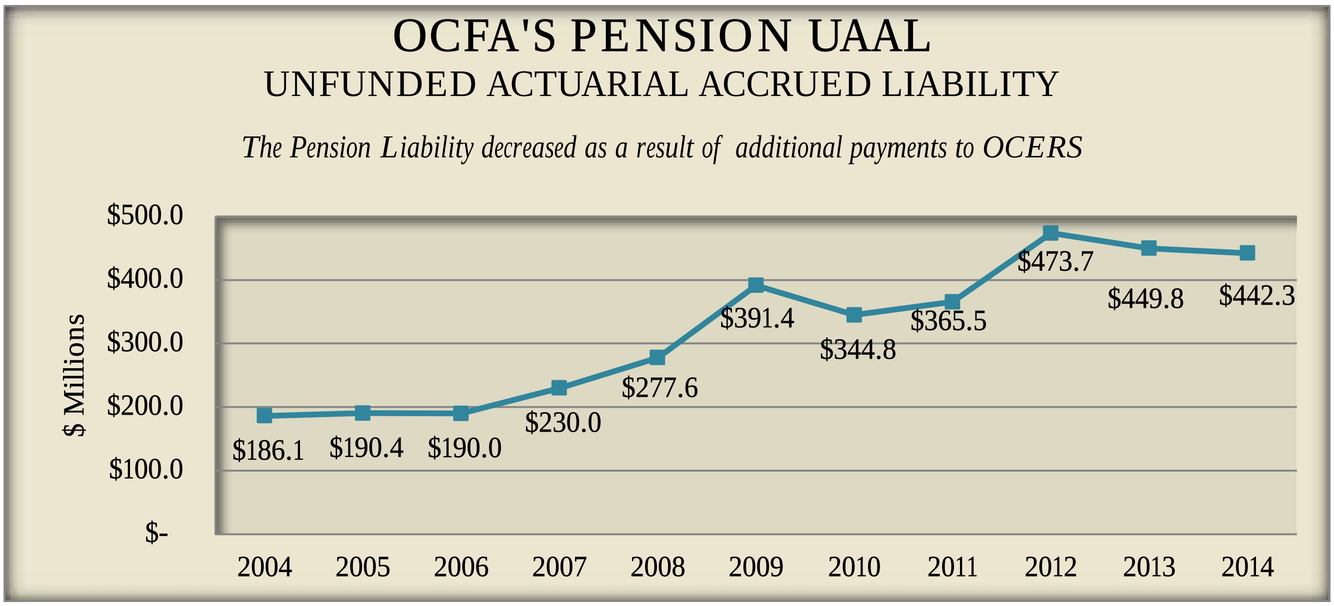
	Hired Prior to July 1, 2012	Hired Between July 1, 2012 – Dec. 31, 2012	Hired on or after Jan. 1, 2013 (w/out reciprocity)
Safety	3% @ 50	3% @ 55	2.7% @ 57

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

OCFA Retirement Costs, Liabilities and Funding

OCFA's annual retirement costs represent approximately $72.3 million or 22% of the Authority's FY 2015/16 General Fund budget. Each year, the Authority receives its retirement rates from OCERS. The total retirement rate has two components: the Normal Cost Component plus the current year's cost for the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost Component is the cost to pay for the current year's value of retirement benefits as earned. The UAAL Component is the accrued liability for past services which were not funded by prior contributions and investments.

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



Based on the December 31, 2014 valuation by OCERS, the Authority's total UAAL was $442.3 million with $380.4 million or 86% attributed to Safety members and $61.9 million or 14% attributed to General members. The Safety member plans are currently 71% funded, and the General member plans are 66% funded. The OCFA reduces its UAAL over time as part of the annual required pension contribution to OCERS as shown below:

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

Employer Rate *	2014 Valuation	2013 Valuation
Normal Cost	12.99%	13.73%
UAAL	20.28%	23.34%
Total	33.27%	37.07%

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

Employer Rate *	2014 Valuation	2013 Valuation
Normal Cost	26.47%	25.70%
UAAL	24.42%	24.14%
Total	50.89%	49.84%

* Totals do not include *Employee Rates*, which vary based on age of entry and retirement formula. *Employee Rates* range from 6.60% - 17.15% for General and 10.49% - 20.41% for Safety (See Exhibit A).

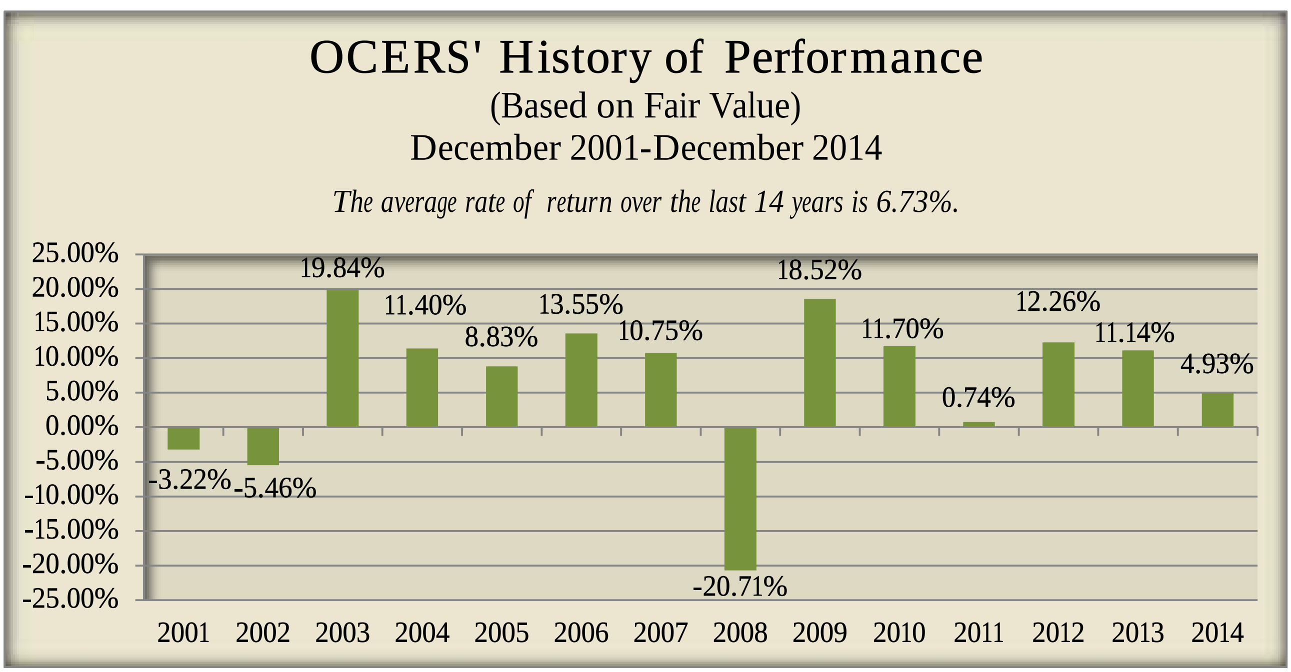
Two events have the greatest impact on plan funding: (1) plan changes, namely benefit formula changes and (2) differing actual experience requiring a modification in assumptions to reflect reality such as life expectancy. Other assumptions that impact the funding and UAAL include:

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

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

In 2014, OCERS actual return was 4.93% which is below its assumed rate of return of 7.25%. This would typically result in an increase in the UAAL. However, this year OCFA paid $21.3 million in additional contributions which along with salary savings lowered OCFA's UAAL by $7.5 million from $449.8 million in 2013 to $442.3 million in 2014. Of the $7.5 million decline in the UAAL, Safety's UAAL increased by $700,000 million (due to offsetting impacts from mortality) and General's UAAL declined by $8.2M for a net decrease of $7.5 million.

The following chart shows a history of OCERS' investment performance over the past fourteen years. Although there have been years in which OCERS exceeded its assumed rate of return, the years in which OCERS incurred significant losses, such as the 21% loss in 2008, have a dramatic negative impact. OCERS' average return for the 14 years reflected below is 6.73%, which is below its assumed rate of return of 7.25%. When OCERS' actual return falls below its assumed rate of return, OCFA incurs higher retirement rates/costs.



OCERS' investment return also impacts the funding level of the entire system, as demonstrated in the following chart. After the 21% loss in 2008, OCERS UAAL increased and its funding level began to drop. With positive returns exceeding the assumed rate of return in the past year, OCERS funding level has started to improve.

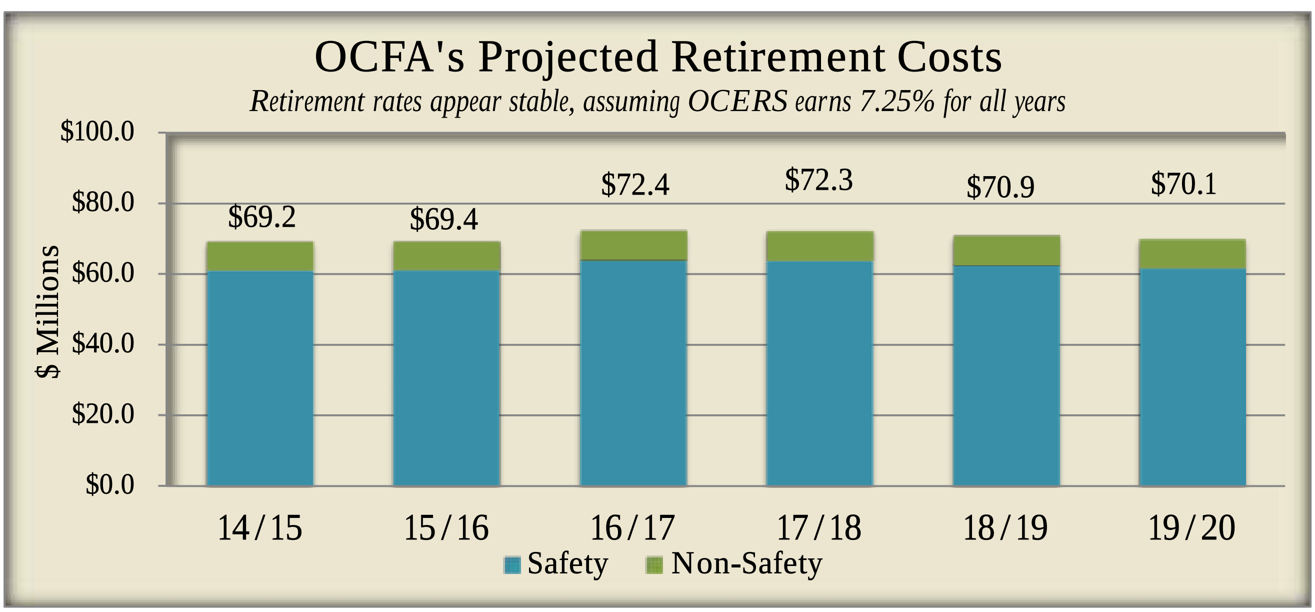
OCERS' Schedule of Funding Progress

(Dollars in Thousands)

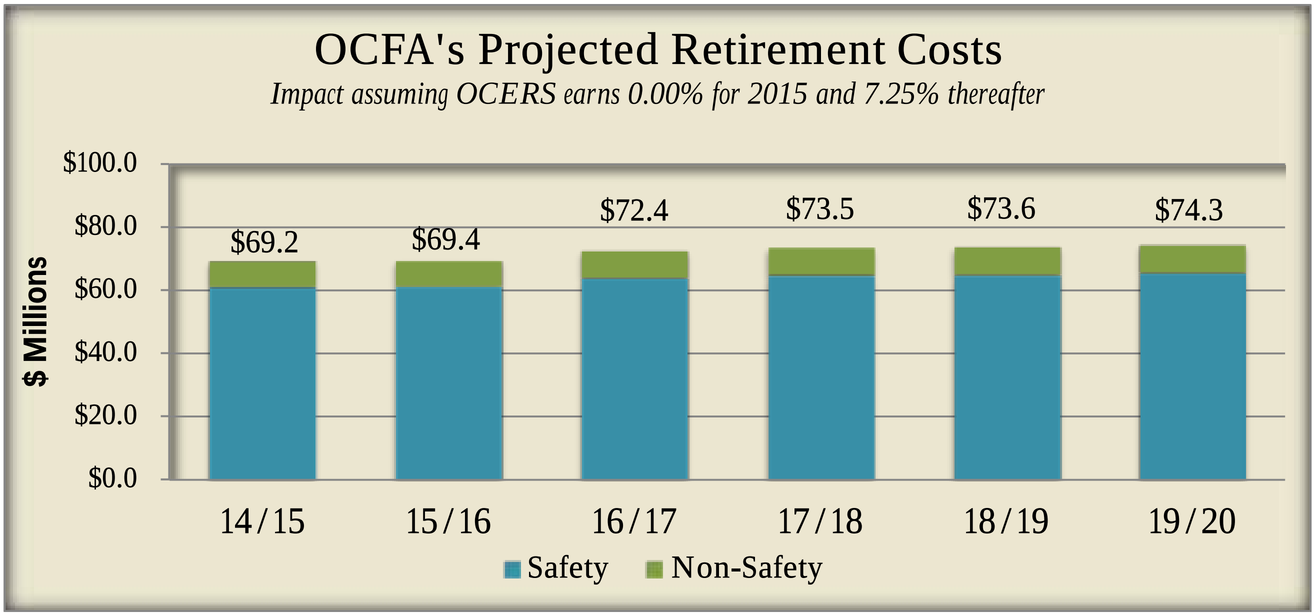
OCERS' funding level has declined recently

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

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



The chart below assumes OCERS will not earn its assumed rate of return, and instead will earn 0.00% in 2015 and 7.25% in future years. This chart is very relevant since OCERS' year-to-date 2015 return as of August is -0.08%. Note the increased retirement contributions starting in FY 17/18.



Note: Retirement costs are net of employee contributions, recently implemented new tiers, and include savings from OCERS prepayment of 50% each year. For FY 2015/16 and FY 2016/17, OCERS lowered the discount rate from 7.25% to 5.80% on prepayments. Going forward, the assumed discount rate on prepayments is 5.0%. The assumed rate of return still stands at 7.25%.

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

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

Expedited Pension UAAL Payment Plan

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

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

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

The outcomes from the expedited payment plan implementation in FY 2013/14 and 2014/15 (detailed below) along with OCFA's anticipated future year expedited payments were submitted to OCERS' actuary for determination of how long it would take OCFA to achieve full payment of the UAAL. ***The actuary reported back that the expedited payment plan would achieve full payment of OCFA's UAAL in 12 years, assuming all other actuarial inputs are held constant.***

FY 2013/14 Additional Payments to Lower UAAL

In FY 2013/14, OCFA contributed the same Safety rate as FY 2012/13, which was higher than the required contribution rate. The additional contribution of $2.5 million was used to pay down the UAAL. In addition, the Board allocated $3 million of available unencumbered funds identified in the FY 2012/13 annual financial audit to OCFA's UAAL. As a result, OCFA made a total of $5.5 million in additional payments to OCERS to pay down the UAAL during FY 2013/14.

FY 2014/15 Additional Payments to Lower UAAL

In FY 2014/15, OCFA made an additional $21.3 million in payments to OCERS to pay down the UAAL. The payments were a combination of $3 million in unencumbered fund balance and $18.3 million from the Cash-Flow Reserve, in accordance with OCPFA and OCEA Memorandum of Understanding side letters, which stated: "as of June 30, 2014, any remaining funds in the General Fund Cash Flow Reserve shall be used to pay down OCFA's unfunded retirement liability with the Orange County Employees Retirement System".

FY 2015/16 Additional Payments to Lower UAAL- Proposed Update to Snowball Strategy

The FY 2015/16 Budget included a $2.8 million payment to OCERS from rate savings. In an effort to continue the accelerated funding of OCFA's UAAL, the OCFA submitted a request to OCERS to have its actuary, Segal Consulting, estimate the impact on OCFA's UAAL amortization period and retirement contribution rates if the OCFA continues its acceleration of the UAAL. Segal was asked to look at the combination of the following four strategies for lowering the UAAL:

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

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

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

NEW ACCOUNTING RULES

In the past, many governments disclosed pension information in the footnotes of their financial statements and generally only reported the contributions they are required to make in a given year, as well as what they actually paid. On June 25, 2012 the Government Accounting Standards Board (GASB) approved new standards that will affect how local governments report their obligation for pension benefits. Previously, no liability was recognized for a local government's obligation for pensions earned by employees as long as the local government paid the actuarially determined annual required contribution (ARC) for funding. Under GASB Statement 68, *Accounting and Financial Reporting for Pensions*, beginning with fiscal years ending June 30, 2014, most governments began reporting a liability in their financial statements for the unfunded portion of their retirement plans. Recognition in the financial statements alongside other liabilities such as outstanding bonds, claims and judgments, and long-term leases, will put the pension liability on an equal footing with other long-term obligations. OCFA started reporting its pension liability in its financial statements as of June 30, 2015.

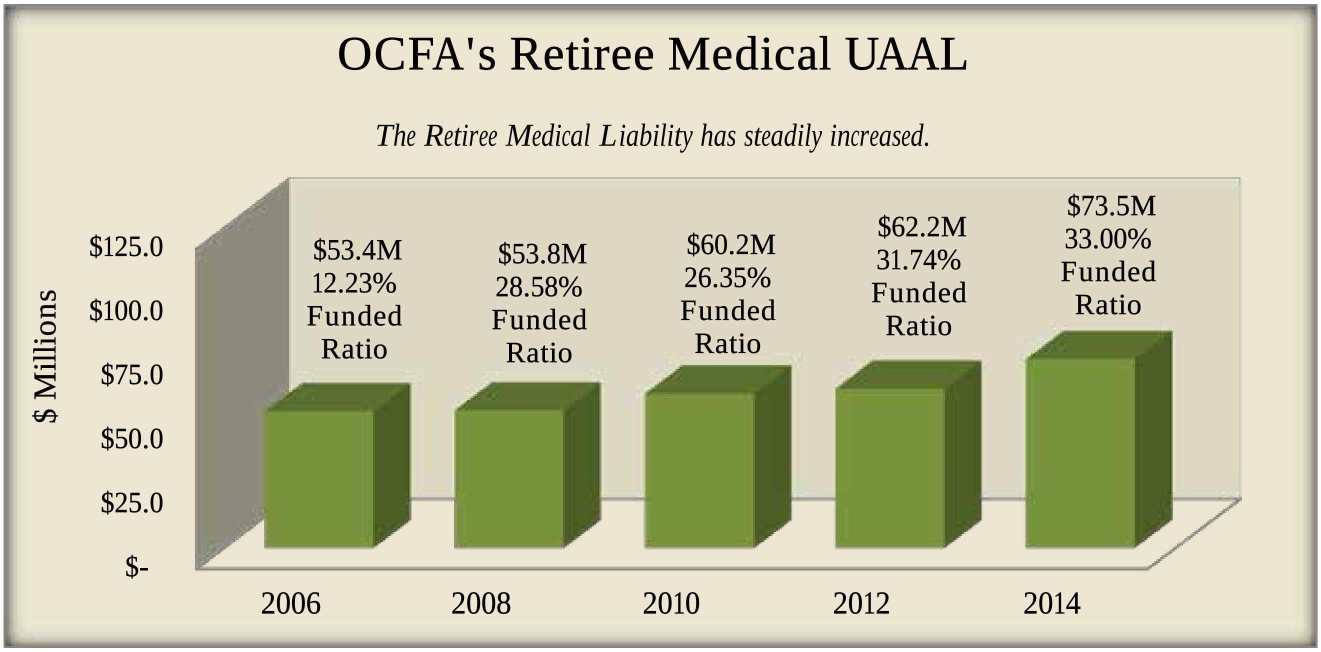
GASB also changed the formula states and local governments use to convert projected pension benefit payments into present value, based on an assumed "discount rate". The rate used will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments, as long as the plan's net position is projected to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve the return; or (b) a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds to the extent that the conditions for use of the long term expected rate of return are not met. If the projected benefit payments are discounted using the lower rate, then the present value will be higher and the liability will be larger.

DEFINED ***BENEFIT*** RETIREE MEDICAL PLAN

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

Based on an actuarial study prepared by Nyhart Epler as of July 1, 2014, the OCFA's Unfunded Actuarial Accrued Liability (UAAL) for the Retiree Medical defined benefit plan is $73.5 million. The UAAL is impacted by future retirees, spouses of retirees, a maximum 5% annual increase in the medical grant, and the investment return of the trust.

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



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

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

The OCFA has previously approached funding issues and plan sustainability issues relating to this Plan collaboratively with its labor groups in order to identify options for improving the funding status. Similar to previous approaches, following receipt of the 2012 Actuarial Study for this Plan, management met with representatives of all three labor groups to review the findings. In 2013, we gathered ideas from labor for options that may be considered in the future to improve the funding status of the Plan and had the actuary perform a special actuarial study to evaluate the various options and associated impacts on plan funding. The results of the special study were shared with each of the labor groups. The labor groups recently requested to jointly meet with management to discuss funding options for the Plan. These discussions are just beginning; therefore, it is too soon to know what outcomes may be recommended.

DEFINED *CONTRIBUTION* RETIREE MEDICAL PLAN

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

LEASE PURCHASE AGREEMENTS

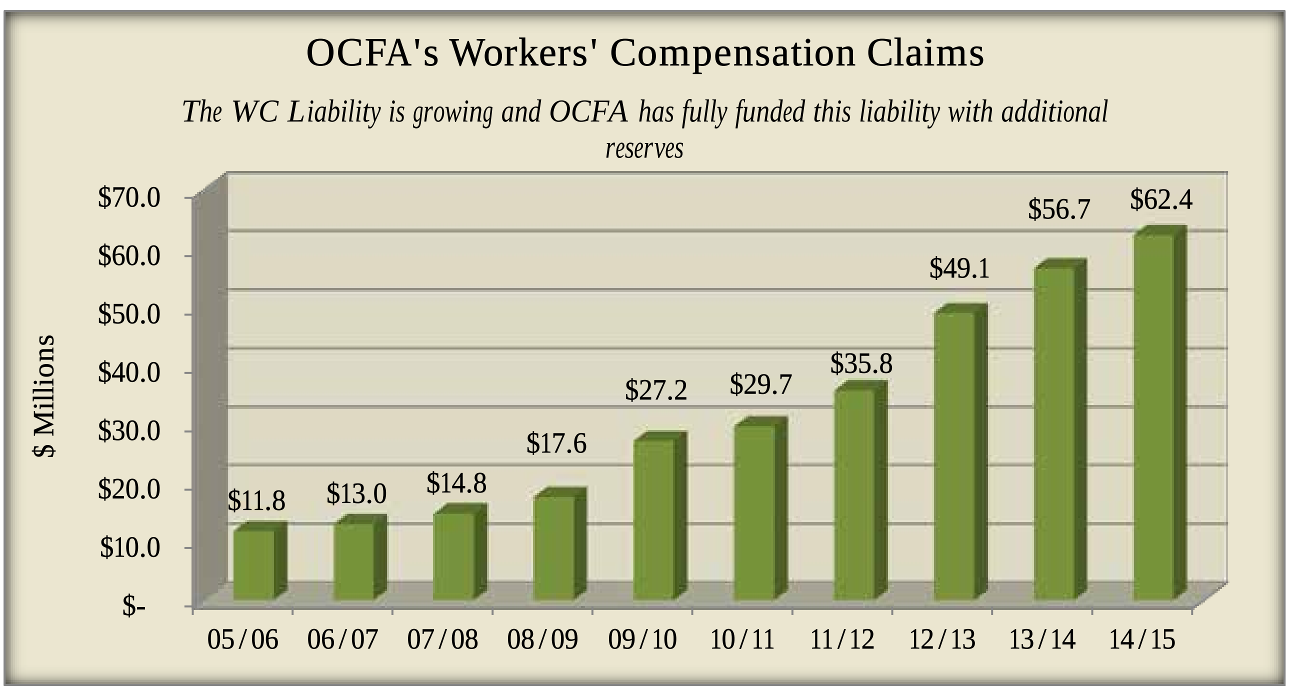
A Lease Purchase Agreement is a form of long-term debt used by government agencies to acquire buildings, vehicles, equipment and other capital assets. Within this type of lease, a lessee can apply lease payments annually toward the purchase of the property. In December 2008, the OCFA entered into a ten-year Lease Purchase Agreement to purchase two helicopters and related equipment for a purchase price of $21.5 million. In 2011, OCFA refinanced the helicopters and lowered its interest rate from 3.76% to 2.58% saving $444,000 over the remaining six years of the lease. As of June 30, 2015, $8.4 million remains due, including interest and principal. The final maturity is in 2018.

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

WORKERS' COMPENSATION CLAIMS

In March 2002, OCFA implemented a workers' compensation self-insurance program. A separate fund called Fund 190: Self Insurance was established in May 2003 to track funding and expenditures for workers' compensation claims liability. The funding sources include revenue from the General Fund and interest earnings. The required funding levels are determined by an independent actuarial study. As of June 30, 2015, OCFA's total workers' compensation liability is $62.4 million. Although the workers' compensation program represents a large liability for OCFA, it is important to note that it is a ***fully-funded*** liability. OCFA has $68 million set-aside in reserves to pay this liability as the various medical claims and bills become due, reflecting a funding surplus of $5.6 million.

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



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

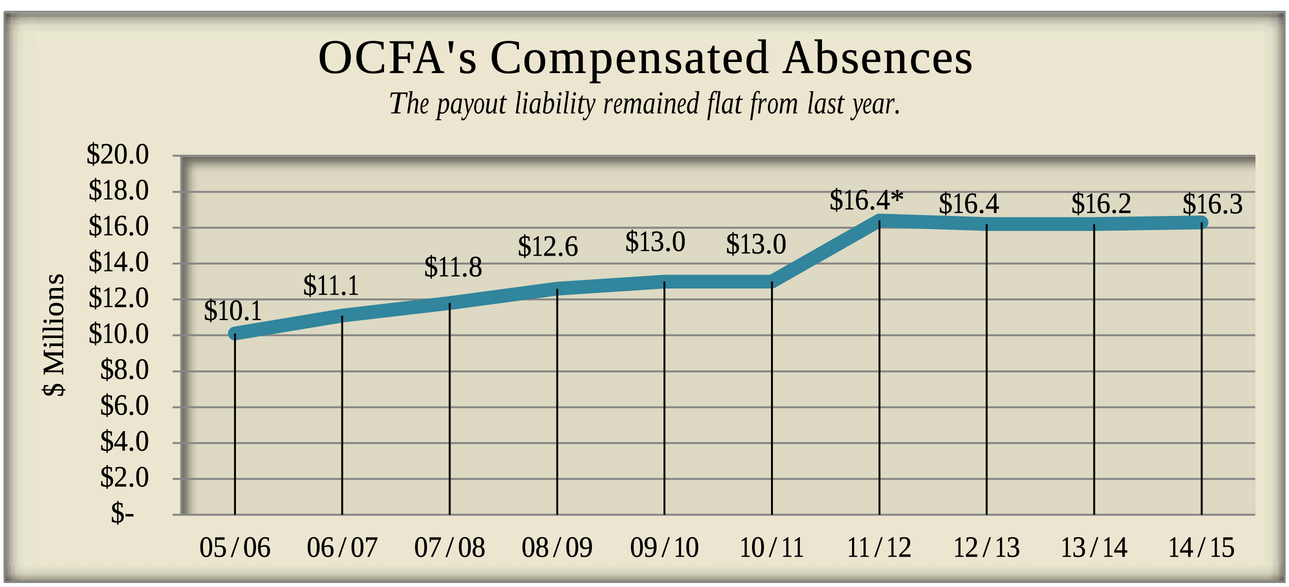
There are several contributing factors to the liability increase including workers' compensation reform that increased the statute of limitation for cancer from five to ten years; injury presumption for safety personnel; an aging workforce which contributes to a longer recovery time and higher permanent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

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

ACCRUED COMPENSATED ABSENCES

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

The majority of sick and vacation payouts occur at the time an employee retires. The OCFA has budgeted $3.5 million for sick and vacation payouts in FY 2015/16 based on historical trends and expected retirements. OCFA's total liability for compensated absences as of June 30, 2015 is $16.3 million.



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

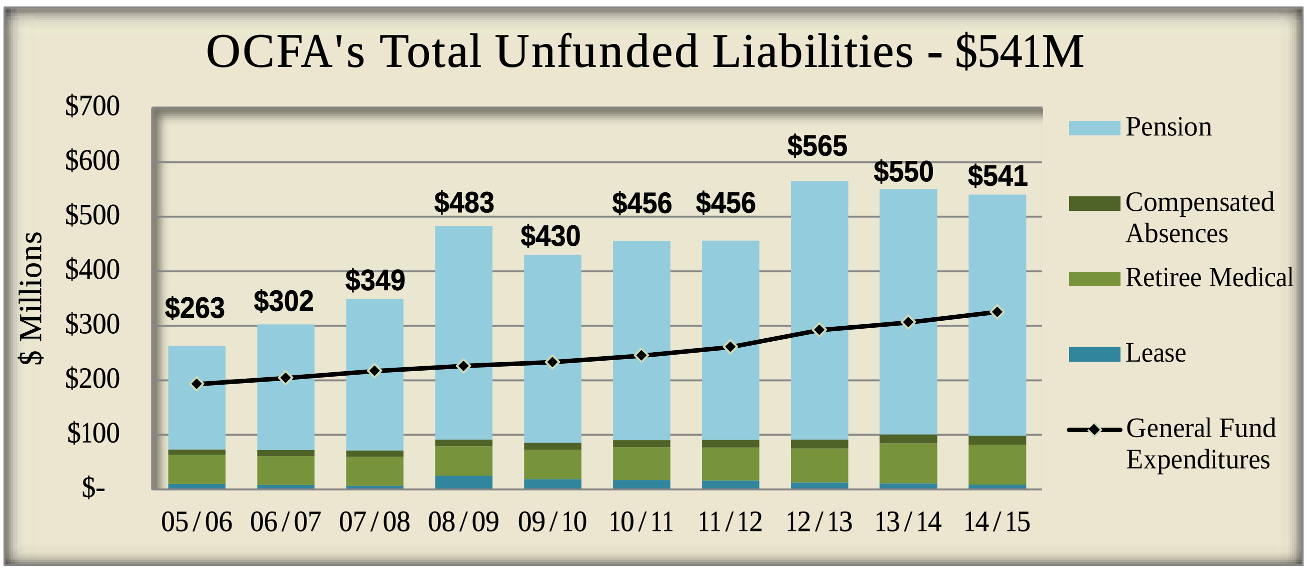
III. SUMMARY

OCFA's total long term, unfunded liabilities as of June 30, 2015* are as follows:

	$ Amount in Millions	*% of Total*
Defined Benefit Pension Plan *	$442.3	81.8%
Defined Benefit Retiree Medical Plan	73.5	13.6
Helicopter Lease Purchase Agreement	8.4	1.6
Accrued Compensated Absences	16.3	3.0
Total	$540.5	100.0%

*Note: the valuation date for the pension plan is December 31, 2014, instead of June 30, 2015, consistent with OCERS' calendar year basis for financial reporting.

When OCFA presented its first Liability Study to the Board in September 2012, the Board directed staff to identify strategies to lower and/or mitigate OCFA's long term liabilities. As shown in the chart below, as some of these strategies have been implemented, OCFA has reduced its total long term, unfunded obligations in the last 3 years by $24.5 million.



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

ACTIONS TAKEN

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

1. On June 26, 2014, the Board approved an Alternative Dispute Resolution process for disputed workers' compensation cases, also known as a Carve-Out program. The State has approved the program and it was implemented on October 1, 2014.
2. On September 26, 2013, the Board approved a strategy to expedite the pay down of OCFA's pension liability. Under this Plan, the actuary, the Segal Company, estimates this liability will be paid in 12 years. To date, OCFA has made an additional $29.6 million in payments to OCERS to lower its UAAL.
3. Completed a special actuarial study relating to the OCFA's Retiree Medical Defined Benefit Plan to evaluate options for potential plan amendments which could improve plan funding, subject to future negotiation with OCFA's labor groups. The results of the study were shared with the labor groups.
4. Evaluated the financial feasibility of paying off the outstanding lease financing obligations associated with the OCFA's helicopters, as part of the 2014/15 budget development process.
5. Directed staff to evaluate options for mitigating the budget and liability impacts of payouts for accumulated sick and vacation balances, subject to future negotiation with OCFA's labor groups.
6. Used a trigger formula during down economic cycles to connect pay raises for all OCFA employees to OCFA's financial health.
7. Implemented lower retirement formulas for all labor groups.
8. Implemented increased employee retirement contributions, phasing in to 50% of normal costs, for labor groups with MOUs negotiated in 2014/15.
9. Refinanced the helicopter lease to lower the interest rate.
10. Implemented annual prepayment of retirement contributions to achieve a discount.
11. Provided a study to the Board of Directors regarding the feasibility of Pension Obligation Bonds.
12. Provided a study to the Board of Directors regarding the feasibility of changing automatic Cost of Living Allowance (COLA) increases for pensions; transmitted a copy of the report to the County Board of Supervisors and OCERS Board of Retirement, for their consideration of potential cost-containment actions relating to Pension COLAs under the authority granted by the '37 Act.

RECOMMENDATIONS

Recommended actions pending approval of this staff report include:

1. Direct staff to continue the Expedited Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Approve a budget adjustment in Fund 121 to allocate the $12.6 million of available unencumbered funds identified in the FY 2014/15 financial audit to OCFA's unfunded pension liability.
3. Direct staff to evaluate options identified through discussions with the joint-labor groups to address the Retiree Medical unfunded liability.
4. Direct staff to continue seeking cost-saving options related to Workers' Compensation.

CONCLUSION

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

Exhibit A

OCFA Member Retirement Contributions

Safety Members' Retirement

Firefighter Safety members:
Employees hired prior to January 1, 2013 pay 11% in employee retirement contributions. Employees hired on or after January 1, 2013 when PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

Chief Officer Safety members:
Chief Officers hired prior to January 1, 2013 pay 9% in employee retirement contributions. Employees hired on or after January 1, 2013 when PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

General Members' Retirement

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

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

Executive Management:

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

Attachment 2

Five-Year Forecast With Proposed UAAL Snowball Strategy

	ADJUSTED FY 2014/15	ADOPTED FY 2015/16	PROJECTED FY 2016/17	PROJECTED FY 2017/18	PROJECTED FY 2018/19	PROJECTED FY 2019/20
A. BEGINNING FUND BALANCE	**171,491,991**	**144,229,026**	**139,115,275**	**134,696,146**	**132,151,995**	**132,639,473**
GENERAL FUND REVENUES						
Property Taxes	204,827,822	214,445,545	224,253,862	234,524,853	243,965,087	253,218,171
State Reimbursements	4,429,534	4,893,198	4,893,198	4,893,198	4,893,198	4,893,198
Federal Reimbursements	100,000	100,000	100,000	100,000	100,000	100,000
One-Time Grant/ABH/RDA	8,425,989	1,455,104	-	-	-	-
Community Redevelopment Agency Pass-thru	8,226,435	9,948,979	10,643,280	11,094,201	11,594,173	12,107,860
Cash Contracts	87,862,963	90,778,591	93,937,833	96,634,497	99,922,475	103,285,847
Community Risk Reduction Fees	6,448,604	6,448,604	6,448,604	6,448,604	6,448,604	6,448,604
ALS Supplies & Transport Reimbursement	4,570,574	4,570,574	4,570,574	4,570,574	4,570,574	4,570,574
Interest Earnings	389,728	658,828	818,348	1,177,188	1,291,766	1,330,782
Other Revenue	1,437,660	1,230,268	1,230,268	1,230,268	1,230,268	1,230,268
Transfers from General Fund Cashflow Fund (OCERS Pre-Pay)	18,290,238	-	-	-	-	-
TOTAL REVENUES	**345,009,547**	**334,529,691**	**346,895,966**	**360,673,383**	**374,016,145**	**387,185,304**
GENERAL FUND EXPENDITURES						
New Positions for New Stations	-	-	1,509,791	3,103,738	3,190,240	8,428,418
Employee Salaries	172,482,949	177,621,404	185,010,557	191,903,913	198,132,024	201,682,573
Retirement - Regular Annual Payments	69,246,953	69,352,168	69,469,699	67,143,203	65,011,644	65,363,341
Retirement - Paydown of UAAL (Rate Savings)	-	2,802,122	1,653,114	1,886,420	3,167,397	1,648,658
Retirement - Paydown of UAAL (Unencumbered Funds)	21,290,238	-	-	-	-	-
Retirement - Paydown of UAAL ($1M per Year from WC)	-	-	1,000,000	1,000,000	1,000,000	1,000,000
Retirement - Paydown of UAAL ($1M per Year)	-	-	1,000,000	3,000,000	5,000,000	7,000,000
Workers' Comp Transfer out to Self-Ins. Fund	13,811,667	12,272,172	11,614,715	11,903,604	12,541,804	12,948,058
Other Insurance	23,273,037	25,430,748	27,834,436	30,432,565	33,224,693	36,273,432
Medicare	2,307,455	2,440,147	2,576,295	2,579,586	2,579,586	2,631,069
One-Time Grant/ABH Expenditures	4,378,980	510,504	-	-	-	-
Salaries & Employee Benefits	306,791,280	290,429,265	301,668,607	312,953,029	323,847,387	336,975,548
Equity Payments	6,989,875	7,848,048	8,760,646	10,413,173	11,435,694	12,302,032
Services & Supplies/Equipment	28,012,394	27,027,847	28,314,599	27,939,824	28,611,364	28,523,118
New Station/Enhancements S&S Impacts	-	-	63,708	127,416	127,416	328,096
One-Time Grant Expenditures	999,394	801,578	-	-	-	-
Debt Service: Interest on TRAN	329,083	318,050	-	-	-	-
TOTAL EXPENDITURES	**343,122,025**	**326,424,788**	**338,807,560**	**351,433,442**	**364,021,861**	**378,128,793**
NET GENERAL FUND REVENUE	**1,887,522**	**8,104,903**	**8,088,406**	**9,239,940**	**9,994,284**	**9,056,511**
B. Incremental Increase in GF 10% Contingency	**-**	**498,400**	**1,293,126**	**874,005**	**828,492**	**1,275,933**
GENERAL FUND SURPLUS / (DEFICIT)	**1,887,522**	**7,606,503**	**6,795,280**	**8,365,935**	**9,165,792**	**7,780,577**
C. Operating Transfers (from) Operating Contingency	-	-	-	-	-	-
Transfers to CIP Funds						
Transfers to CIP from General Fund Surplus	1,887,522	7,606,503	6,795,280	8,365,935	9,165,792	7,780,577
Total Operating Transfers to CIP	1,887,522	7,606,503	6,795,280	8,365,935	9,165,792	7,780,577
Capital Improvement Program/Other Fund Revenues						
Interest Earnings	343,261	1,511,303	2,888,483	3,880,400	3,726,842	3,764,563
State/Federal Reimbursement	872,780	-	-	-	-	-
Cash Contracts	1,381,161	1,428,656	1,471,516	1,515,662	1,561,132	1,607,966
Developer Contributions	7,771,556	1,576,744	-	-	928,706	1,744,683
Workers' Comp Transfer in from GF	13,811,667	12,272,172	11,614,715	11,903,604	12,541,804	12,948,058
Miscellaneous	559,279	-	-	-	-	-
Lease Purchase Proceeds	-	-	-	-	-	-
Operating Transfers In	1,887,522	7,606,503	6,795,280	8,365,935	9,165,792	7,780,577
Total CIP, W/C, Other Revenues	26,627,226	24,395,378	22,769,994	25,665,601	27,924,276	27,845,848
Capital Improvement Program/Other Fund Expenses						
Fund 12110 - General Fund CIP	1,515,430	5,234,000	947,250	1,520,600	1,347,100	1,456,100
Fund 123 - Fire Stations and Facilities	7,403,228	854,248	6,500,000	6,500,000	6,500,000	6,500,000
Fund 124 - Communications & Information Systems	6,612,023	6,531,152	6,379,394	6,092,500	3,717,500	-
Fund 133 - Fire Apparatus	12,961,164	10,011,393	6,698,786	6,458,921	7,277,660	7,172,441
Sub-Total CIP Expenses	28,491,845	22,630,793	20,525,430	20,572,021	18,842,260	15,128,541
Fund 171 - SFF Entitlement	216,213	-	-	-	-	-
Fund 190 - WC Self-Ins. (Cashflow Payments per Actuary)	6,891,895	7,376,736	7,956,819	8,511,736	9,423,031	10,431,892
Lease Purchase Payments	-	-	-	-	-	-
Total CIP, W/C, Other Expenses	35,599,953	30,007,529	28,482,249	29,083,757	28,265,291	25,560,433
D. CIP SURPLUS/(DEFICIT)	**(8,972,727)**	**(5,612,151)**	**(5,712,255)**	**(3,418,156)**	**(341,015)**	**2,285,414**
ENDING FUND BALANCE (A+B+C+D) [a]	**144,229,026**	**139,115,275**	**134,696,146**	**132,151,995**	**132,639,473**	**136,200,820**
Fund Balances						
Operating Contingency (10% of Expenditures)	30,947,854	31,446,254	32,739,380	33,613,385	34,441,877	35,717,810
Reserve for Cash Contract City Station Maintenance	405,000	405,000	405,000	405,000	405,000	405,000
Donations & Developer Contributions	4,923	4,923	4,923	4,923	4,923	4,923
Fund 171 - Structural Fire Fund Entitlement	571,287	583,982	608,246	640,841	672,146	703,769
Capital Improvement Program	44,316,928	33,172,629	22,585,560	14,140,724	9,110,818	7,294,056
Fund 190 - WC Self-Insurance	67,983,033	73,502,486	78,353,037	83,347,122	88,004,709	92,075,262
Total Fund Balances	144,229,026	139,115,275	134,696,146	132,151,995	132,639,473	136,200,820

[a] Calculation removes fund balance transfers shown under General Fund Revenues as these are already included in Beginning Fund Balance.

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

Attachment 3

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

Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting
November 4, 2015

Agenda Item No. 4B
Discussion Calendar

Audited Financial Reports for the Fiscal Year Ended June 30, 2015

Contact(s) for Further Information

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

Summary

This annual agenda item is submitted to present the OCFA's audited Comprehensive Annual Financial Report (CAFR) and other audited financial reports for the fiscal year ended June 30, 2015, 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)

1. Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 19, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors 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. Financial Statements for the Year Ended June 30, 2015
2. Comprehensive Annual Financial Report (CAFR) for the Year Ended June 30, 2015
3. Report on Internal Control for the Year Ended June 30, 2015
4. Single Audit Report for the Year Ended June 30, 2015
5. Audit Communication Letter for the Year Ended June 30, 2015
6. Assigned Fund Balance Policy
7. Assigned Fund Balance Calculations as of June 30, 2015 for:
   A. Capital Improvement Program
   B. Workers Compensation

Background

Financial Audit and Reports

Lance, Soll & Lunghard, LLP, Certified Public Accountants, performed OCFA's annual financial audit for Fiscal Year 2014/15. Their 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 2014/15 audit reports are being submitted for approval:

- **Financial Statements** (Attachment 1) – The auditors have provided an unmodified or "clean" opinion on OCFA's Financial Statements for the year ended June 30, 2015, stating that OCFA's Financial Statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles (GAAP).

- **Comprehensive Annual Financial Report (CAFR)** (Attachment 2) – Staff has prepared the CAFR for the fiscal year ended June 30, 2015, which includes the audited Financial Statements, as well as additional background and statistical information for the OCFA.

- **Report on Internal Control** (Attachment 3) – The auditors have reported no significant deficiencies or material weaknesses in their report on internal control over financial reporting, compliance, and other matters.

- **Single Audit Report** (Attachment 4) – This report includes a review of federal grant funds expended by OCFA during the fiscal year. Major programs selected for more in-depth testing were the National Urban Search & Rescue (US&R) Response System and the Community Development Block Grant. The report indicates that OCFA has complied, in all material respects, with the United States Office of Management and Budget Circular A-133 Compliance Supplement requirements applicable to its major federal programs.

- **Audit Communication Letter** (Attachment 5) – Professional standards require the auditors to communicate certain information pertaining to the audit directly to those charged with the OCFA's governance. This letter includes information about the auditors' responsibilities, the planned scope and timing of the audit, and required communications in several areas.

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

Assigned Fund Balance

The Board of Directors has adopted an *Assigned Fund Balance Policy* (Attachment 6), which delegates authority to assign fund balance amounts for the capital improvement program and workers' compensation from the Board of Directors to the Assistant Chief of Business Services, or her designee, with a final review of the calculation by the Budget and Finance Committee. The Budget and Finance Committee's review of the calculation occurs each year at the time the audited financial statements are approved, and confirms the calculation's consistency with the provisions of the policy. OCFA's fund balance as of June 30, 2015, includes assignments for the capital improvement program and workers' compensation, with detailed calculations included as Attachments 7A and 7B.

Current Year Changes in Financial Statement Reporting

During Fiscal Year 2014/15, OCFA implemented GASB Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These accounting statements change the way that pension liabilities are reported in the financial statements of governmental employers that sponsor or contribute to pension plans.

Prior to the implementation of GASB Statements No. 68 and 71, there was a close relationship between how governments ***funded*** pensions and how they ***accounted for and reported*** pension information in their financial statements. A pension liability was reported only if there was a cumulative difference between the required and actual contributions made to the pension plan. Prior to Fiscal Year 2014/15, OCFA did not report a long-term liability for pensions in its financial statements since all required contributions, as determined by actuarial valuation, were contributed annually.

Under the new accounting standards, the funding of OCFA's pension liability is completely disconnected from how the liability and related pension expense is reported in the financial statements. OCFA's net pension liabilities ("unfunded liabilities") for its full-time and extra-help employee pension plans totaling $467 million are now reported in the financial statements on the Statement of Net Position. Although the factual situation of OCFA's pension plan has not changed in Fiscal Year 2014/15, the guidance provided in GASB Statements No. 68 and 71 is a definitive shift from a funding-based approach to an accounting-based approach in financial reporting for pensions.

More detailed information regarding the impact of this required change in financial reporting can be found in the Notes to the Financial Statements (Attachment 1) No. 3, 4, 17, 22, and 23.

ORANGE COUNTY FIRE AUTHORITY

Financial Statements

Fiscal Year Ended June 30, 2015

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Financial Statements
Year ended June 30, 2015

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LSL
CERTIFIED PUBLIC ACCOUNTANTS

• David E. Hale, CPA, CFP
• Donald G. Slater, CPA
• Richard K. Kikuchi, CPA
• Susan F. Matz, CPA
• Bryan S. Gruber, CPA
• Deborah A. Harper, CPA
• Gary A. Cates, CPA
• Michael D. Mangold, CPA
• David S. Myers, CPA

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, (OCFA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the OCFA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Orange County Temecula Valley Silicon Valley

To the Board of Directors
Orange County Fire Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority, as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, in 2015 the OCFA adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.*

Other Matters

Required Supplementary Information

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

Prior Year Comparative Information

The financial statements include (partial or summarized) prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2014, from which such partial information was derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the OCFA's basic financial statements.

The combining and budget comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

To the Board of Directors
Orange County Fire Authority

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and budget comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015, on our consideration of the OCFA'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 OCFA's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea California
October 7, 2015

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ORANGE COUNTY FIRE AUTHORITY
Management's Discussion and Analysis
Year ended June 30, 2015

As management of the Orange County Fire Authority (OCFA), we offer readers of the OCFA's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2015.

Financial Highlights

Governmental Activities: OCFA's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $169,124,373 at the end of the current fiscal year. Net position consisted of net investment in capital assets totaling $190,800,116; restricted for capital projects and other purposes totaling $588,770; and an unrestricted deficit totaling $360,513,259. The result of current fiscal year operations caused total net position to decrease by $50,103,101 from the prior fiscal year.

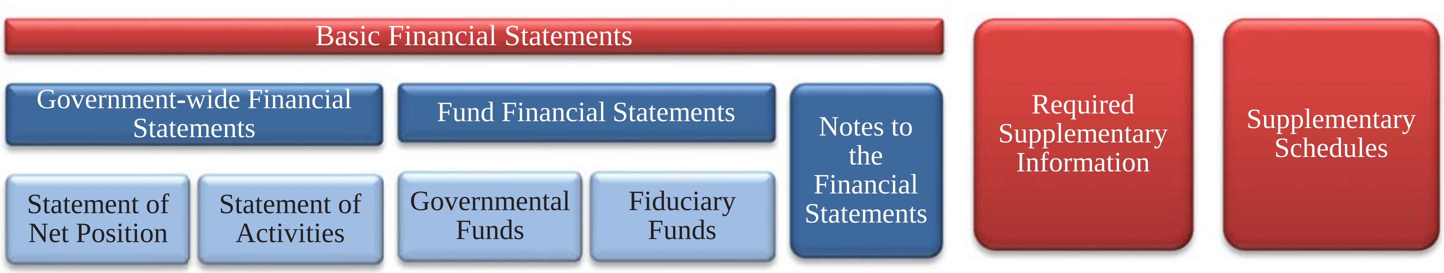
Governmental Funds: As of the close of the current fiscal year, the OCFA's governmental funds showed combined ending fund balances totaling $176,889,786, a decrease of $4,283,725 from the prior fiscal year. Of the total ending fund balance, $19,116,476 (10.8%) was available for funding future operational needs.

General Fund: At the end of the current fiscal year, total fund balance for the General Fund was $120,273,257, and was categorized as follows:

❖ Nonspendable	$ 31,127,148
❖ Restricted	55,538
❖ Committed	691,265
❖ Assigned	69,282,830
❖ Unassigned	19,116,476
Fund balance of the General Fund as of June 30, 2015	$120,273,257

Overview of the Financial Statements

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



Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of OCFA's finances, in a manner similar to a private-sector business. Public safety activities are reported as governmental activities, since they are principally supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 27-29.

Statement of Net Position: The statement of net position presents information on all of the 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 the OCFA is improving or deteriorating.

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

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 five individual governmental funds, one of which was closed during Fiscal Year 2014/15. Information is presented separately in the fund financial statements for all five governmental funds, since OCFA has elected to classify all governmental funds as major funds. The OCFA adopts an annual appropriated budget for each governmental fund. Budgetary comparison statements and schedules have been provided for the governmental funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 30-38.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the OCFA's own programs. Combined basic fiduciary fund financial statements can be found on pages 39-40.

Notes to the Financial Statements and Required Supplementary Information (RSI): The notes and RSI provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-92, while RSI can be found on pages 41-98.

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 100-109.

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 $169,124,373 at the end of the most recent fiscal year, a 169.4% decrease from the prior fiscal year. Following is a summary of the OCFA's net position as of June 30, 2015 and 2014:

ORANGE COUNTY FIRE AUTHORITY's Net Position

Governmental Activities	June 30, 2015	June 30, 2014	Increase (Decrease) Amount	%
Assets:				
Current and other assets	$ 208,723,950	$205,053,294	$ 3,670,656	1.8%
Capital assets	199,246,842	191,641,343	7,605,499	4.0%
Total assets	407,970,792	396,694,637	11,276,155	2.8%
Deferred outflows of resources:				
Related to pensions	85,763,924	-	85,763,924	n/a
Total deferred outflows of resources	85,763,924	-	85,763,924	n/a
Liabilities:				
Long-term liabilities	611,877,324	131,771,369	480,105,955	364.3%
Other liabilities	29,787,326	21,168,653	8,618,673	40.7%
Total liabilities	641,664,650	152,940,022	488,724,628	319.6%
Deferred inflows of resources:				
Related to pensions	21,194,439	-	21,194,439	n/a
Total deferred inflows of resources	21,194,439	-	21,194,439	n/a
Net position:				
Net investment in capital assets	190,800,116	180,917,654	9,882,462	5.5%
Restricted for capital projects	533,232	1,044,040	(510,808)	-48.9%
Restricted for other purposes	55,538	32,282	23,256	72.0%
Unrestricted	(360,513,259)	61,760,639	(422,273,898)	-683.7%
Total net position	$(169,124,373)	$243,754,615	$(412,878,988)	-169.4%

- At June 30, 2015, 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 the 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. The OCFA cannot sell the assets to obtain funding.

- An additional portion of OCFA's net position represents resources that are subject to external restrictions on how they may be used. As of June 30, 2015, restricted net assets relate to CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations, as well as donations received for specific programs and unperformed purchase orders for grant-funded programs.

- The remaining balance of net position is considered unrestricted. A positive unrestricted balance, which was reported on June 30, 2014, represents amounts that may be used to meet the OCFA's ongoing obligations to citizens and creditors. A deficit unrestricted balance, as reported on June 30, 2015, indicates that OCFA's obligations (liabilities and deferred inflows of resources) currently exceed its resources (assets and deferred outflows of resources). Unrestricted net position decreased by over $420 million (-683.7%) between the prior and current fiscal years. This significant decline was due to the implementation of new Governmental Accounting Standards Board (GASB) Statement No. 68 during Fiscal Year 2014/15, which required that OCFA begin reporting its net pension liabilities ($467 million) on the Statement of Net Position. Although the situation surrounding OCFA's pension plans has not changed, the way in which they are accounted for and reported in the financial statements has changed based on the new guidance provided in GASB Statement No. 68.

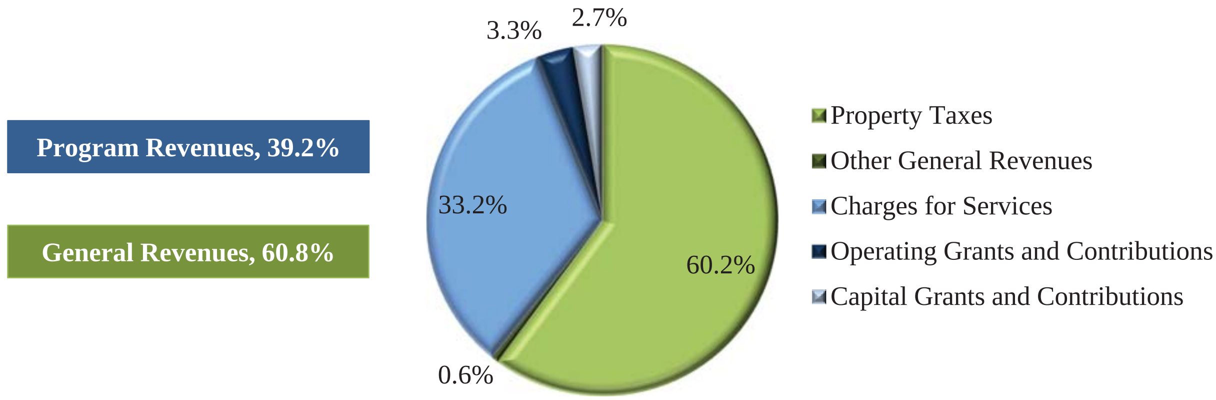
Changes in Net Position: Governmental activities decreased the OCFA's net position by $412,878,988 during the most recent fiscal year, an indication that the OCFA's financial position has deteriorated. However, as previously noted, the reason for this decline in net position is due to a change in financial 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 the OCFA's changes in net position for Fiscal Year 2014/15 and Fiscal Year 2013/14, 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, 2015	June 30, 2014	Increase (Decrease) Amount	Increase (Decrease) %
Program revenues:				
Charges for services	$ 113,150,325	$106,874,513	$ 6,275,812	5.9%
Operating grants and contributions	11,410,019	10,339,966	1,070,053	10.3%
Capital grants and contributions	9,182,195	1,462,540	7,719,655	527.8%
Total program revenues	133,742,539	118,677,019	15,065,520	12.7%
General revenues:				
Property taxes	205,141,237	190,873,689	14,267,548	7.5%
Investment income	839,864	823,010	16,854	2.0%
Gain on sale of capital assets	63,953	21,834	42,119	192.9%
Miscellaneous	1,235,004	1,200,195	34,809	2.9%
Total general revenues	207,280,058	192,918,728	14,361,330	7.4%
Total revenues	341,022,597	311,595,747	29,426,850	9.4%
Public safety expenses:				
Salaries and benefits	335,419,737	266,764,367	68,655,370	25.7%
Services and supplies	46,073,201	47,912,808	(1,839,607)	-3.8%
Depreciation and amortization	9,050,195	9,612,453	(562,258)	-5.8%
Interest on long-term debt	582,565	311,327	271,238	87.1%
Total expenses	391,125,698	324,600,955	66,524,743	20.5%
Change in net assets	(50,103,101)	(13,005,208)	(37,097,893)	
Net position, beginning of year	243,754,615	257,564,704	(13,810,089)	
Prior period adjustment	(362,775,887)	(804,881)	(361,971,006)	
Net position, end of year	$(169,124,373)	$243,754,615	$(412,878,988)	-169.4%

Revenues of Governmental Activities - by Source
Fiscal Year 2014/15



Program revenues, which totaled $133,742,539 for Fiscal Year 2014/15 and accounted for 39.2% of total revenues, increased by $15,065,520 (12.7%) from the prior fiscal year. Following is a description of each program revenue type, followed by an explanation of what contributed to the net increase or decrease from the prior fiscal year.

- Charges for services include amounts received from those who purchase, use or directly benefit from or are affected by a program. These revenues increased by $6,275,812 (5.9%) over the prior fiscal year.

Amount	Reason for Increase / Decrease
+$4,800,000	Fire service contracts increased for cash contract city charges per terms of the Joint Powers Agreement (+$4.3 million); OCFA's contract with California Department of Forestry (CALFIRE) for the protection of State Responsibility Area (SRA) lands (+$400,000); and the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport, per terms of an amended contract that went into effect in December 2012 (+$100,000). 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.
-$710,000	Fee-based fire prevention revenues decreased primarily due to permit activity for the Los Olivos and Rancho Mission Viejo projects in the prior fiscal year, as well as a delay in the number of assembly inspections completed in the current fiscal year. These decreases were offset by an increase in fees for false alarm incidents.
+$1,300,000	Reimbursements for state and federal incidents vary each year depending on fire and emergency response activity. State assistance by hire services performed for CALFIRE and the California Emergency Management Agency (CAL EMA) increased by $1.1 million. Reimbursements for state incidents were higher in the current fiscal year due to major Fiscal Year 2014/15 incidents such as the SHU Eiller, July Complex, King, and Lodge Complex fires that occurred in July through September 2014. Federal assistance by hire services performed for Cleveland National Forest increased by $300,000 due to the Silverado Fire in September 2014. Federal responses to national incidents decreased by $100,000 due to responses in Fiscal Year 2013/14 for the Washington landslides and Lyons Colorado floods.
+$750,000	Revenues for ambulance transport and supplies reimbursement were higher in Fiscal Year 2014/15 due to increased transport activity.
+$130,000	Road maintenance, fuel reduction, and other contract revenues generated by the hand crew increased due to an increase in the amount of work performed for Southern California Edison.
+$6,270,000	**Program Revenues: Charges for Services – Net Increase**

- Operating grants and contributions include grants, contributions, donations, and similar items that are restricted to one or more specific program. These revenues increased by $1,070,053 (10.3%) from the prior fiscal year.

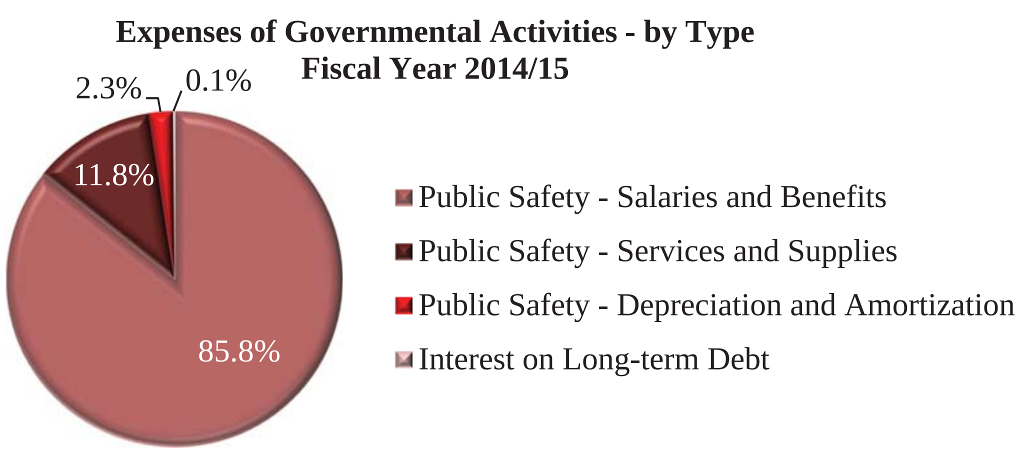
Amount	Reason for Increase / Decrease
+$1,660,000	Tax increment passed through from member cities increased by over $1.1 million, and one-time tax increment passed through from the County of Orange increased by $500,000. In Fiscal Year 2011/12, the State of California dissolved its sixty-year-old redevelopment 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.
-$440,000	Federal operating grants decreased primarily due to a Fiscal Year 2013/14 federal grant passed through the Orange County Sherriff's Department for medical supplies funded by a Metropolitan Medical Response System (MMRS) grant.
-$150,000	Other miscellaneous operating revenues decreased, primarily due to a decline in the number of reimbursable instructional hours per a contract with Santa Ana College, as well as a decline in the number of projects submitted for reimbursement from the California Joint Apprenticeship Committee.
+$1,070,000	**Program Revenues: Operating Grants and Contributions – Net Increase**

- Capital grants and contributions include grants, contributions, donations, and similar items that are restricted to one or more specific capital-related programs. These revenues increased by $7,719,655 (527.8%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
+$7,050,000	Revenues from developers increased per the terms of various Secured Fire Protection Agreements. During Fiscal Year 2014/15, OCFA received over $4.5 million from various developers as reimbursement for construction of new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo, as well as a new type 1 engine to be placed into service at the station. Contributions varied between the prior and current fiscal years based on construction projects in the cities of Irvine, Mission Viejo, Laguna Niguel, Lake Forest, and Yorba Linda, resulting in a net $2.5 million increase. This net increase included a significant $3.1 million contribution in Fiscal Year 2014/15 from Heritage Fields El Toro LLC for development at the Great Park in the City of Irvine.
+$670,000	Revenues from federal capital grants increased by $670,000. A Community Development Block Grant project for improvements at four fire stations in the City of Santa Ana commenced in Fiscal Year 2013/14 and was completed in April 2015, resulting in an $800,000 increase to capital-related federal grant reimbursements. During Fiscal Year 2014/15, OCFA also received a $10,000 State Homeland Security Grant passed through the Orange County Sheriff's Department for the purchase of gas monitors. Capital grants were lower in Fiscal Year 2013/14, with $140,000 from the Assistance to Firefighters grant program for the purchase of twenty-two thermal imaging cameras.
+$7,720,000	**Program Revenues: Capital Grants and Contributions – Net Increase**

General revenues, which totaled $207,280,058 for Fiscal Year 2014/15 and accounted for 60.8% of total revenues, increased by $14,361,330 (7.4%) over the prior fiscal year. Following is a description of each general revenue type and an explanation of what contributed to the net increase or decrease from the prior fiscal year.

<table>
<tr><th>Amount</th><th>Reason for Increase / Decrease</th></tr>
<tr><td>+$14,270,000</td><td>The largest general revenue, property taxes, increased by $14,267,548 (7.5%) over the prior fiscal year, primarily due to increases in secured property taxes.</td></tr>
<tr><td>+$15,000</td><td>Investment income increased by $16,854 (2.0%). A relatively static rate of return on the investment portfolio attributed to approximately $50,000 of the increase. The OCFA's year-to-date effective rate of return as of June 30, 2015, was 0.27%, as compared to 0.30% as of June 30, 2014. In addition, in accordance with GASB Statement No. 31, OCFA adjusts its investments to market value as of June 30 each year. This resulted in an overall investment gain in Fiscal Year 2014/15, but attributed to a $300,000 decline in total investment income since the market value gain in the prior fiscal year was substantially higher. The market value adjustment is a "paper only" transaction, and no actual investment losses have been recognized since OCFA typically holds its investments to maturity. In addition, during Fiscal Year 2014/15 OCFA issued short-term debt in the form of Tax and Revenue Anticipation Notes (TRAN), which generated a premium of approximately $275,000. These components of investment income are summarized below:
<table>
<tr><th></th><th>FY 2014/15</th><th>FY 2013/14</th><th>Increase (Decrease)</th></tr>
<tr><td>Portfolio earnings</td><td>$489,253</td><td>$436,477</td><td>$ 52,776</td></tr>
<tr><td>Market value gain (loss)</td><td>74,731</td><td>386,533</td><td>(311,802)</td></tr>
<tr><td>TRAN premium</td><td>275,880</td><td>-</td><td>275,880</td></tr>
<tr><td>Total investment income</td><td>$839,864</td><td>$823,010</td><td>$ 16,854</td></tr>
</table></td></tr>
<tr><td>+$45,000</td><td>Gain on sale of capital assets increased by $42,119 (192.9%), primarily due to proceeds received at public auction for various fully-depreciated vehicles in Fiscal Year 2014/15, including a dozer and loader that sold for a combined $53,000.</td></tr>
<tr><td>+$35,000</td><td>Miscellaneous revenues increased by $34,809 (2.9%). Fiscal Year 2014/15 increases pertained to bankruptcy proceeds from the County of Orange, as well as various SB90 claims reimbursed from the State of California. These revenue sources vary from year to year. A variety of other revenue sources were higher in Fiscal Year 2013/14, including insurance settlements received in conjunction with the Engine 61 vehicle accident and Fire Station No. 62 (Buena Park) kitchen fire, and tenant rent at from the Fullerton Airport hangar.</td></tr>
<tr><td>+$14,365,000</td><td>General Revenues – Net Increase</td></tr>
</table>



Total expenses increased by $66,524,743 (20.5%) over the prior fiscal year. Following is an explanation of what contributed to the net increase or decrease of each expense type from the prior fiscal year.

- Salaries and benefits increased by $68,655,370 (25.7%) over the prior fiscal year.

Amount	Reason for Increase / Decrease
+64,400,000	Retirement costs for contributions remitted to the Orange County Employees Retirement System (OCERS) increased by $24.5 million. Reasons for the increase in actual plan contributions are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis. With the implementation of GASB Statement No. 68 in Fiscal Year 2014/15, an additional $39.9 million in pension expense was recognized in order to fully capture OCFA's share of the net pension liability and related pension expense in its governmental activities, as determined by an actuarial valuation completed for the plan as a whole.
+$4,350,000	Reasons for increases and decreases to the following categories of salaries and benefits are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis: regular pay (+$2,125,000); employee health insurance and other benefits (+$1,500,000); other pay (+$375,000); and sick leave payouts (+$350,000).
-$300,000	Other post-employment benefit (OPEB) cost for the defined benefit Retiree Medical Plan decreased by $300,000. 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.
+$200,000	The net change in long-term liabilities for various employee leave balances increased by $200,000 as compared to the prior fiscal year, and is recognized as an expense in the governmental activities. The net increase is primarily related to a decline in the use of general leave balances for employees who transitioned from the City of Santa Ana in April 2012.
+$68,650,000	**Salaries and Benefits – Net Increase**

- Services and supplies decreased by $1,839,607 (3.8%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
+$1,030,000	In September 2013, the Board of Directors approved issuance of equity payments from unrestricted revenue sources to qualifying Structural Fire Fund member agencies, based on a calculation of average Structural Fire Fund Tax rate. The first equity payments were due to the City of Irvine during Fiscal Year 2013/14. In Fiscal Year 2014/15, equity payments plus accrued interest was due to the County of Orange and the cities of Irvine, Rancho Santa Margarita, Laguna Woods, and Lake Forest.
-$1,145,000	OCFA's long-term liability for workers' compensation reflects the present value of estimated outstanding losses, as determined by an actuarial valuation and the "confidence level" set by the Board of Directors. The change in the actuarial liability estimate, plus actual cash claims paid, is recognized as an expense. Workers' compensation expense decreased as follows: | | FY 2014/15 | FY 2013/14 | Increase (Decrease) | Actual claims paid: $ 6,450,000; $ 5,450,000; $ 1,000,000 Change in actuarial estimate: 5,605,000; 7,750,000; (2,145,000) Total fiscal year expense: $12,055,000; $13,200,000; $(1,145,000)
-$900,000	Effective July 2013, the Hazardous Materials Disclosure and Cal ARP programs were transitioned back to the County of Orange Health Care Agency. Fee-funded amounts that had been budgeted for use in these programs were instead returned to the County during Fiscal Year 2013/14.
+$800,000	During Fiscal Year 2014/15, OCFA used proceeds of a federal Community Development Block Grant for kitchen and bathroom remodel projects at four city-owned fire stations in the City of Santa Ana.
+400,000	OCFA uses contracted professional services to supplement day-to-day operations in the Information Technology Division. During Fiscal Year 2014/15, there was an increase in the number of contractors providing service. In addition, the cost for certain contractors had been previously capitalized as part of the development of the new Computer Aided Dispatch (CAD) system. Those contractors began performing day-to-day maintenance once the system was placed into service in September 2014, resulting in an increase in professional services expense. ***(Continued on next page)***

Amount	Reason for Increase / Decrease
(Continued)	
-$355,000	More medical, dental and lab supplies were purchased in Fiscal Year 2013/14, primarily due to additional medical supplies funded by the Metropolitan Medical Response System (MMRS) grant. Other purchases were made in the prior fiscal year for needles and respirator masks.
-$300,000	Professional services for legal counsel were higher in Fiscal Year 2013/14, primarily due to the validation of an amendment to the Joint Powers Agreement and other ongoing legal matters.
-$240,000	During Fiscal Year 2013/14, $240,000 was incurred to repair Engine 61, which had been involved in a significant solo vehicle accident while responding to an emergency incident in March 2013.
-$215,000	Transportation costs decreased due to an overall drop in the price of diesel and regular fuels throughout Fiscal Year 2014/15.
-$200,000	The Board of Directors has authorized certain amounts to be set aside to fund OCFA-related service or resource enhancement projects in certain structural fire fund cities. Expenditures vary each year as projects are completed by the cities and submitted to OCFA for reimbursement. Reimbursable projects were $400,000 higher in Fiscal Year 2013/14, and included the purchase of a bi-directional amplifier (City of Irvine) and the installation of a sprinkler system at the Theo Lacy Facility jail complex (County of Orange). During Fiscal Year 2014/15, the City of Irvine was reimbursed $200,000 for an additional bi-directional amplifier that was funded with general donations received from a member of the public.
-$200,000	The cost of specialty items purchased by the Service Center decreased primarily due to the purchase of fifty self-contained breathing apparatus (SCBA) in Fiscal Year 2013/14.
-$130,000	During Fiscal Year 2013/14, $130,000 was incurred to repair or replace items damaged during an accidental kitchen fire at Fire Station No. 62 (Buena Park). Costs included demolition, asbestos removal, a full kitchen replacement, and the replacement of various household items such as appliances, mattresses, kitchen supplies, and furniture.
-$120,000	The annual property tax administration fee assessed by the County of Orange decreased $120,000 from the prior fiscal year.
-$110,000	Customer support for the Santa Ana portion of the CAD system decreased when the new OCFA-wide CAD system went live in September 2014. Support costs are not expected to be incurred again until after the one-year warranty period ends in September 2015.
-$100,000	Several one-time or infrequent professional service contracts pertaining to employee relations were entered into during Fiscal Year 2013/14, including an interim Human Resources Director; various background investigations; a Fair Labor Standards Act (FLSA) compliance audit; workplace investigations; and executive recruitments.
-$55,000	The cost of various Information Technology Division operating and project costs decreased: ➢ During Fiscal Year 2014/15, OCFA made its first $250,000 "partnership cost" payment toward the 800 MHz Countywide-Coordinated Communications System (CCCS) Replacement project, which is administered by the Orange County Sheriff's Department (OCSD). Project costs are being shared proportionately among all participating agencies and reimbursed to the OCSD annually through Fiscal Year 2018/19. ➢ The MDC and Mobile Data Network Upgrade project was a multi-year project consisting of the purchase of modems and their subsequent installation onto fire apparatus. Costs were $235,000 lower in the current fiscal year, since most of the modems were purchased and installed in Fiscal Year 2013/14. ➢ During Fiscal Year 2013/14, twenty tablets utilized by field personnel were purchased at a cost of $70,000.
-$1,840,000	**Services and supplies – Net Decrease**

- Depreciation and amortization expense, which had no impact on the OCFA's cash balances, decreased by $562,258 (5.8%), and pertained primarily to depreciation on vehicles and equipment. During the prior fiscal year, several assets reached the end of their estimated useful lives, including three ambulances, one box truck, one crew-carrying vehicle, and the original cubicle workstations at the Regional Fire Operations and Training Center (RFOTC). These assets remained in service during Fiscal Year 2014/15, but no depreciation expense was recognized since they were considered fully depreciated as of June 30, 2014.

- Interest on long-term debt increased by $271,238 (87.1%) from the prior fiscal year. Interest expense on the 2008 helicopter lease purchase agreement decreased by approximately $60,000 as principal was paid down per the debt-to-maturity schedule. This was offset by an increase totaling approximately $330,000 for interest on Tax and Revenue Anticipation Notes (TRAN) issued during Fiscal Year 2014/15.

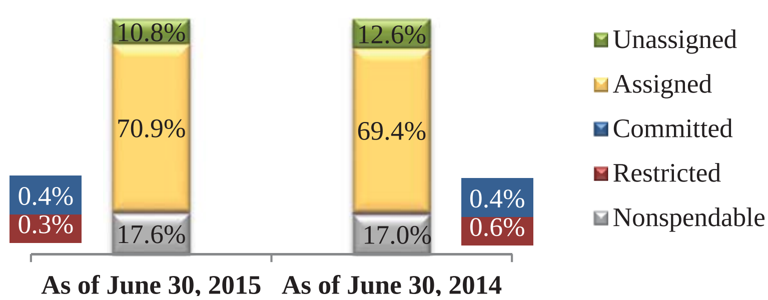
Financial Analysis of the OCFA's Funds

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

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

At the end of Fiscal Year 2014/15, OCFA's governmental funds reported combined ending fund balances of $176,889,786, a decrease of $4,283,725 in comparison with the prior fiscal year. Approximately 10.8% constitutes unassigned fund balance, which is available for spending for any purpose. The remaining 89.2% 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 the OCFA has elected to classify all of its governmental funds as major, regardless of the calculation, the OCFA has reported five major funds during the current fiscal year.

The ***General Fund*** is the chief operating fund of the OCFA. At the end of Fiscal Year 2014/15, the General Fund's fund balance totaled $120,273,257. Unassigned fund balance totaling $19,116,476 (15.9%) is available for future spending. The remaining $101,156,781 (84.1%) is not available for spending on any new purpose, because it has already been restricted, committed or assigned for specific purposes, or is in a nonspendable form.

Total fund balance of the OCFA's General Fund increased by $4,768,968 during the current fiscal year. The prior fiscal year's fund balance increased by $7,919,145, a difference of $3,150,177.

Effective July 1, 2014, fund balance totaling $2,710,702 in the ***Facilities Maintenance and Improvements Fund*** was transferred to the General Fund. The fund was subsequently closed and fund balance at the end of Fiscal Year 2014/15 was $0. Fund balance decreased by $2,710,702 during the current fiscal year due to this single transfer. The prior fiscal year's fund balance increased by $126,018, a difference of $2,836,720. Activities that were accounted for in the Facilities Maintenance and Improvements Fund during Fiscal Year 2013/14 were accounted for in the General Fund during Fiscal Year 2014/15. For comparison purposes only, the funds have been presented together below to demonstrate the impact on fund balance as a combined total.

General Fund	Facilities Maintenance and Improvements Fund	Combined Impact on Fund Balance	Description
+$14,270,000		+$14,270,000	Revenue from property taxes increased primarily due to secured property taxes.
+$4,450,000		+$4,450,000	The most significant increase in intergovernmental revenue was tax increment passed through from member cities and the County of Orange. Other increases included state and federal assistance by hire revenues for increased emergency response activity; a federal grant for Santa Ana fire station kitchen and bathroom remodels; contract revenues for the protection of State Responsibility Area (SRA); and SB90 claims reimbursed from the State of California. These increases totaled $5.2 million, but were offset by decreases for Fiscal Year 2013/14 federal grants and responses to national incidents such as the Washington landslides and Lyons Colorado floods.
+$4,510,000	-$240,000	+$4,270,000	The most significant increases in charges for services were for operating and facilities charges to cash contract cities per terms of the Joint Powers Agreement. Other increases included ambulance transport and supplies reimbursements; contract work generated by the hand crew; the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport; and fees for false alarm incidents. These increases totaled just over $5 million, but were offset by decreases for permit and inspection fees. Permit fees were higher in Fiscal Year 2013/14 due to the Los Olivos and Rancho Mission Viejo projects. Inspection fees were lower in Fiscal Year 2014/15 due to delayed assembly inspections. ***(Continued on next page)***

(Continued) General Fund	Facilities Maintenance and Improvements Fund	Combined Impact on Fund Balance	Description
+$110,000	-$20,000	+$90,000	The most significant increases in use of money and property pertained to the premium on for the Fiscal Year 2014/15 TRAN issuance (+$275,000). This was offset by a decrease in the market value investment gain allocated to the funds (-$185,000).
-$230,000	-$40,000	-$270,000	The decrease in miscellaneous revenue was primarily due to a decline in the number of reimbursable instructional hours per a contract with Santa Ana College. Other miscellaneous revenues that were higher in Fiscal Year 2013/14 included rent at the Fullerton Airport hangar for four tenants as compared to only one in the current year; reimbursable projects from the California Joint Apprenticeship Committee; and reimbursement from the City of Tustin for various household items necessary to outfit new Fire Station No. 37. These decreases totaled $350,000, but were offset by an increase in bankruptcy proceeds received from the County of Orange in Fiscal Year 2014/15.
+$23,110,000	***-$300,000***	***+$22,810,000***	***Subtotal – Impact of Revenues***
-$24,500,000		-$24,500,000	Retirement costs increased due to one-time employer contributions made toward the net unfunded pension liability (-$18.3 million); pension contributions based on changes to employee compensation negotiated during Fiscal Year 2014/15, net of a decline in the annual savings achieved by pre-paying a portion of the subsequent fiscal year's contributions to OCERS (-$8.4 million); and additional payments made toward the unfunded pension liability during Fiscal Year 2013/14, which was achieved by carrying forward the higher safety member retirement rates from Fiscal Year 2012/13 (+$2.2 million).
-$2,125,000		-$2,125,000	An increase in regular pay was due primarily to labor contracts negotiated with the Firefighter Unit and General and Supervisory Management Units during Fiscal Year 2014/15, which resulted in 2.0% and 2.75% base salary increases, respectively.
-$1,500,000		-$1,500,000	Employee health insurance and other benefits increased due to firefighter health insurance premiums. Monthly rates per employee increased from $1,598 to $1,742 effective January 1, 2015.
-$375,000		-$375,000	Other pay – which includes pay to employees on workers' compensation, educational incentives, paramedic/EMT bonuses, bilingual pay, and other specialty pay – increased primarily due to changes in employee compensation negotiated during Fiscal Year 2014/15. There was also an increase in "on call" pay for the Data Center. On call duties previously assigned to a manager exempted from this type of compensation were re-assigned to other professional staff upon his retirement. These increases were offset by a significant one-time taxable payment made to long-term employee who terminated employment during Fiscal Year 2013/14.
-$350,000		-$350,000	Sick leave payouts increased primarily due to the retirement of several long-term personnel during Fiscal Year 2014/15. ***(Continued on next page)***
-$28,850,000		***-$28,850,000***	***Subtotal – Impact of Salaries and Benefits***

(Continued) General Fund	Facilities Maintenance and Improvements Fund	Combined Impact on Fund Balance	Description
-$1,325,000		-$1,325,000	Significant increases in professional services pertained to workers compensation claims paid; contract support in the Information Technology Division, which increased as key contractors previously assigned to the CAD implementation project transitioned to day-to-day maintenance in the General Fund; support and maintenance of the intranet/internet calendaring project, which had previously been accounted for in the Communications and Information Systems Fund; and new partnership costs paid for the 800 MHz Countywide-Coordinated Communications System (CCCS) replacement. These increases totaled approximately $1.9 million, but were partially offset by decreases for legal fees associated with cases that had greater activity in the prior fiscal year; the annual property tax administration fee; and various employee relations costs that were incurred in the prior fiscal year for an interim Human Resources Director, background investigations, an FLSA compliance audit, and executive recruitments.
+$1,090,000	+$50,000	+$1,140,000	Decreases in special department expenditures pertained to higher costs in Fiscal Year 2013/14 for the return of hazardous materials disclosure and Cal ARP fees back to the County of Orange Health Care Agency; reimbursements to the City of Irvine, the County of Orange, and other structural fire fund cities for resource enhancement projects; and purchase of fifty self-contained breathing apparatus (SCBA). These decreases totaled $1.3 million, but were partially offset by Fiscal Year 2014/15 purchases of fire hose stock and portable 800 MHz radios.
-$1,030,000		-$1,030,000	Miscellaneous expenditures increased for equity payments due to the County of Orange and the cities of Irvine, Rancho Santa Margarita, Laguna Woods, and Lake Forest.
-$1,610,000	+$930,000	-$680,000	Increases in building maintenance were attributed to a grant-funded kitchen and bathroom remodel project at four fire stations in the City of Santa Ana; a hardscape remodel project at Fire Station No. 8 (Skyline); and the maintenance of doors, gates, and HVAC systems at various fire stations. These increases totaled $975,000, but were offset by decreases in other maintenance costs at fire stations and the RFOTC for flooring, lockers and partitions, roofing, painting, AQMD, and UPS systems and batteries.
-$590,000	+$50,000	-$540,000	Office supplies increased primarily due to the annual cost of operating Microsoft Office products and an increase in the number of desktop computers, monitor, tablets and cases, and I-pads purchased in Fiscal Year 2014/15. Similar purchases had been accounted for in the Communications and Information Systems Fund in the prior fiscal year.
+$340,000	+$90,000	+$430,000	Equipment and vehicle maintenance were higher in Fiscal Year 2013/14 primarily due to the major repair of Engine 61. Also, customer support for the Santa Ana portion of the CAD system decreased when the new OCFA-wide CAD system went live in September 2014. ***(Continued on next page)***

(Continued) General Fund	Facilities Maintenance and Improvements Fund	Combined Impact on Fund Balance	Description
+$355,000		+$355,000	More medical, dental and lab supplies were purchased in Fiscal Year 2013/14, including needles, medical equipment supplies, respirator masks, and various medical supplies funded by the Metropolitan Medical Response System (MMRS) grant.
-$190,000		-$190,000	An increase in utilities and communications charges was primarily due to rising electricity rates and the upgrade of AVL modem accounts to include full broadband communication.
+$150,000		+$150,000	Transportation costs decreased due to an overall drop in fuel prices (+$215,000). Fiscal Year 2013/14 fuel prices averaged $3.58 and $3.52 per gallon for diesel and regular, respectively. Fiscal Year 2014/15 fuel prices were 15-20% lower with an average price of $2.84 and $2.93 per gallon for diesel and regular, respectively. These decreases were offset by an increase in the cost of employee travel, training, and meetings, primarily due to a change in the number of employees utilizing the Target Solutions system (-$65,000).
+$70,000		+$70,000	More small tools and instruments were purchased in Fiscal Year 2013/14, including eighty-six handheld GPS devices and various hand tools used by fleet maintenance staff.
+$60,000		+$60,000	The decrease in food costs related primarily to the in-county Baker Fire that occurred in October 2013.
-$50,000		-$50,000	The cost of insurance premiums for excess workers' compensation and general liability coverage increased during Fiscal Year 2014/15.
-$150,000	+$130,000	-$20,000	The cost of household items increased primarily due to various appliances (ranges, hoods, refrigerators, etc.) purchased as part of grant-funded kitchen remodel projects at Fire Stations No. 72 and 74 (Santa Ana), and workspace reconfigurations at Fire Station No. 34 (Placentia). These increases were offset by a decline in costs pertaining to the Fiscal Year 2013/14 repair and replacement of items damaged during an accidental kitchen fire at Fire Station No. 62 (Buena Park).
-$2,880,000	***+$1,250,000***	***-$1,630,000***	***Subtotal – Impact of Services and Supplies***
-$250,000		-$250,000	Capital outlay increased in Fiscal Year 2014/15 due to the purchase of two servers, a helicopter hoist, a portable restroom facility, two sheds, various extrication tools, twelve portable 800 MHz radios, and various audio visual equipment. The most significant purchases in Fiscal Year 2013/14 were twenty-two thermal imaging cameras, two rapid deployment kits, and one flashover container.
-$220,000		-$220,000	Interest and fiscal charges increased due to the issuance of the Fiscal Year 2014/15 Tax and Revenue Anticipation Notes (-$330,000), offset by a decline in interest charged to the General Fund for temporary internal borrowing from capital projects funds (+$110,000). ***(Continued on next page)***
-$32,200,000	***+$1,250,000***	***-$30,950,000***	***Subtotal – Impact of Expenditures***

(Continued) **General Fund**	**Facilities Maintenance and Improvements Fund**	**Combined Impact on Fund Balance**	**Description**
+$6,210,000	-$3,790,000	+$2,420,000	Net interfund transfers increased as follows: ➢ Transfers are made from the General Fund to the capital projects funds to fund current and future projects in the Capital Improvement Program. Transfers from the General Fund to the Communications and Information Systems Fund increased during Fiscal Year 2014/15 (-$550,000). In Fiscal Year 2013/14, amounts were transferred from the General Fund to the Fire Apparatus Fund (+$1.84 million), but no transfers between those funds occurred in the current fiscal year. ➢ When the *Capital Projects Fund Policy* was implemented in Fiscal Year 2014/15, certain projects within the Capital Improvement Program were moved from the Communications and Information Systems Fund to the General Fund, resulting in corresponding increases in transfers in Fiscal Year 2014/15 (+$1.13 million).
+$60,000		+$60,000	There was an increase in the proceeds from sale of capital and other assets in Fiscal Year 2014/15, primarily due to the sale of a dozer and loader during Fiscal Year 2014/15.
-$330,000		-$330,000	Insurance recoveries decreased due to amounts recovered in Fiscal Year 2013/14 for a kitchen fire at Fire Station No. 62 (Buena Park) and a vehicle accident involving Engine 61.
+$5,940,000	***-$3,790,000***	***+$2,150,000***	***Subtotal – Impact of Other Financing Sources and Uses***
-$3,150,000	**-$2,840,000**	**-$5,990,000**	**Combined – Net Impact on Fund Balance**

The ***Communications and Information Systems Fund*** had total fund balance of $18,655,855 at the end of Fiscal Year 2014/15. Fund balance pertaining to prepaid items ($32,946) was classified as nonspendable. Remaining fund balance was assigned to the Capital Improvement Program ($18,528,376) and communications and information technologies projects ($94,533).

Total fund balance increased by $604,103 during the current fiscal year. The prior fiscal year's fund balance decreased by $1,027,374, a difference of $1,631,477.

Impact on Fund Balance	**Description**
-$50,000	Revenues for use of money and property decreased primarily due to the market value investment gain allocated to the fund (-$30,000). Also, the General Fund temporarily borrowed $8 million during Fiscal Year 2013/14, which earned the fund $20,000 of interfund interest. There was no interfund borrowing between the funds during Fiscal Year 2014/15.
+$120,000	Miscellaneous revenues pertaining to bankruptcy proceeds increased during Fiscal Year 2014/15.
+$2,140,000	Expenditures for services and supplies and capital outlay decreased primarily due to two significant, multi-year capital improvement projects that were completed during Fiscal Year 2014/15. ➢ The MDC and Mobile Data Network Upgrade project consisted of the purchase of approximately 350 modems and their subsequent installation onto fire apparatus over the course of three fiscal years. Fiscal Year 2013/14 project costs were higher since they included the purchase of 250 modems and related accessories (+$230,000). ***(Continued on next page)***

(Continued) Impact on Fund Balance	Description
	➢ The development of a new Computer Aided Dispatch (CAD) system began in Fiscal Year 2011/12 and was placed in service September 2014. Fiscal Year 2013/14 project costs were higher than the current fiscal year since a significant number of project milestones were completed and costs were incurred at the peak of the project's activity, including acquisition of hardware; software licenses; system design; coding; data development; and user training (+$820,000). When a new *Capital Projects Fund Policy* was implemented in Fiscal Year 2014/15, certain projects within the Capital Improvement Program were moved from the Communications and Information Systems Fund to the General Fund, resulting in a decrease in expenditures totaling nearly $2 million pertaining to the following projects: Microsoft software enterprise agreement (+$250,000); computer, laptop, and printer replacements (+$190,000); intranet/internet calendaring (+$160,000); Installation of communications equipment on fire apparatus (+$160,000); network systems (+$85,000); portable VHF and 800 MHz radios (+$75,000); field data collection devices (+$70,000); 900 MHz pagers, fax machines, and other communications equipment (+$40,000); centralized server storage and backup recovery (+$30,000); and fire station phone, alarm, and sound systems (+$30,000).
-$580,000	Net transfers in and out of the General Fund funds decreased as follows: ➢ Transfers in from the General Fund for current and future projects in the Capital Improvement Program increased by $550,000 over the amount transferred in the prior fiscal year. ➢ When a new *Capital Projects Fund Policy* was implemented in Fiscal Year 2014/15, certain projects within the Capital Improvement Program were moved from the Communications and Information Systems Fund to the General Fund, resulting in a corresponding increase in transfers out and a negative impact to balance in Fiscal Year 2014/15 totaling $1,130,000.
+$1,630,000	**Communications and Information Systems Fund – Net Impact on Fund Balance**

The ***Fire Apparatus Fund*** had total fund balance of $25,440,432 at the end of Fiscal Year 2014/15. Fund balance was assigned to the Capital Improvement Program ($17,409,649) and purchase of fire apparatus and vehicles ($8,030,783). Total fund balance decreased by $4,056,449 during the current fiscal year. The prior fiscal year's fund balance decreased by $1,378,368, a difference of $2,678,081.

Impact on Fund Balance	Description
+$525,000	Developer contribution revenue increased due to a Fiscal Year 2014/15 reimbursement from Rancho Mission Viejo Community Development for the type 1 engine to be placed into service at new Fire Station No. 56 (Village of Sendero).
+$85,000	The decrease in services and supplies expenditures pertained primarily to the annual warranty cost on eighty-eight defibrillators that were purchased in May 2010. Beginning in Fiscal Year 2014/15, those costs were accounted for in the General Fund upon adoption of the new *Capital Projects Fund Policy*.
-$1,450,000	Capital outlay expenditures to purchase and outfit vehicles increased during Fiscal Year 2014/15 due to significant purchases of five type 1 engines, nineteen sport utility vehicles (Tahoes and Suburbans), and four mail delivery box trucks. Significant purchases in Fiscal Year 2013/14 included four type 1 engines.
-$1,840,000	Transfers in from the General Fund to fund current and future projects in the Capital Improvement Program decreased during Fiscal Year 2014/15.
-$2,680,000	**Fire Apparatus Fund – Net Impact on Fund Balance**

The ***Fire Stations and Facilities Fund*** had total fund balance of $12,520,242 at the end of Fiscal Year 2014/15. 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 ($11,987,010).

Total fund balance decreased by $2,889,645 during the current fiscal year. The prior fiscal year's fund balance decreased by $1,273,644, a difference of $1,616,001.

Impact on Fund Balance	Description
+$6,500,000	Developer contribution revenue increased because of new housing development throughout the county. During Fiscal Year 2014/15, OCFA received over $4 million from various developers as reimbursement for construction of new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo. In addition, $3.1 million was received from Heritage Fields El Toro LLC related to development at the Great Park in the City of Irvine. Additional contributions were received from various developers for projects at Vireo Apartments, Kelvin Apartments, and Hyatt House in the City of Irvine. During Fiscal Year 2013/14, OCFA received contributions from various developers for projects at Baker Ranch, Metropolis Gardens, and Avalon Bay in the City of Irvine; Pacific Los Alisos in the City of Mission Viejo; and Cal I Crown Valley in the City of Laguna Niguel.
-$8,100,000	Capital outlay expenditures increased primarily due to the purchase of a centralized Urban Search and Rescue warehouse during Fiscal Year 2014/15 at a cost of over $6.2 million. The cost of a multi-year construction project to build new Fire Station No. 56 (Village of Sendero) also increased by approximately $4.1 million. During Fiscal Year 2013/14, capital outlay included the purchase of the western portion of the hangar facility at Fullerton Municipal Airport for approximately $2.2 million.
-$1,600,000	**Fire Stations and Facilities Fund – Net Impact on Fund Balance**

General Fund Budgetary Highlights

The following table summarizes the changes in General Fund appropriations, as well as the variance between the final budget and actual amounts for Fiscal Year 2014/15.

	Original Budget	Increase (Decrease)	Final Budget	Variance Positive (Negative)	Actual Amounts
Salaries and benefits	$284,344,557	$ 8,732,905	$293,077,462	$ 7,088,465	$285,988,997
Services and supplies	36,777,318	8,098,909	44,876,227	4,559,085	40,317,142
Capital outlay	34,127	1,346,057	1,380,184	676,814	703,370
Interest and fiscal charges	895,000	(565,917)	329,083	(1,658)	330,741
Transfers out	584,592	2,416,314	3,000,906	-	3,000,906
	$322,635,594	$20,028,268	$342,663,862	$12,322,706	$330,341,156

- Budgeted General Fund appropriations increased by $20,028,268 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	Amount
Various Capital Improvement Program (CIP) projects moved from the capital projects funds to the General Fund upon adoption of the *Capital Projects Fund Policy*	$ 5,150,000
Equity payments	4,980,000
Workers compensation	(3,980,000)
Overtime and backfill for response to out-of-county incidents	3,200,000
Grant activities	3,025,000
One-time contribution toward unfunded pension liability	3,000,000
Transfers to Capital Improvement Program (CIP)	2,415,000
Staffing configurations and changes from new Memorandums of Understanding	1,080,000
Interest on Tax and Revenue Anticipation Notes (TRAN)	(570,000)
Helicopter components	300,000
Structural fire entitlement projects	215,000
Donations received	200,000
Program enhancements to Air Operations program	190,000
Various other appropriations	825,000
Total adjustments	**$20,030,000**

- Final budgeted General Fund expenditures exceeded actual amounts by $12,322,706.

    - The $7.1 million positive variance in salaries and benefits is attributed primarily to vacancies in the Operations, Support Services, and Community Risk Reduction departments.

    - The $5.2 million positive variance in services and supplies and capital outlay is primarily attributed to the following:

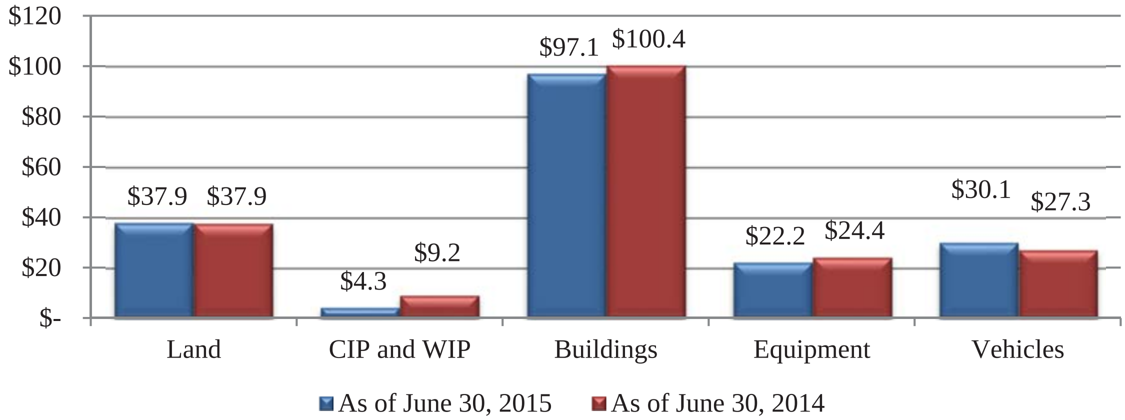
        - The amount budgeted for workers' compensation is based on an actuarially-determined estimate. Actual expenditures for workers' compensation cases typically occur over multiple years, which often attributes to a difference between budgeted costs and actual expenditures during any given fiscal year. In Fiscal Year 2014/15, actual claims paid from the General Fund were $400,000 less than the actuarial estimate.

        - Nearly $2 million in various Information Technology Division (IT) operating costs and projects from the Capital Improvement Program (CIP) were budgeted but not completed during Fiscal Year 2014/15. Many of these projects involved the installation of communications equipment on fire apparatus, which was delayed when the vehicles were delivered later than originally planned. Other IT projects were not completed during Fiscal Year 2014/15 due to the timing and availability of staff resources. These expenditure savings, along with $2.8 million in uncompleted projects from other areas of the organization, will be re-budgeted if needed to Fiscal Year 2015/16.

Capital Assets and Debt Administration

Capital Assets: The OCFA's investment in capital assets for its government activities at the end of Fiscal Year 2014/15 totaled $190,800,116 (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 $7,605,499 (4.0%). 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, 2015 and 2014
(In Millions)



Major capital asset additions during Fiscal Year 2014/15 included the following:

- Construction in progress (CIP) and work in progress (WIP) accounted for twenty-nine projects during Fiscal Year 2014/15, two of which were placed into service and twenty-seven of which were still in progress at year-end.

  - Construction projects completed over the span of multiple fiscal years are classified as CIP at year-end if they are not yet completed and placed into service. Additions totaling $4.6 included various construction costs for new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo, as well as initial permits pulled for a remodel project at Fire Station No. 41 (Fullerton Airport). Both projects were in progress at fiscal year-end. Fire Station No. 56 was placed into service in July 2015, and construction work for the improvements at Fire Station No. 41 is expected to begin in late 2015.

  - 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. The most significant additions during Fiscal Year 2014/15 were four type 1 engines ($2.1 million), thirteen front-line Chevrolet Tahoes ($470,000), and six front-line Chevrolet Suburbans ($250,000), all of which were still in the process of being outfitted for operations at fiscal year-end.

  - Communications and information system projects are also classified as WIP at year-end if they are implemented over the span of multiple fiscal years. Additions during the current fiscal year included the replacement Computer Aided Dispatch (CAD) system ($820,000); a Fire Station Alerting system ($650,000); a Service Center inventory system ($10,000); and a winch addition to Heavy Rescue 6 ($10,000). The CAD and Service Center inventory systems, which totaled nearly $4 million and $20,000, respectively, were both placed into service and transferred into the equipment category during Fiscal Year 2014/15.

- The most significant equipment additions during Fiscal Year 2014/15 were the CAD system (cumulative $4 million), which was transferred in from WIP, two servers ($160,000), and a helicopter hoist ($160,000).

- Six vehicles were purchased and added to the OCFA's fleet during Fiscal Year 2014/15 – one type 1 engine ($530,000); four mail delivery box trucks ($175,000); and one Caterpillar compact track loader ($80,000).

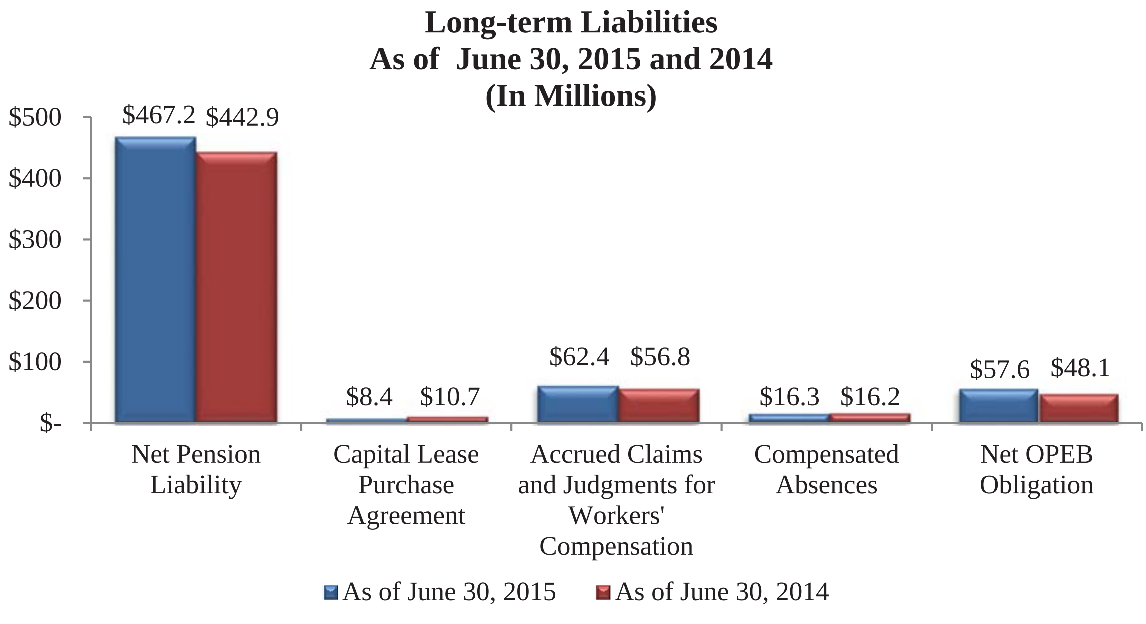
Major capital asset deletions during Fiscal Year 2014/15 included the following:

- Thirty-five capital equipment items were sold, scrapped, or written off during Fiscal Year 2014/15, including the original CAD system and various related software components ($2 million); twelve servers ($160,000); and six thermal imaging cameras ($50,000). The net book value of all equipment disposals was approximately $32,000, as most items had reached the end of their useful service lives and were either fully or mostly depreciated. Most equipment was sold at public auction or sent to an e-waste recycling center. Other obsolete equipment items, including the "intangible" software pertaining to the old CAD system, were removed from service but could not be sold to a third party.

- Fifteen vehicles were removed from OCFA's fleet during Fiscal Year 2014/15 as part of OCFA's ongoing vehicle replacement plan. The net book value of all vehicle disposals was $0, as all items had reached the end of their useful service lives and were fully depreciated. One 90' truck ($500,000); two type 1 engines ($380,000); two fire dozers ($170,000); one fire command bus ($150,000); four vans ($150,000); one ambulance ($100,000); and one sport utility vehicle ($35,000) were sold at public auction. One type 1 engine ($75,000) that was acquired from the City of Santa Ana during the April 2012 service transition was returned to the city for disposal. One sport utility vehicle and one van ($20,000 each) were written off as total losses due to vehicle accidents that occurred during the fiscal year.

Additional information pertaining to the OCFA's capital assets can be found in Note 16 of the accompanying Notes to the Financial Statements.

Long-term Debt: Total long-term liabilities increased by net $37,208,951 (6.5%) during Fiscal Year 2014/15.



The most significant increases and decreases to long-term liabilities pertained to the net pension liability for the Orange County Employees Retirement System (OCERS) pension plan, which is being reported in the financial statements as a long-term liability for the first time in conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68. During Fiscal Year 2014/15, OCFA's share of the plan's net pension liability, as determined by an actuarial valuation for the plan as a whole, increased by $112 million. This addition was offset by $87 million in actual employer and employee contributions remitted by

OCFA to the plan. The increases and decreases reported for the long-term pension liability are reported using an "accounting-based approach" in order to fully capture OCFA's net liability and related pension expense incurred during each fiscal year. This differs from the "funding-based approach" used to calculate annual retirement rates and the amount of required employer and employee contributions due from OCFA to OCERS.

Additional information on the OCFA's long-term liabilities can be found in Note 17 of the accompanying Notes to the Financial Statements.

Next Year's Budget

The Fiscal Year 2015/16 General Operating Fund adopted expenditure budget is approximately $322.4 million, which is a net increase of $5.9 million (1.9%) from the final Fiscal Year 2014/15 General Operating Fund budget totaling $316.5 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 2015/16 General Operating Fund Budget are as follow:

- Budgeted salaries and benefits increased by $6.2 million. The budget reflects estimated $1.4 million and $1.3 million increases in annual costs resulting from the latest Memorandums of Understanding with the Firefighters Unit and General/Supervisory Management Unit, respectively. The Fiscal Year 2015/16 budget for salaries and benefits also reflects new positions for Fire Station No. 56 (Village of Sendero), which became operational in July 2015. The retirement budget for Fiscal Year 2015/16 is based on rates provided by the Orange County Employees Retirement System (OCERS). Those rates reflect a decrease as compared to Fiscal Year 2014/15, due to increasing employee retirement contributions.

- Budgeted services and supplies, capital outlay, and debt service decreased by $300,000. Overall, budgets were held flat as compared to Fiscal Year 2014/15, and exclude one-time or grant-related expenditures. These projects are budgeted as-needed throughout the fiscal year and are not incorporated into the original base budget at the time of adoption.

- The total number of authorized positions in the Fiscal Year 2015/16 budget is 1,360, an increase of sixteen positions from the final, authorized position list as of June 30, 2015. However, the budget reflects funding for only 1,267 of those authorized positions, since frozen vacancies, grant-funded, and limited term positions are not included at the time the original budget is adopted. Changes in authorized positions by unit are summarized as follows:

Unit	FY 2015/16 Budget	FY 2014/15 Final	Increase (Decrease)
Firefighter Unit	1,020	1,011	9
Fire Management Unit	45	45	-
General Unit	213	205	8
Supervisory Management Unit	27	27	-
Supported Employment Unit	4	4	-
Administrative Management	43	44	(1)
Executive Management	8	8	-
Total authorized positions	**1,360**	**1,344**	**16**

Requests for Information

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

ORANGE COUNTY FIRE AUTHORITY
Statement of Net Position
June 30, 2015
(With Comparative Data for Prior Year)

	Primary Government		Component Unit	
	Governmental Activities		OCFA Foundation	
	2015	2014	2015	2014
Assets:				
Cash and investments (Note 5)	$ 164,787,506	$ 160,237,038	$ 108,720	$ 95,341
Receivables:				
Accounts, net (Note 6)	3,976,952	2,117,990	-	-
Accrued interest	96,621	127,913	-	-
Prepaid costs and other assets	31,160,094	30,849,987	723	15,168
Due from other governments, net (Note 7)	8,702,777	11,720,366	-	-
Capital assets (Note 16):				
Land	37,887,850	37,887,850	-	-
Construction in progress	5,092,288	509,142	-	-
Work in progress	4,121,289	3,808,738	-	-
Capital assets, net of accumulated depreciation/amortization	152,145,415	149,435,613	-	-
Total Assets	**407,970,792**	**396,694,637**	**109,443**	**110,509**
Deferred Outflows of Resources:				
Deferred outflows of resources related to pensions (Note 17b)	85,763,924	-	-	-
Total Deferred Outflows of Resources	**85,763,924**	**-**	**-**	**-**
Liabilities:				
Accounts payable	3,602,338	6,488,835	4,529	-
Accrued liabilities	12,828,886	11,540,122	-	-
Accrued interest	4,737	6,015	-	-
Unearned revenue (Note 9)	3,278,818	3,065,827	-	6,000
Due to other governments (Note 8)	10,072,547	67,854	-	-
Long-term liabilities (Note 17):				
Other due within one year	12,512,349	11,676,387	-	-
Other due in more than one year	74,603,168	72,009,665	-	-
Proportionate share net pension liability	467,208,681	-	-	-
Net OPEB obligation	57,553,126	48,085,317	-	-
Total Liabilities	**641,664,650**	**152,940,022**	**4,529**	**6,000**
Deferred Inflows of Resources:				
Deferred inflows of resources related to pensions (Note 17b)	21,194,439	-	-	-
Total Deferred Outflows of Resources	**21,194,439**	**-**	**-**	**-**
Net position:				
Net investment in capital assets (Note 16b)	190,800,116	180,917,654	-	-
Restricted for (Note 11):				
Capital projects	533,232	1,044,040	-	-
Other purposes	55,538	32,282	52,583	54,123
Unrestricted	(360,513,259)	61,760,639	52,331	50,386
Total Net Position	**$ (169,124,373)**	**$ 243,754,615**	**$ 104,914**	**$ 104,509**

See Notes to the Financial Statements

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ORANGE COUNTY FIRE AUTHORITY
Statement of Activities
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	Primary Government		Component Unit	
	Governmental Activities		OCFA Foundation	
	2015	2014	2015	2014
Expenses:				
Public safety:				
Salaries and benefits	$ 335,419,737	$ 266,764,367	$ -	$ -
Services and supplies	46,073,201	47,912,808	61,633	33,010
Depreciation and amortization (Note 16d)	9,050,195	9,612,453	-	-
Interest on long-term debt	582,565	311,327	-	-
Total Program Expenses	**391,125,698**	**324,600,955**	**61,633**	**33,010**
Program Revenues:				
Public safety:				
Charges for services	113,150,325	106,874,513	-	-
Operating grants and contributions	11,410,019	10,339,966	62,038	60,174
Capital grants and contributions	9,182,195	1,462,540	-	-
Total Program Revenues	**133,742,539**	**118,677,019**	**62,038**	**60,174**
Net program (expenses) revenues	(257,383,159)	(205,923,936)	405	27,164
General Revenues:				
Property taxes	205,141,237	190,873,689	-	-
Investment income	839,864	823,010	-	-
Gain on sale of capital assets	63,953	21,834	-	-
Miscellaneous	1,235,004	1,200,195	-	-
Total General Revenues	**207,280,058**	**192,918,728**	**-**	**-**
Change in net position	(50,103,101)	(13,005,208)	405	27,164
Net position at beginning of year, as restated (Note 4)	(119,021,272)	256,759,823	104,509	77,345
Net Position at End of Year	**$ (169,124,373)**	**$ 243,754,615**	**$ 104,914**	**$ 104,509**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Governmental Funds
Balance Sheet
June 30, 2015
(With Comparative Data for Prior Year)

	General Fund	Facilities Maintenance and Improvements
Assets:		
Cash and investments (Note 5)	$ 109,157,641	$ -
Receivables:		
Accounts, net (Note 6)	2,552,672	-
Accrued interest	27,902	-
Prepaid costs and other assets	31,127,148	-
Due from other governments, net (Note 7)	6,967,289	-
Total assets	**$ 149,832,652**	**$ -**
Liabilities:		
Accounts payable	$ 3,106,977	$ -
Accrued liabilities	12,828,886	-
Unearned revenue (Note 9)	3,234,898	-
Due to other governments (Note 8)	10,072,547	-
Total liabilities	**29,243,308**	**-**
Deferred Inflows of Resources:		
Unavailable revenue (Note 9)	316,087	-
Total deferred inflows of resources	**316,087**	**-**
Fund balances:		
Nonspendable - prepaid costs (Note 10)	31,127,148	-
Restricted for (Note 11):		
Capital improvement program	-	-
Operations Department	55,538	-
Community Risk Reduction Department	-	-
Committed to - SFF cities enhancements (Note 12)	691,265	-
Assigned to (Note 13):		
Capital improvement program	233,180	-
Workers' compensation	68,494,796	-
Executive Management	98,415	-
Operations Department	46,859	-
Community Risk Reduction Department	354	-
Business Services Department	66,963	-
Support Services Department	259,845	-
Organizational Planning Department	33,890	-
Communications and IT projects	48,528	-
Fire apparatus and other vehicles	-	-
Fire station construction	-	-
Unassigned (Note 14)	19,116,476	-
Total fund balances	**120,273,257**	**-**
Total liabilities, deferred inflows of resources, and fund balances	**$ 149,832,652**	**$ -**

See Notes to the Financial Statements

Capital Projects Funds			Total Governmental Funds	
Communications and Information Systems	**Fire Apparatus**	**Fire Stations and Facilities**	**2015**	**2014**
$ 19,002,170	$ 24,957,220	$ 11,670,475	$ 164,787,506	$ 160,237,038
-	527,289	896,991	3,976,952	2,117,990
9,231	950	58,538	96,621	127,913
32,946	-	-	31,160,094	30,849,987
-	-	-	6,967,289	10,003,360
$ 19,044,347	**$ 25,485,459**	**$ 12,626,004**	**$ 206,988,462**	**$ 203,336,288**
$ 388,492	$ 1,107	$ 105,762	$ 3,602,338	$ 3,500,754
-	-	-	12,828,886	11,540,122
-	43,920	-	3,278,818	3,065,827
-	-	-	10,072,547	3,055,935
388,492	**45,027**	**105,762**	**29,782,589**	**21,162,638**
-	-	-	316,087	1,000,139
-	**-**	**-**	**316,087**	**1,000,139**
32,946	-	-	31,160,094	30,844,987
-	-	533,232	533,232	1,044,040
-	-	-	55,538	32,015
-	-	-	-	267
-	-	-	691,265	784,617
18,528,376	17,409,649	11,987,010	48,158,215	55,012,800
-	-	-	68,494,796	60,921,529
-	-	-	98,415	90,529
-	-	-	46,859	75,416
-	-	-	354	-
-	-	-	66,963	58,254
-	-	-	259,845	119,678
-	-	-	33,890	-
94,533	-	-	143,061	1,610,018
-	8,030,783	-	8,030,783	3,197,280
-	-	-	-	4,491,421
-	-	-	19,116,476	22,890,660
18,655,855	**25,440,432**	**12,520,242**	**176,889,786**	**181,173,511**
$ 19,044,347	**$ 25,485,459**	**$ 12,626,004**	**$ 206,988,462**	**$ 203,336,288**

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015
(With Comparative Data for Prior Year)

	2015	2014
Fund balances of governmental funds	**$ 176,889,786**	**$ 181,173,511**
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	314,353,552	301,503,238
Accumulated depreciation/amortization	(115,106,710)	(109,861,895)
Long-term Liabilities and Receivables		
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. A portion of OCFA's long-term liability for compensated absences is reimbursable by the City of Santa Ana, and therefore offset by a long-term receivable. Long-term receivables are not available to fund the activities of the current period, and are likewise not reported as governmental fund assets. All assets and liabilities, both current and long-term, are reported in the Statement of Net Position.		
OCERS pension plan	(402,392,752)	-
Extra Help pension plan	(246,444)	-
Capital lease purchase agreements	(8,446,726)	(10,723,689)
Accrued claims and judgments	(62,372,690)	(56,789,859)
Compensated absences	(16,296,101)	(16,172,504)
Long-term receivable for compensated absences	1,735,488	1,717,006
Net OPEB obligation	(57,553,126)	(48,085,317)

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

	2015	2014
Accrued Interest		
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds. Accrued interest was calculated and reported in the Statement of Net Position.	(4,737)	(6,015)
Unavailable Revenues		
Unavailable revenues are reported in the governmental funds if not collected or expected to be collected within the OCFA's availability period. However, amounts relating to unavailable revenues are not reported in the Statement of Net Position since revenue recognition is not based upon measurable and available criteria.		
Due from other governments - property tax increment	-	367,964
Due from other governments - Santa Ana start-up costs	316,087	632,175
Net position of governmental activities	**$ (169,124,373)**	**$ 243,754,615**

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, 2015
(With Comparative Data for Prior Year)

	General Fund	Facilities Maintenance and Improvements
Revenues:		
Taxes	$ 205,141,237	$ -
Intergovernmental	23,565,214	-
Charges for services	100,619,516	-
Use of money and property	651,975	-
Miscellaneous	1,120,697	-
Developer contributions	-	-
Total revenues	**331,098,639**	**-**
Expenditures:		
Current - public safety:		
Salaries and benefits	285,988,997	-
Services and supplies	40,317,142	-
Capital outlay	703,370	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	330,741	-
Total expenditures	**327,340,250**	**-**
Excess (deficiency) of revenues over (under) expenditures	3,758,389	-
Other financing sources (uses):		
Transfers in (Note 15)	3,844,414	-
Transfers out (Note 15)	(3,000,906)	(2,710,702)
Sale of capital and other assets	134,123	-
Insurance recoveries	32,948	-
Total other financing sources (uses)	**1,010,579**	**(2,710,702)**
Net change in fund balances	4,768,968	(2,710,702)
Fund balances, beginning of year	115,504,289	2,710,702
Fund balances, end of year	**$ 120,273,257**	**$ -**

See Notes to the Financial Statements

Capital Projects Funds			Total Governmental Funds	
Communications and Information Systems	**Fire Apparatus**	**Fire Stations and Facilities**	**2015**	**2014**
$ -	$ -	$ -	$ 205,141,237	$ 190,873,689
-	-	-	23,565,214	19,111,811
-	1,381,161	-	102,000,677	97,705,183
57,488	87,984	44,075	841,522	932,284
253,528	155,579	150,172	1,679,976	1,677,853
-	527,289	7,779,918	8,307,207	1,271,400
311,016	**2,152,013**	**7,974,165**	**341,535,833**	**311,572,220**
-	-	-	285,988,997	257,134,030
132,460	3,072	37,696	40,490,370	40,187,878
1,441,647	3,673,667	10,826,114	16,644,798	7,681,418
-	2,276,963	-	2,276,963	2,219,152
-	254,760	-	585,501	421,845
1,574,107	**6,208,462**	**10,863,810**	**345,986,629**	**307,644,323**
(1,263,091)	(4,056,449)	(2,889,645)	(4,450,796)	3,927,897
3,000,906	-	-	6,845,320	5,370,375
(1,133,712)	-	-	(6,845,320)	(5,370,375)
-	-	-	134,123	77,077
-	-	-	32,948	360,803
1,867,194	**-**	**-**	**167,071**	**437,880**
604,103	(4,056,449)	(2,889,645)	(4,283,725)	4,365,777
18,051,752	29,496,881	15,409,887	181,173,511	176,807,734
$ 18,655,855	**$ 25,440,432**	**$ 12,520,242**	**$ 176,889,786**	**$ 181,173,511**

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, 2015
(With Comparative Data for Prior Year)

	2015	2014
Net change in fund balances - total governmental funds	**$ (4,283,725)**	**$ 4,365,777**
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	16,644,798	7,681,418
Capitalized labor, included in salaries and benefits	23,975	71,063
Depreciation/amortization expense	(9,050,195)	(9,612,453)
Capital assets received through grant or donation are recognized as revenue in the Statement of Activities at their estimated fair value at time of receipt.	37,736	36,000
Governmental funds report the proceeds from sale of capital and other assets as other financing sources. In the Statement of Activities, those proceeds are offset by the net book value of the asset, resulting in a gain or		
Capital asset disposals	(3,856,195)	(1,125,501)
Accumulated depreciation/amortization on disposals	3,805,380	1,089,492
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.	2,276,963	2,219,152
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		
OCERS pension plan	(39,860,404)	-
Extra Help pension plan	(2,905)	-
Accrued claims and judgments - workers' compensation	(5,582,831)	(7,724,930)
Compensated absences - Santa Ana general leave	(18,482)	(270,788)
Compensated absences - other leave balances	(105,115)	(204,009)

	2015	2014
A long-term receivable has been established in the Statement of Net Position for the portion of compensated absences reimbursable by the City of Santa Ana. The receivable balance is reduced over time as leave balances are used by employees and subsequently reimbursed by the city. Those reimbursements are reported as revenue in the governmental funds.	18,482	270,788
Contributions to the defined benefit retiree medical plan are made on a pay-as-you-go basis in the governmental fund financial statements. If actual contributions are less than the actuarially-determined required amount, the difference is reported as an expense in the Statement of Activities.	(9,467,809)	(9,768,179)
Accrued Interest		
Interest expenditures are reported when paid in the governmental funds, while the net change in accrued interest incurred for the period is recognized as interest expense in the Statement of Activities.	1,278	1,244
Unavailable Revenues		
Certain receivables and grants that have been accrued but not collected are reflected as unavailable revenue in the governmental funds. All earned revenue is recognized in the Statement of Activities regardless of when collected.		
Intergovernmental revenue - property tax increment	(367,964)	367,964
Intergovernmental revenue - grants	-	(86,158)
Charges for services - Santa Ana start-up costs	(316,088)	(316,088)
Interfund Transactions		
Transactions between governmental funds are eliminated for presentation in the government-wide financial statements.		
Transfers in	(6,845,320)	(5,370,375)
Transfers out	6,845,320	5,370,375
Use of money and property	(1,658)	(109,274)
Interest and fiscal charges	1,658	109,274
Change in net assets of governmental activities	**$ (50,103,101)**	**$ (13,005,208)**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
General Fund
Budgetary Comparison Statement
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	2015				2014
	Budget Amounts			Variance with Final Budget Positive	
	Original	Final	Actual Amounts	(Negative)	Actual Amounts
Budgetary fund balance, July 1	**$ 115,504,289**	**$ 115,504,289**	**$ 115,504,289**	**$ -**	**$ 107,585,144**
Resources (inflows):					
Taxes	195,471,965	204,827,822	205,141,237	313,415	190,873,689
Intergovernmental	11,137,559	22,054,738	23,565,214	1,510,476	19,111,811
Charges for services	100,016,486	99,053,676	100,619,516	1,565,840	96,104,840
Use of money and property	1,031,646	570,261	651,975	81,714	540,980
Miscellaneous	950,700	1,145,842	1,120,697	(25,145)	1,352,043
Transfers in	-	3,844,414	3,844,414	-	-
Sale of capital and other assets	50,000	115,148	134,123	18,975	77,077
Insurance recoveries	-	5,135	32,948	27,813	360,803
Total resources (inflows)	**308,658,356**	**331,617,036**	**335,110,124**	**3,493,088**	**308,421,243**
Amounts available for appropriations	**424,162,645**	**447,121,325**	**450,614,413**	**3,493,088**	**416,006,387**
Charges to appropriation (outflows):					
Salaries and benefits	284,344,557	293,077,462	285,988,997	7,088,465	257,134,030
Services and supplies	36,777,318	44,876,227	40,317,142	4,559,085	37,432,923
Capital outlay	34,127	1,380,184	703,370	676,814	455,496
Interest and fiscal charges	895,000	329,083	330,741	(1,658)	109,274
Transfers out	584,592	3,000,906	3,000,906	-	5,370,375
Total charges to appropriations	**322,635,594**	**342,663,862**	**330,341,156**	**12,322,706**	**300,502,098**
Budgetary fund balance, June 30	**$ 101,527,051**	**$ 104,457,463**	**$ 120,273,257**	**$ 15,815,794**	**$ 115,504,289**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2015
(With Comparative Data for Prior Year)

	Pension Trust Funds	Total Pension Trust Funds	
	Extra Help Retirement	**2015**	**2014**
Assets:			
Cash and investments (Note 5):			
Local Agency Investment Fund -			
Domestic fixed income securities	$ 73,031	$ 73,031	$ 64,464
Total assets	**73,031**	**73,031**	**64,464**
Net position restricted for pensions	**$ 73,031**	**$ 73,031**	**$ 64,464**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	Pension Trust Funds	Total Pension Trust Funds	
	Extra Help Retirement	**2015**	**2014**
Additions:			
Contributions:			
Employer	$ 2,481	$ 2,481	$ 2,117
Plan members	11,831	11,831	13,542
Total contributions	14,312	14,312	15,659
Net investment income:			
Interest	714	714	586
Total net investment income	714	714	586
Total additions	**15,026**	**15,026**	**16,245**
Deductions:			
Benefits and refunds paid to plan members and beneficiaries	6,459	6,459	8,676
Total deductions	**6,459**	**6,459**	**8,676**
Change in net position	8,567	8,567	7,569
Net position, beginning of year	64,464	64,464	56,895
Net position, end of year	**$ 73,031**	**$ 73,031**	**$ 64,464**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY

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Year ended June 30, 2015

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(1) Summary of Significant Accounting Policies

(a) Description of the Reporting Entity

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

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

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

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

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

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

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

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

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

- The **OCFA Foundation** ("Foundation") was established by the OCFA Board of Directors in July 2010, and qualifies as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The purpose of the Foundation is to support the OCFA with the additional resources needed to provide an enhanced level of fire prevention, suppression, and emergency medical services to the citizens of Orange County. The Foundation assists the OCFA by conducting fundraising activities and securing non-government grant funds, services, materials, and contributions that support OCFA's mission. The 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 the OCFA's Board appointed the first three Foundation Directors from among existing OCFA Board members. As of June 30, 2015, 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 the OCFA, because the nature and significance of its relationship with the OCFA is such that its exclusion would cause the OCFA's financial statements to be misleading or incomplete. Within these financial statements, the Foundation is reported as a discrete component unit in the government-wide financial statements. The Foundation also issues separate, component unit financial statements that may be obtained through written request from the OCFA Finance Division at 1 Fire Authority Road, Irvine, California 92602.

(b) Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The 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 the 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. The OCFA has elected to report all of its governmental funds as major funds.

- The **General Fund** is the primary operating fund of the OCFA and is used to account for all financial resources not accounted for and reported in another fund. The General Fund accounts for the financial activities of providing fire suppression, protection, prevention and related services to the 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 **Facilities Maintenance and Improvements Fund** is a capital projects fund used to account for significant capital projects that provide for either the maintenance or improvement of OCFA's facilities. During Fiscal Year 2014/15, the Board of Directors approved the closure of this fund effective July 1, 2014.

- 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. The OCFA's pension trust fund accounts for the cost of the extra help post-employment defined benefit retirement plan.

(d) Deposits and Investments

The 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 value at which a financial instrument could be exchanged, other than in a forced or liquidation sale), in accordance with GASB Statement No. 31. The 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 is 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 of Orange bills and collects the property taxes and distributes them to the 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 the OCFA as assets with an estimated useful life in excess of one year and with an initial, individual cost of $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or developer-contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. OCFA's capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

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

(h) Deferred Outflows and Inflows of Resources

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

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

(i) Compensated Absences

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

(j) Long-term Obligations

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

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

(k) Pensions

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

(l) Fund Equity

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

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

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

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

- **Assigned** fund balance includes amounts intended to be used by the OCFA for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of

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

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

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the OCFA's *Flow Assumptions Policy* specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the 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, the OCFA established a General Fund Contingency Reserve ("operating contingency") at 15% of budgeted operating revenues, which was subsequently revised to 10% of budgeted non-grant operating expenditures. The 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. In addition, certain amounts pertaining to pension plans are not comparable due to the implementation of GASB Statements No. 68 and No. 71 as further described in Note 3.

(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

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

Perspective differences occur when the framework used for budgeting differs from the fund structure used for financial reporting. The OCFA's General Fund consists of four separately-budgeted funds that have been combined and consolidated for financial statement presentation. The table below reconciles fund balance for the General Fund as reported on the budgetary basis to the presentation in the financial statements. The Supplementary Schedules section of this report includes additional General Fund combining schedules for balance sheet, budgetary data, and actual operating data for the year ended June 30, 2015.

	Fund Balance as of June 30, 2015
Budgetary basis:	
General Operating Fund	$ 50,688,802
General Fund Capital Improvement Program (CIP)	398,394
Structural Fire Entitlement	691,265
Self Insurance	68,494,796
General Fund for financial statement presentation	$120,273,257

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, the Fire Chief may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of the OCFA to review the budgets mid-year and, if necessary, recommend changes to the Board. The following is a summary of the originally adopted expenditure budget (including carryovers of unexpended prior year encumbrances and transfers out) compared to the final budget by budgeted fund:

Fund	Original Budget	Increase/ (Decrease)	Final Budget
General Fund	$322,635,594	$20,028,268	$342,663,862
Facilities Maintenance and Improvements	1,303,812	1,406,890	2,710,702
Communications and Information Systems	4,322,107	4,632,583	8,954,690
Fire Apparatus	10,506,098	5,568,450	16,074,548
Fire Stations and Facilities	4,491,421	6,541,928	11,033,349
Total budgeted governmental funds	$343,259,032	$38,178,119	$381,437,151

(b) Emergency Appropriations Policy

In September 2008, the Board adopted the Emergency Appropriations Policy to provide a means of increasing budgeted appropriations in the event that extraordinary fire or emergency incident activity occurs after the last Board meeting of the fiscal year, which may cause expenditures to exceed the authorized General Fund budget. The contingency appropriation, which may not exceed $3,000,000 each fiscal year, is established for unforeseen requirements, primarily salary and employee benefits for extraordinary fire or emergency response. No expenditures may be made directly against the contingency appropriations; however, OCFA management may recommend a transfer from the contingency appropriations to a specific purpose appropriation. The Chair of the Board of Directors or the Vice Chair, in the absence of the Chair, must pre-approve any such transfers. Upon approval by the Chair or Vice Chair, notice of this transfer must be provided immediately to the full Board in writing. There were no transfers made from the contingency appropriations during the year ended June 30, 2015; therefore, the budgetary comparison statements and schedules included in the financial statements do not reflect any increase to the final budgeted expenditures.

(c) Encumbrance Accounting

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

(3) Implementation of New Accounting Standards

During the year ended June 30, 2015, OCFA implemented the following new accounting standards as required by the Governmental Accounting Standards Board (GASB):

- **GASB Statement No. 68** *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts and equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements.

- **GASB Statement No. 71** *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68*. The provisions of this statement are required to be applied simultaneously with the provisions of Statement No. 68.

Prior to the implementation of GASB Statements No. 68 and 71, there was a close relationship between how governments funded pensions and how they accounted for and reported pension information in their financial statements. A pension liability was reported only if there was a cumulative difference between the required and actual contributions made to the pension plan. Prior to Fiscal Year 2014/15, OCFA did not report a long-term liability for pensions since all required contributions, as determined by actuarial valuation, were contributed annually. Under the new accounting standards, the funding of OCFA's pension liability is completely disconnected from how the liability and related pension expense is reported in the financial statements.

Although the factual situation of OCFA's pension plan has not changed in Fiscal Year 2014/15, the guidance provided in GASB Statements No. 68 and 71 is a definitive shift from a ***funding-based approach*** to an ***accounting-based approach*** in financial reporting for pensions.

The table below summarizes the impact of implementing GASB Statements No. 68 and 71 to the Statement of Net Position as of July 1, 2014:

	OCERS Pension Plan	Extra Help Pension Plan	Net Impact to Beginning Net Position of Governmental Activities
Net pension liability	$(442,651,348)	$(245,656)	$(442,897,004)
Deferred outflows of resources	80,119,000	2,117	80,121,117
Total prior period adjustment	$(362,532,348)	$(243,539)	$(362,775,887)

Additional accounting standards that became effective during the year ended June 30, 2015, but that were not applicable to OCFA's financial reporting included GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, and Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

(4) Prior Period Adjustment

During the year ended June 30, 2015, OCFA restated beginning net position of governmental activities by a net decrease of $362,775,887, in conjunction with the implementation of GASB Statements No. 68 and 71. Additional information regarding this new accounting standard is included in Note 3.

	Primary Government Net Position of Governmental Activities
As previously reported	$ 243,754,615
Prior period adjustment	(362,775,887)
As restated	$(119,021,272)

(5) Cash and Investments

(a) Financial Statement Presentation

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

Cash and investments as of June 30, 2015, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Governmental activities	$164,787,506
Discretely presented component unit – OCFA Foundation	108,720
Statement of Fiduciary Net Position:	
Fiduciary funds	73,031
Total cash and investments	$164,969,257

Cash and investments consist of the following as of June 30, 2015:

Petty cash / cash on hand	$ 13,644
Demand deposits	1,136,591
Investments	163,819,022
Total cash and investments	$164,969,257

(b) Demand Deposits

At June 30, 2015, the carrying amount of the OCFA's demand deposits was $1,136,591 and the bank balance was $1,369,440. The $232,849 difference represents outstanding checks and other reconciling items.

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

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

The table below identifies the investment types that are authorized by the OCFA's investment policy and by the California Government Code Section 53600 et seq. and Section 5922(d). The table also identifies certain provisions of the California Government Code (or the 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 the OCFA rather than the general provisions of the 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 the OCFA's investment policy.

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

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

(d) Investments Authorized by Debt Agreements

Proceeds of bonds or other indebtedness and any moneys set aside and pledged to secure payment of bonds may be invested in accordance with the resolution, indenture or statutory provisions governing the issuance of the indebtedness. The OCFA did not have any investments held by fiscal agent during Fiscal Year 2014/15.

(e) Investments in State Investment Pool

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

(f) GASB Statement No. 31

The OCFA adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the OCFA reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

(g) Credit Risk

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

	Minimum Rating Required	Rating at Year-End Aaa / AA+ / AAA	P1 / A1+	Unrated	Fair Value
Federal agency securities	N/A	$86,974,590	$ -	$ -	$ 86,974,590
Commercial paper	P1/A1/F1	-	8,573,368	-	8,573,368
Money market mutual funds	Aaa/AAA	-	-	18,252,265	18,252,265
LAIF	N/A	-	-	50,018,799	50,018,799
Total		$86,974,590	$8,573,368	$68,271,064	$163,819,022

(h) Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The OCFA's investment policy requires that collateral be held by an independent third party with whom the 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. The 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 the OCFA's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. As of June 30, 2015, none of the OCFA's deposits or investments was exposed to disclosable custodial credit risk.

(i) Concentration of Credit Risk

The 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, 2015, the OCFA is in compliance with the investment policy's restrictions. In addition, GASB 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, 2015, are summarized below.

Issuer	Fair Value	% of Portfolio
Federal Home Loan Bank (FHLB)	$50,991,330	31.1%
Freddie Mac	17,995,770	11.0%
Federal Farm Credit Bank (FFCB)	17,987,490	11.0%
General Electric	8,573,368	5.2%

(j) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The OCFA's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The 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. The OCFA has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2015, the OCFA had the following investments and maturities:

	Investment Maturities in Months			
	6 or Less	7 to 12	13 to 60	Fair Value
Federal agency securities	$44,996,580	$ 9,000,270	$32,977,740	$ 86,974,590
Commercial paper	8,573,368	-	-	8,573,368
Money market mutual funds	18,252,265	-	-	18,252,265
LAIF	-	50,018,799	-	50,018,799
Total	$71,822,213	$59,019,069	$32,977,740	$163,819,022

As of June 30, 2015, the 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	0.424%	4/22/2016	$9,000,270
Federal Home Loan Bank (FHLB)	Anytime	0.624%	8/9/2017	6,000,600
Federal Home Loan Bank (FHLB)	7/9/2015	0.584%	11/9/2017	8,992,890
Federal Farm Credit Bank (FFCB)	7/22/2015	0.998%	1/22/2018	8,987,220
Freddie Mac	12/23/2015	0.904%	3/23/2018	8,997,030

(6) Accounts Receivable

Accounts receivable, net of an allowance for doubtful accounts, consists of the following as of June 30, 2015:

	Governmental Funds			
	General Fund	Fire Apparatus	Fire Stations and Facilities	Total
Fire prevention/late fees	$ 526,367	$ -	$ -	$ 526,367
Ambulance/other reimbursements	2,140,629	-	-	2,140,629
Due from developers	-	527,289	896,991	1,424,280
Other/miscellaneous	59,841	-	-	59,841
Accounts receivable	2,726,837	527,289	896,991	4,151,117
Allowance for doubtful accounts	(174,165)	-	-	(174,165)
Accounts receivable, net	$2,552,672	$527,289	$896,991	$3,976,952

(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, 2015:

	Governmental Funds	
	General Fund	Governmental Activities
Fire protection and other services:		
Cash contract cities – start-up costs	$ 316,087	$ 316,087
Cash contract cities – leave balances and other contract costs	12,137	1,747,625
State responsibility area	888,721	888,721
Airport rescue firefighting	358,485	358,485
Other services	151,807	151,807
Subtotal	1,727,237	3,462,725
Assistance by hire/activation	1,214,485	1,214,485
Grants	762,878	762,878
Property tax/tax increment	3,259,689	3,259,689
Other/miscellaneous	3,000	3,000
Due from other governments	6,967,289	8,702,777
Allowance for doubtful accounts	-	-
Due from other governments, net	$6,967,289	$8,702,777

(8) Due to Other Governments

Amounts due to other governments, as reported in both the governmental funds (General Fund) and governmental activities, consist of the following as of June 30, 2015:

Government Agency	Jurisdictional Equity Adjustment Payments (JEAP's)	Accrued Interest on Unpaid JEAP's	Other	Total
City of Irvine	$9,501,321	$15,861	$ -	$ 9,517,182
City of Laguna Woods	5,616	5	-	5,621
City of Lake Forest	155	-	-	155
City of Rancho Santa Margarita	135,571	128	-	135,699
County of Orange	335,293	317	78,280	413,890
Due to other governments	$9,977,956	$16,311	$78,280	$10,072,547

With the ratification of the OCFA's Second Amendment to the Joint Powers Agreement (JPA), Jurisdictional Equity Adjustment Payments (JEAP's) are required for qualifying structural fire fund members. On August 7, 2014, a Superior Court judge ruled the Second Amendment to the JPA invalid and OCFA has appealed the ruling. Since that time, JEAP amounts due to structural fire fund members, plus accrued interest, have not been disbursed pending resolution of the appeal.

(9) Unearned and Unavailable Revenue

Unavailable revenue in the governmental funds consists of amounts that are considered *unavailable* to finance the expenditures of the current fiscal period. Only the amounts that are *unearned* are reported as liabilities of governmental activities. Unearned and unavailable revenues consist of the following as of June 30, 2015:

	Governmental Funds			
	General Fund	Fire Apparatus	Total	Governmental Activities
Unearned revenue:				
City of Santa Ana contract – July 2015	$3,065,246	$43,920	$3,109,166	$3,109,166
Good faith deposit for Fiscal Year 2015/16 TRAN	150,000	-	150,000	150,000
Helicopter hangar rental deposits	10,862	-	10,862	10,862
Helicopter hangar rent – July 2015	8,515	-	8,515	8,515
Miscellaneous cash advances	275	-	275	275
Total	$3,234,898	$43,920	$3,278,818	$3,278,818
Unavailable revenue:				
City of Santa Ana start-up costs	$ 316,087	$ -	$ 316,087	

(10) Fund Balance of Governmental Funds – Nonspendable

Prepaid costs are reported as an asset until the expenditures are recognized proportionately over the future period in which the services are to be provided. An amount equal to the asset is reported as nonspendable fund balance in the governmental funds, since these amounts are not in a spendable form. Nonspendable fund balance consists of the following as of June 30, 2015:

Not in Spendable Form	General Fund	Communications and Information Systems	Total
Retirement contributions:			
Fiscal Year 2015/16	$29,539,884	$ -	$29,539,884
Fiscal Year 2014/15	1,123,647	-	1,123,647
Maintenance and support	252,869	17,091	269,960
Warranties	113,457	15,855	129,312
Subscriptions and memberships	50,018	-	50,018
Other	47,273	-	47,273
Total	$31,127,148	$32,946	$31,160,094

In January 2014 and 2015, OCFA prepaid a portion of its retirement contributions to the Orange County Employees Retirement System (OCERS) totaling $29,214,818 and $29,539,884, respectively. The prepayments produced savings of over $2.0 million in Fiscal Year 2014/15, and are expected to produce savings of over $1.7 million in Fiscal Year 2015/16. Due to the timing of the pay period calendar, the unamortized balance of the January 2014 prepayment totaled $1,123,647 as of June 30, 2015. The entire amount of the January 2015 prepayment was unamortized as of June 30, 2015. Other prepaid items as of

June 30, 2015, included various equipment warranties on mobile data computers, laptops, computers, pagers, tablets, and defibrillators; and other miscellaneous amounts such as annual maintenance and support fees, subscriptions, and professional memberships.

(11) Fund Balance of Governmental Funds – Restricted

Restricted fund balance in the General Fund includes grant-funded or other restricted, unexpended encumbrances outstanding at year-end, as well as donations received for specific programs. Restricted fund balance in the Fire Stations and Facilities Fund includes CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations. Restricted fund balance consists of the following as of June 30, 2015:

	General Fund	Fire Stations and Facilities	
	Operations Department	Capital Improvement Program	Total
Purpose of encumbrances:			
USAR grant program	$35,477	$ -	$ 35,477
California Joint Apprenticeship Committee	15,490	-	15,490
	50,967	-	50,967
Donations – disaster preparation academy	4,571	-	4,571
CALFIRE station(s)	-	533,232	533,232
	$55,538	$533,232	$588,770

(12) 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, 2015, the remaining unspent amount totaling $691,265 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	$ 27,104
Dana Point	9,325
Irvine	584,265
Laguna Niguel	52,893
Rancho Santa Margarita	17,678
	$691,265

(13) Fund Balance of Governmental Funds – Assigned

Assigned fund balance includes the following as of June 30, 2015:

Capital Improvement Program	$ 48,158,215
Workers' compensation	68,494,796
Assigned, unexpended encumbrances	8,680,170
	$125,333,181

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 $48,158,215 as of June 30, 2015, and is reported in the General Fund ($233,180), Communications and Information Systems Fund ($18,528,376), Fire Apparatus Fund ($17,409,649) and Fire Stations and Facilities Fund ($11,987,010).

- 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 $68,494,796 as of June 30, 2015.

Assigned fund balance pertaining to unexpended encumbrances outstanding as of June 30, 2015, totaled $8,680,170 and is summarized below for each governmental fund:

	Communications and Information Systems	Fire Apparatus
Purpose of Encumbrance	Communications and IT Projects	Fire Apparatus and Other Vehicles
100' tractor drawn aerials	$ -	$5,227,858
Type 1 combo engines	-	2,138,153
Sport utility vehicles	-	444,990
Vehicle outfitting	-	151,146
Brush bandit chipper	-	68,636
Fire station alerting system	46,204	-
RFOTC audio visual upgrade	48,329	-
	$94,533	$8,030,783

Purpose of Encumbrance	General Fund							
	Executive Management	Operations Department	Community Risk Reduction Department	Business Services	Support Services Department	Organizational Planning Department	Communications and IT Projects	Total
Sharepoint support	$ -	$ -	$ -	$ -	$ 79,824	$ -	$ -	$ 79,824
Clothing and supplies	-	-	-	66,963	-	-	-	66,963
Mobile lifting system	-	-	-	-	64,676	-	-	64,676
Facilities maintenance	-	-	-	-	52,061	-	-	52,061
Fire station alerting	-	-	-	-	-	-	48,528	48,528
Rescue harnesses/tools	-	-	-	-	-	33,890	-	33,890
Fixed asset appraisal	34,500	-	-	-	-	-	-	34,500
Exercise equipment	-	23,329	-	-	-	-	-	23,329
Community education	23,195	-	-	-	-	-	-	23,195
Labor negotiator	20,720	-	-	-	-	-	-	20,720
Other	20,000	23,530	354	-	63,284	-	-	107,168
	$98,415	$46,859	$354	$66,963	$259,845	$33,890	$48,528	$554,854

(14) Fund Balance of Governmental Funds – Unassigned

Unassigned fund balance in the General Fund consists of the following as of June 30, 2015:

10% Operating Contingency	$19,116,476
All other residual amounts available for any purpose	-
Total	$19,116,476

The total amount of the 10% Operating Contingency calculation was $29,745,723 as of June 30, 2015, which exceeded the General Fund's total unassigned fund balance by $10,629,247.

(15) Interfund Transfers

Interfund transfers are used to move revenues from the fund required by statue or budget to collect them to the fund required by statute or budget to expend them. Interfund transfers for the year ended June 30, 2015, are as follows:

Fund	Transfers In		Transfers Out	
General Fund	$3,844,414	(#2)	$3,000,906	(#1)
Facilities Maintenance and Improvements	-		2,710,702	(#2)
Communications and Information Systems	3,000,906	(#1)	1,133,712	(#2)
Total	$6,845,320		$6,845,320	

(#1) Transfers totaling $3,000,906 were made from the General Fund to the Communications and Information Systems Fund for current and future capital improvement projects identified in the Capital Improvement Plan.

(#2) The Board of Directors approved a new *Capital Projects Fund Policy* effective July 1, 2014. Under the new policy, the Facilities Maintenance and Improvements Fund was closed since it no longer met the criteria to be reported as a capital projects fund, resulting in transfers totaling $2,710,702 to the General Fund. In addition, several projects were no longer considered eligible to be tracked in the Communications and Information Systems Fund, resulting in additional transfers totaling $1,133,712 to the General Fund. Transfers back to the General Fund represent both ongoing operating costs and certain current and future projects from the Capital Improvement Plan that will be accounted for in the General Fund effective July 1, 2014.

(16) Capital Assets

(a) Changes in Capital Asset Balances by Asset Class

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not depreciated/amortized:					
Land	$ 37,887,850	$ -	$ -	$ -	$ 37,887,850
Construction in progress	509,142	4,583,146	-	-	5,092,288
Work in progress	3,808,738	4,328,973	(18,272)	(3,998,150)	4,121,289
Total capital assets not depreciated/amortized	42,205,730	8,912,119	(18,272)	(3,998,150)	47,101,427
Capital assets depreciated/ amortized:					
Buildings	131,528,877	6,243,557	-	-	137,772,434
Equipment	55,555,368	758,474	(2,235,381)	3,998,150	58,076,611
Vehicles	72,213,263	792,359	(1,602,542)	-	71,403,080
Subtotal	259,297,508	7,794,390	(3,837,923)	3,998,150	267,252,125
Less accumulated depreciation/ amortization for:					
Buildings	(34,385,300)	(2,937,393)	-	-	(37,322,693)
Equipment	(33,339,200)	(2,564,456)	2,202,838	-	(33,700,818)
Vehicles	(42,137,395)	(3,548,346)	1,602,542	-	(44,083,199)
Subtotal	(109,861,895)	(9,050,195)	3,805,380	-	(115,106,710)
Total capital assets depreciated/amortized, net	149,435,613	(1,255,805)	(32,543)	3,998,150	152,145,415
Governmental activities capital assets, net	$191,641,343	$7,656,314	$ (50,815)	$ -	$199,246,842

(b) Net Investment in Capital Assets

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

Capital assets, net of accumulated depreciation/amortization	$199,246,842
Capital-related debt – 2011 aircraft lease refinance	(8,446,726)
Net investment in capital assets	$190,800,116

(c) Capital Assets Acquired Under Capital Lease

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

Equipment	$22,074,284
Vehicles	15,695,827
Total capital assets acquired under capital lease	$37,770,111

(d) Depreciation/Amortization Expense

Depreciation/amortization expense of $9,050,195 was charged to Public Safety in the Statement of Activities.

(17) Long-term Liabilities

(a) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, is summarized in the table below.

Governmental Activities	Beginning Balances, Restated	Additions	Deletions	Ending Balances	Due Within One Year
Net pension liability:					
OCERS pension plan	$442,651,348	$111,880,132	$ (87,563,157)	$466,968,323	$ -
Extra Help pension plan	245,656	9,728	(15,026)	240,358	-
	442,897,004	111,889,860	(87,578,183)	467,208,681	-
Capital lease purchase agreement:					
Aircraft Lease Refinance-2011	10,723,689	-	(2,276,963)	8,446,726	2,336,279
Accrued claims and judgments:					
Workers' compensation	56,789,859	12,026,082	(6,443,251)	62,372,690	7,076,667
Compensated absences	16,172,504	13,067,593	(12,943,996)	16,296,101	3,099,403
Net OPEB obligation	48,085,317	13,704,972	(4,237,163)	57,553,126	-
Total	$574,668,373	$150,688,507	$(113,479,556)	$611,877,324	$12,512,349

Beginning balances have been restated to reflect net pension liabilities totaling $442,897,004 as of July 1, 2014, in conjunction with the implementation of GASB Statements No. 68 and 71.

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

(b) Pension Plans

OCFA participates in two defined benefit pension plans that are administered through a trust or equivalent arrangement. Additional information is provided for these plans within these notes as Note 22 and Note 23. Following is a summary of plan activities as of and for the year ended June 30, 2015:

Description	OCERS Pension Plan	Extra Help Pension Plan	Total
Net pension liability	$466,968,323	$240,358	$467,208,681
Deferred outflows of resources related to pensions	85,761,443	2,481	85,763,924
Deferred inflows of resources related to pensions	(21,185,872)	(8,567)	(21,194,439)
Pension expenditures associated with net pension liabilities (as reported in the fund financial statements)	87,563,156	6,459	87,569,615
Pension expense associated with net pension liabilities (as reported in the government-wide financial statements)	127,423,560	9,364	127,432,924

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

On December 22, 2008, the OCFA entered into a Master Aircraft Lease Agreement (Agreement) with SunTrust Equipment Finance & Leasing Corp. (SunTrust). Under the terms of the Agreement, $21,515,238 was deposited into an escrow account with SunTrust Bank, Inc. (SunTrust Bank) to be used by the OCFA for the acquisition of certain aircraft equipment. The 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 the OCFA during the term of the Agreement; accordingly, the lease has been recorded as a capital lease liability of the OCFA.

On November 16, 2011, the terms of the Agreement were amended to reflect a reduction in the annual interest rate from 3.7609% to 2.58%. A 1.75% prepayment premium totaling $286,599, plus accrued interest for the period September 22, 2011 through November 16, 2011 totaling $92,386, were added to the outstanding principal balance to be repaid over the remaining life of the lease. Rental payments are payable quarterly commencing March 22, 2009, and terminating on

December 22, 2018. During the year ended June 30, 2015, the OCFA made principal and interest payments totaling $2,276,963 and $254,760, respectively. The outstanding balance of the capital lease liability was $8,446,726 as of June 30, 2015. Future annual lease payment requirements are as follows:

FYE June 30	Principal	Interest	Total
2016	$2,336,279	$195,444	$2,531,723
2017	2,397,140	134,583	2,531,723
2018	2,459,589	72,134	2,531,723
2019	1,253,718	12,144	1,265,862
Total	$8,446,726	$414,305	$8,861,031

(d) Compensated Absences

OCFA is obligated to its employees for the following accumulated earned but unused leave benefits as of June 30, 2015:

	Vacation	Comp/Other	Sick Leave	Santa Ana General Leave	Total
Safety Members	$ 9,491,201	$164,816	$1,425,560	$1,711,455	$12,793,032
General Members	1,729,935	307,143	1,441,958	24,033	3,503,069
	$11,221,136	$471,959	$2,867,518	$1,735,488	$16,296,101

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

(18) Commitments and Contingencies

(a) Second Amendment Ruling

In response to concerns from OCFA's member agencies about the relationship of financial contributions to level of service received, an Equity Working Group was established to identify methods for mitigating these equity concerns. In September 2013, the Board of Directors approved a solution presented by the Equity Working Group, which required the OCFA to issue equity payments from unrestricted revenue sources to qualifying Structural Fire Fund member agencies, based on a calculation of average Structural Fire Fund Tax rate. The solution also required that the

City of Irvine, OCFA's largest Structural Fire Fund member in terms of property tax revenue, remain a member of the OCFA until the year 2030. By November 2013, two thirds of the OCFA member agencies had approved the 2nd Amendment to the Joint Powers Agreement (JPA), and OCFA began to implement the new required equity measures. As of June 30, 2015, OCFA has either paid or accrued as a liability all equity payments due to Structural Fire Fund members under the provisions of the JPA.

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

(b) Outstanding Encumbrances / Commitments with Vendors

As of June 30, 2015, commitments for outstanding encumbrances (unperformed purchase orders and contracts for goods and services) by major governmental fund are as follows:

General Fund	$ 605,821
Communications and Information Systems	94,533
Fire Apparatus	8,030,783
Total outstanding encumbrances	$8,731,137

Significant individual commitments with vendors as of June 30, 2015 are identified below.

Fund / Vendor	Description	Original Commitment	Spent-to-Date	Remaining Commitment
General Fund:				
6th Street Consulting	Sharepoint support	$118,204	$38,380	$79,824
Keystone Uniforms	Academy uniforms	66,500	-	66,500
Automotive Resources, Inc.	Mobile lifting system	64,676	-	64,676
Westnet	Fire station alerting system	48,528	-	48,528
Communications and Information Systems:				
Dell Marketing, L.P.	Dell storage system	48,329	-	48,329
Westnet	Fire station alerting system	163,343	117,139	46,204
Fire Apparatus:				
KME Fire Apparatus	4 100' tractor drawn aerials	5,227,858	-	5,227,858
KME Fire Apparatus	4 Type 1 combo engines	2,138,153	-	2,138,153
Winner Chevrolet	17 Chevy Colorado SUV's	444,990	-	444,990
Johnson Equipment Company	Lightbars, sirens and lights	87,133	-	87,133
A-OK Power Equipment	Brush Bandit Chipper	68,637	-	68,637
DDL Traffic, Inc.	13 infrared emitters and GPS vehicle kits	56,290	-	56,290

(c) Pending Litigation

In June 2015, a former employee filed a lawsuit against OCFA in the Orange County Superior Court claiming various actions including racial discrimination, harassment, retaliation, and wrongful termination. The claim had been previously investigated and mediated in conjunction with the employee grievance process. In July 2015, OCFA filed its demurrer to the complaint, which is expected to be heard in October 2015. OCFA's legal counsel does not believe that a liability for OCFA is probable. However, if the plaintiff were to prevail at trial, he or she could possibly be entitled to damages estimated at $1 million.

(19) Lessor in Operating Lease Agreements

(a) Aircraft Hangar Leases

OCFA has entered into Aircraft Hangar Lease agreements to provide spaces to tenants in the western portion of the OCFA-owned aircraft hangar at Fullerton Municipal Airport. The original cost of the aircraft hangar's western was $2,201,950, and the net book value was $2,104,086 as of June 30, 2015. Fiscal Year 2014/15 depreciation expense totaled $48,932. The terms of the agreements are as follows:

Lessee/Tenant	Agreement Date	Term	Initial Monthly Rent	Automatic Annual Rent Increase
Ladera Aircraft, LLC	October 30, 2013	Five Years	$4,924	2.5%
Lidar America, LLC	June 1, 2015	Five Years	$5,391	2.5%

Future potential rental revenue under the terms of the leases is as follows:

Fiscal Year	Ladera Aircraft, LLC	Lidar America, LLC	Total
2015/16	$ 61,572	$ 64,827	$ 126,399
2016/17	63,108	66,450	129,558
2017/18	64,688	68,110	132,798
2018/19	21,740	69,817	91,557
2019/20	-	65,461	65,461
	$211,108	$334,665	$545,773

(b) Wireless Communications Facilities Site Lease

On March 24, 2011, the 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. Vista 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. Vista pays $1,250 for each month in which there is one or no carrier on one of the towers, and $1,000 per month for each additional carrier occupied on each tower beyond the first carrier. Base rent automatically increases by 3% annually.

OCFA began collecting base rent in July 2012, with rent for a second and third carrier commencing in June and October 2013, respectively. Rental revenue totaled $40,955 for Fiscal Year 2014/15. Future potential rental revenue, assuming rent for the three additional carriers will commence January 1, 2016, is as follows:

Fiscal Year(s)	Carriers 1-3	Carriers 4-6	Total
2015/16	$ 42,380	$ 19,674	$ 62,054
2016/17	43,853	40,485	84,338
2017/18	45,173	41,709	86,882
2018/19	46,527	42,966	89,493
2019/20	47,929	44,262	92,191
2020/21 - 2024/25	262,050	242,022	504,072
2025/26 - 2029/30	303,747	280,566	584,313
2030/31 - 2034/35	352,179	325,296	677,475
2035/36 - 2037/38	159,453	147,276	306,729
	$1,303,291	$1,184,256	$2,487,547

(20) Lessee in Operating Lease Agreements

The OCFA is obligated under operating lease agreements for the rental of various fire stations, including a land lease at Fullerton Municipal Airport:

- Twenty-six city-owned stations are leased for $1 per year through June 30, 2030. In addition, OCFA leases land from three cities for three OCFA-owned stations. The station land leases are for $1 per year and extend through June 30, 2030 (Station 6); November 26, 2057 (Station 17); and April 30, 2045 (Station 36).

- On June 14, 2010**,** the 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 CPI, from a minimum of 3% to a maximum of 5%. The term of the agreement extends forty years through July 2050, with a fifteen year extension option through July 2065.

- On August 25, 2011, the OCFA Executive Committee approved the execution of a Lease Agreement with FW Aviation, LLC for a training tower at Fire Station No. 41 Air Operations and Maintenance Facility at Fullerton Airport, which includes a helicopter training prop, an additional restroom, and approximately 600 square feet of classroom/storage area. The lease term is for ten years commencing September 2011, with an optional ten-year extension. Initial monthly rent of $1,575 will increase by $18 each year.

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

Fiscal Year(s)	City-Owned Stations/ Land Leases	Airport Land Lease	Airport Training Tower	Total
2015/16	$ 29	$ 68,952	$ 19,728	$ 88,709
2016/17	29	71,016	19,944	90,989
2017/18	29	73,140	20,160	93,329
2018/19	29	75,324	20,376	95,729
2019/20	29	77,592	20,592	98,213
2020/21 – 2024/25	145	424,272	24,282	448,699
2025/26 – 2029/30	145	491,880	-	492,025
2030/31 – 2034/35	11	570,264	-	570,275
2035/36 – 2039/40	10	661,104	-	661,114
2040/41 – 2044/45	10	766,356	-	766,366
2045/46 – 2049/50	6	872,749	-	872,755
2050/51 – 2054/55	5	112,691	-	112,696
2055/56 – 2059/60	3	-	-	3
	$480	$4,265,340	$125,082	$4,390,902

(21) Insurance

(a) Coverage Limits

OCFA has purchased commercial insurance coverage for general, auto, property, 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
General Liability:	
Each Occurrence or Wrongful Act	$1,000,000 each occurrence
General Annual Aggregate	$2,000,000
Management Liability	$1,000,000
Cyber Liability	$1,000,000
Auto Liability – Combined Single Limit	$1,000,000
Garage Keepers Legal Liability	$250,000
Umbrella Liability	$10,000,000
Property Liability:	
Buildings and Contents	Scheduled Replacement Cost
Crime – Employee Dishonesty Coverage	$1,000,000
Aircraft Hull and Liability	$50,000,000 (hull coverage applicable only to 2008 aircraft)
Pollution Liability	$1,000,000
Public Official Bonds	$1,000,000 each
Auto Verifier Bonds	$5,000 each
Excess Workers Compensation	Statutory Limits

At June 30, 2015, the OCFA had no outstanding claims which exceed insurance coverage. There have been no significant changes in insurance coverage as compared to last year, and settlements have not exceeded coverage in each of the past three fiscal years.

(b) Self-Insurance

The OCFA transitioned its program for workers' compensation insurance from Guaranteed Cost to Self-Insurance effective March 1, 2002. The 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. The OCFA utilizes the services of a third-party claims administrator for administration of workers' compensation claims.

As of June 30, 2015, accrued claims and judgments for workers' compensation totaled $62,372,690 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, 2014, 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, 2015 and 2014, including the current and long-term portions at year-end.

	Fiscal Year Ended June 30,	
	2015	2014
Unpaid claims at beginning of fiscal year	$56,789,859	$49,064,929
Incurred claims (including IBNR's)	12,026,082	13,172,346
Claim payments	(6,443,251)	(5,447,416)
Unpaid claims at end of fiscal year	$62,372,690	$56,789,859
Current portion	$ 7,076,667	$ 6,305,074
Long-term portion	55,296,023	50,484,785
Unpaid claims at end of fiscal year	$62,372,690	$56,789,859
Confidence level at end of fiscal year	50%	50%

Because of the long-term nature of this liability, it is excluded from the OCFA's governmental fund financial statements under the modified accrual basis of accounting. However, the OCFA has established a fund balance assignment for workers' compensation in the General Fund in the amount of $68,494,796. 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.

(22) Retirement Plan for Full-Time Employees

(a) General Information about the Plan

Plan Description and Administration

The OCFA participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer, defined benefit pension plan for the County of Orange, the City of San Juan Capistrano, and thirteen other agencies – Orange County Cemetery District; Orange County Children and Families Commission; Orange County Department of Education; Orange County Employees Retirement System; Orange County Fire Authority (OCFA); Orange County In-Home Supportive Services Public Authority; Orange County Local Agency Formation Commission; Orange County Public Law Library; Orange County Sanitation District; Superior Court of California; Orange County Transportation Authority; Transportation Corridor Agencies; and the University of California, Irvine Medical Center and Campus. The Orange County Department of Education and the University of California, Irvine Medical Center and Campus are closed to new member participation and only the latter has remaining active employees. Capistrano Beach, Cypress Recreation & Parks District, Orange County Vector Control District, and the City of Rancho Santa Margarita are no longer active plan sponsors, but retired members and their beneficiaries, as well as deferred members, remain in the OCERS system. OCERS is legally and fiscally independent of the County of Orange.

OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937. OCERS is governed by a ten-member Board of Retirement, including nine voting members and one alternate member. Board membership consists of four members appointed by the County of Orange Board of Supervisors and five members elected by the members of the pension system – two by the general members, two by the safety members (one voting and one alternate), and one by the retired members. The County of Orange Treasurer-Tax Collector, who is elected by the voters registered in the county, serves as an ex-officio member.

OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by OCERS. The report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

Benefits Provided

OCERS provides retirement, disability, and death benefits to general and safety members. Safety membership includes those members serving in active law enforcement, fire suppression, and as probation officers. General membership applies to all other occupations. Plan retirement benefits are tiered based upon date of OCERS membership. Tier I members were hired prior to September 21, 1979, and use their highest one-year average salary to determine their retirement allowance. Tier II members were hired after September 21, 1979, and use their highest three-year average salary to determine their retirement allowance. Member rate groups are determined by employer, bargaining unit, and benefit plan. The benefit plan represents the benefit formula and tier that will be used in calculating a retirement benefit. All regular employees scheduled to work twenty hours or more per week become members of the plan upon commencing employment with one of OCERS' plan sponsors, with the exception of a provision adopted in 2014 that allows new members over the age of 65 to opt out of the plan. Active members are vested in OCERS upon accumulating five years of accredited service or attaining the age of 70.

On September 12, 2012, California Governor Brown signed Assembly Bill 340, which created the California Public Employees' Pension Reform Act of 2012 (PEPRA) and amended sections of the 1937 Act under which OCERS operates. The law created a benefit tier for new employees entering public agency employment and public retirement system membership, effective January 1, 2013. One of the many changes brought about by PEPRA involved new retirement formulas for newly hired employees who do not establish reciprocity with OCERS. Those new formulas are 2.7% at age 57 for Safety Members and 2.5% at age 67 for General Members. Another change brought about by PEPRA requires employees who do not establish reciprocity to pay 50% of the normal retirement costs from the beginning of their employment.

In general, the retirement benefits received by members are determined by plan formula, age at retirement, years of service, and final average salary. Members are entitled to receive a retirement allowance upon reaching the following years of service and age criteria:

Years of Service Credit	Eligible Age
10 or more	Age 50
5 or more (PEPRA Members)	Age 52
30 or more (General Members)	Any age
20 or more (Safety Members)	Any age
5 or more, and at least 10 years of active employment with a sponsoring agency covered by OCERS (Part-time Members)	Age 55
Any	Age 70

The provisions and benefits provided by OCFA to its safety and general members as of June 30, 2015 are summarized below:

Benefits Provided to Safety Members					
			Representation / Bargaining Unit / Employee Hire Date		
			Orange County Professional Firefighters Association	Orange County Fire Authority Chief Officers Association	Unrepresented
Plan	Tier	Benefit Formula	Firefighter Unit	Fire Management Unit	Executive Management in Safety Positions
E	I	3.0% at 50	Prior to 7/1/2012	Prior to 7/1/2012	Prior to 7/1/2011
F	II	3.0% at 50	Prior to 7/1/2012	Prior to 7/1/2012	Prior to 7/1/2011
R	II	3.0% at 55	On or After 7/1/2012 (with reciprocity)	On or After 7/1/2012 (with reciprocity)	On or After 7/1/2011 (with reciprocity)
V	II	2.7% at 57 (PEPRA)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)

Benefits Provided to General Members					
			Representation / Bargaining Unit / Employee Hire Date		
			Orange County Employees Association	Orange County Fire Authority Management Association	Unrepresented
Plan	Tier	Benefit Formula	General and Supervisory Management	Administrative Management	Executive Management in General Positions
I	I	2.7% at 55	Prior to 7/1/2011	Prior to 12/1/2012	Prior to 12/1/2012
J	II	2.7% at 55	Prior to 7/1/2011	Prior to 12/1/2012	Prior to 12/1/2012
N	II	2.0% at 55	On or After 7/1/2011 (with reciprocity)	On or After 12/1/2012 (with reciprocity)	On or After 12/1/2012 (with reciprocity)
U	II	2.5% at 67 (PEPRA)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)

Contributions

Each year, an actuarial valuation is performed for OCERS to determine funding contributions for each agency member within their assigned rate group and plan on an actuarial basis. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability (UAAL).

The table below summarizes OCFA's required employer contribution rates and employee rates (paid by OCFA) for the year ended June 30, 2015:

				Employer Contribution Rates			Employee Contribution Rates (See Below)
Category	Plan	Tier	Benefit Formula	Normal Cost	UAAL	Total	
Safety	E	I	3.0% at 50	26.16%	23.67%	49.83%	9.75%-13.81%
Safety	F	II	3.0% at 50	26.16%	23.67%	49.83%	13.37%-19.82%
Safety	R	II	3.0% at 55	21.12%	23.73%	44.85%	12.62%-18.72%
Safety	V	II	2.7% at 57 (PEPRA)	16.41%	24.55%	40.96%	13.00%-21.25%
General	I	I	2.7% at 55	13.92%	22.78%	36.70%	10.45%-16.31%
General	J	II	2.7% at 55	13.92%	22.78%	36.70%	9.99%-16.31%
General	N	II	2.0% at 55	14.01%	22.98%	36.99%	7.59%-13.32%
General	U	II	2.5% at 67 (PEPRA)	8.50%	23.31%	31.81%	7.25%-12.00%

OCFA assumes the contribution cost for both the employer and employee. However, employees in each unit have agreed through their respective Memorandums of Understanding or Personnel and Salary Resolution to reimburse OCFA for a portion of their retirement costs. The retirement reimbursement is deducted from the employee's compensation earnable and continues throughout the employee's entire term of employment with OCFA.

Employee reimbursement rates vary depending on the individual employee's hire date and unit, and are summarized below for the year ended June 30, 2015.

Employee Hire Date	Benefit Formula	Employee Reimbursement Rate
Safety – Firefighter Unit		
Prior to 1/1/2011	3.0% at 50	9.0%* as of 7/1/2014; 11.0%** as of 11/14/2014
1/1/2011-6/30/2012	3.0% at 50	9.0% as of 7/1/2014; 11.0% as of 11/14/2014
On or After 7/1/2012 (with reciprocity)	3.0% at 55	
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
Safety – Firefighter Management Unit		
Prior to 1/1/2011	3.0% at 50	8.25%
1/1/2011-6/30/2012	3.0% at 50	9.0%
On or After 7/1/2012 (with reciprocity)	3.0% at 55	9.0%
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
Safety – Executive Management		
Prior to 7/1/2011	3.0% at 50	9.0% as of 7/1/2014; 11% as of 3/6/2015, capped at maximum employee contribution
On or After 7/1/2011 (with reciprocity)	3.0% at 55	
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
General – General and Supervisory Management		
Prior to 7/1/2011	2.7% at 55	9.0% as of 7/1/2014; 11.0% as of 3/7/2015, capped at maximum employee contribution
On or After 7/1/2011 (with reciprocity)	2.0% at 55	
On or After 1/1/2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost
General – Administrative Management		
Prior to 12/1/2012	2.7% at 55	8.25%
On or After 12/1/2012 (with reciprocity)	2.0% at 55	9.0%
On or After 1/1/2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost
General – Executive Management		
Prior to 12/1/2012	2.7% at 55	9.0% as of 7/1/2014; 11% as of 3/6/2015, capped at maximum employee contribution
On or After 12/1/2012 (with reciprocity)	2.0% at 55	
On or After 1/1//2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost

* *Consists of a 7.0% 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 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.*

For the year ended June 30, 2015, employer and employee contributions remitted to OCERS, including the amounts recognized as part of OCFA's pension expense in the government-wide financial statements, were as follows:

	Employer Contributions	Employee Contributions	Governmental Funds Pension Expenditures	Government-wide Pension Expenses
Contributions paid by OCFA	$82,699,618	$ 4,863,538	$87,563,156	$ 87,563,156
Contributions paid by employees	-	11,091,209	-	11,091,209
Contributions remitted to OCERS	$82,699,618	$15,954,747		98,654,365
Net adjustments and accruals				28,769,195
Total			$87,563,156	$127,423,560

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

As of June 30, 2015, OCFA reported net pension liabilities for its proportionate share of the net pension liability with OCERS as follows:

	Proportionate Share of Net Pension Liability
Safety	$404,329,372
General	62,638,951
Total net pension liability	$466,968,323

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, 2014, 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, 2013, rolled forward to December 31, 2014, 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, 2014 and 2015 was as follows:

	Proportion at June 30, 2014		Increase (Decrease)		Proportion at June 30, 2015	
	Amount	%	Amount	%	Amount	%
Safety	$372,209,258	7.1%	$32,120,114	0.9%	$404,329,372	8.0%
General	70,442,090	1.3%	(7,803,139)	(0.1%)	62,638,951	1.2%
Total net pension liability	$442,651,348	8.4%	$24,316,975	0.8%	$466,968,323	9.2%

For the year ended June 30 2015, OCFA recognized pension expense of $127,423,560. At June 30, 2015, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to measurement date	$33,366,000	$ -
Differences between actual and expected experience in the Total Pension Liability	-	(17,416,376)
Changes in assumptions	30,141,106	(3,769,496)
Net differences between projected and actual earnings on plan investments	22,254,337	-
Total	$85,761,443	$(21,185,872)

Deferred outflows of resources related to contributions subsequent to the measurement date totaling $33,366,000 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will also be recognized as an adjustment to pension expense as follows:

Year ended June 30,	Amount
2016	$ 7,292,394
2017	7,292,394
2018	7,292,394
2019	7,292,391
2020	1,728,809
2021	311,189
Thereafter	-
Total	$31,209,571

(c) Actuarial Assumptions

The total pension liability in the December 31, 2013, actuarial valuation was determined using the following actuarial assumptions:

	Safety	General
Valuation Date	December 31, 2013	
Measurement Date	December 31, 2014, 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	5.00% to 17.50% (varying by service, including inflation)	4.25% to 13.50% (varying by service, including inflation)
• Mortality:		
o Healthy	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.
o Disabled	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set forward six years for males and set forward three years for females.
o Beneficiaries	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement.	
o Employee Contribution Rates	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years weighted 80% male and 20% female.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 40% male and 60% female.

The mortality tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience in the January 1, 2011 through December 31, 2013 Actuarial Experience Study completed by OCERS.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25% as of December 31, 2014, and December 31, 2013. 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, 2014, and December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation (approved by the OCERS Retirement Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	14.90%	5.92%
Small/Mid Cap U.S. Equity	2.73%	6.49%
Developed International Equity	10.88%	6.90%
Emerging International Equity	6.49%	8.34%
Core Bonds	10.00%	0.73%
Global Bonds	2.00%	0.30%
Emerging Market Debt	3.00%	4.00%
Real Estate	10.00%	4.96%
Diversified Credit (U.S. Credit)	8.00%	4.97%
Diversified Credit (Non-U.S. Credit)	2.00%	6.76%
Hedge Funds	7.00%	4.13%
GTAA	7.00%	4.22%
Real Return	10.00%	5.86%
Private Equity	6.00%	9.60%
Total	100.00%	

Sensitivity of the Net pension Liability to Changes in the Discount Rate

The following presents OCFA's proportionate share of the net pension liability with OCERS, calculated using the discount rate of 7.25%, as well as what OCFA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Total proportionate share of net pension liability	$687,825,250	$466,968,323	$285,369,791

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OCERS financial reports.

(23) Retirement Plan for Part-Time Employees

(a) General Information about the Plan

Plan Description and Administration

OCFA administers the Extra Help Retirement Plan (Plan), a single-employer defined benefit pension plan that provides retirement benefits for its less than half-time and extra help employees. The Plan was established on January 1, 1997, and is accounted for in the Extra Help Retirement Plan fiduciary fund. The Board establishes and amends all Plan provisions, and has the authority to change contribution rates and investment types. A separate, audited pension plan report is not available.

Benefits Provided

The Plan provides retirement benefits in the form of a lifetime annuity. Retirement benefits for Plan members are calculated at the rate of 2% of career earnings during the first thirty years of credited service. Upon retirement, participants are eligible to receive their benefit either as a lump sum payment or as a monthly payment. If employment with the 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, 2015, lump sum distributions totaling $6,459 were made to five participants. Currently, there are no participants collecting retirement benefits.

Plan Membership

As of June 30, 2015, Plan membership consisted of the following:

Plan Members (or Beneficiaries)	Balance as of June 30, 2015		
	$3,500 or Less	More than $3,500	Total
Inactive; currently receiving benefits	-	-	-
Inactive; entitled to but not yet receiving benefits	36	3	39
Active	39	2	41
Total plan members	75	5	80

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, 2015, employee and employer contributions totaled $11,831 and $2,481, respectively.

(b) Investments

Method Used to Value Investments

Investments are reported at fair value.

Investment Policy

Contributions are deposited into the OCFA's Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is functionally equivalent to a non-SEC regulated government mutual fund invested in fixed income debt securities. LAIF is overseen by the Local Agency Investment Advisory Board which consists of five members, in accordance with State statute.

Concentrations

All Plan assets are invested in the Local Agency Investment Fund, which is reported at fair value of the pool shares.

(c) Net Pension Liability

Net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The Plan's net pension liability is measured as of June 30, 2015, using a bi-annual actuarial valuation as of January 1, 2014, rolled forward to June 30, 2015 using standard update procedures. A summary of components of the Plan's net pension liability as of June 30, 2015, is shown below, followed by principal assumptions and methods used to determine the net pension liability.

Total pension liability	$313,389
Plan fiduciary net position	(73,031)
Net pension liability	$240,358
Plan fiduciary net position as a % of total pension liability	23.3%

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, 2014, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	January 1, 2014
Measurement Date	June 30, 2015, rolled forward on an actuarial basis
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
• Discount rate	3.75%, net of pension investment expense, including inflation
• Inflation	3.00%
• Salary increases	3.00%, including merit, seniority, and inflation
• Investment rate of return	3.75%
• Mortality	RP-2000 mortality table for combined healthy participants to 2014 for mortality according to Scale BB
Experience study	Given the size of the plan, there was not enough data available to conduct a credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions.

Form of payment	Participants who have 5 years or less of credited service or have a contribution balance less than or equal to $3,500 are assumed to take an immediate lump sum upon termination or retirement. Participants who have worked more than 5 years or have attained age 55 are assumed to commence a modified cash refund annuity starting at age 65.
Retirement	100% retirement at age 65
Termination	Service Rate 0 years 30% 1-3 years 50% 4 years 25% 5+ years 5%
Plan Assets	The employee contributions are deposited into the Authority's LAIF account. The LAIF account is managed by the State Treasurer's Office and is invested in fixed income securities. Quoted market value was used as the fair value of assets.

Discount Rate

The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(d) Changes in the Net Pension Liability

Changes in the Plan's net pension liability for the year were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	$310,120	$64,464	$245,656
Changes in the year:			
Difference between actual and expected experience	9,728	-	9,728
Contributions – employer	-	2,481	(2,481)
Contributions – plan members	-	11,831	(11,831)
Net investment income	-	714	(714)
Benefit payments, including refunds of employee contributions	(6,459)	(6,459)	-
Net changes	3,269	8,567	(5,298)
Balance at June 30, 2015	$313,389	$73,031	$240,358

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 3.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.75%) or one percentage point higher (4.75%) than the current rate:

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Net pension liability	$338,894	$240,358	$182,260

Pension Plan Fiduciary Net Position

As previously mentioned, the Plan does not issue a separate stand-alone financial report. More detailed information on the Plan's fiduciary net position is presented on pages 43 and 44 of this report.

(e) Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30 2015, OCFA recognized pension expense of $9,364. At June 30, 2015, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to measurement date	$2,481	$ -
Differences between actual and expected experience in the Total Pension Liability	-	(8,567)
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	-
Total	$2,481	$(8,567)

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Given the size of the Plan, there was not enough data available to conduct a credible experience study. Accordingly, 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 in the year ended June 30, 2016.

(24) Defined Benefit Retiree Medical Plan – Other Post-Employment Benefits (OPEB)

(a) Plan Description

The OCFA provides a post-employment Retiree Medical Plan (Plan), a single-employer defined benefit plan, for its full-time employees hired prior to January 1, 2007. The Plan, which was established on January 1, 1997, and amended on September 28, 2006, provides a monthly grant toward the cost of retirees' health insurance coverage. The Board establishes and amends all Plan provisions through negotiations with labor bargaining units.

The Plan's assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are administered by the Orange County Employees Retirement System (OCERS). Funds are held in a trust account established pursuant to Section 401(h) of the Internal Revenue Code and are held separate from the assets of the OCERS retirement system, except for investment purposes. A publicly available financial report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

Prior to the amendment on September 28, 2006, all Plan activity was accounted for in the OCFA's Retiree Medical Fund. Thereafter, plan assets were remitted to OCERS and are no longer reported in the OCFA's financial statements.

All retirees and full-time employees hired prior to January 1, 2007, are eligible to participate in the Plan. Following is a schedule of active Plan participants (excluding any terminated/declined participants) as of June 30 for the current and previous two fiscal years.

As of June 30	Active Employees	Current Retirees and Surviving Spouses	Current Deferred Retirees	Active Plan Participants
2013	768	528	3	1,299
2014	703	569	3	1,275
2015	641	622	3	1,266

(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.) The OCFA periodically remits 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, 2015, there were 622 eligible retirees who received monthly benefits aggregating to an annual total of $3,985,111. In addition, there were three deferred retirees who received monthly benefits directly from the OCFA totaling $5,019.

(d) Annual OPEB Cost and Net OPEB Obligation/Asset

The OCFA's Annual OPEB Cost is equal to the annual required contribution to the Plan, plus an adjustment for the cumulative difference between the Annual OPEB Cost and the OCFA's actual contributions for the year. The cumulative difference is called the Net OPEB Obligation (NOPEBO) (or a Net OPEB Asset if annual required contributions are over-funded). For the year ended June 30, 2015, the OCFA's annual OPEB cost was $13,704,972, as determined by an actuarial valuation with a measurement date as of July 1, 2014, and was calculated as follows:

Annual Required Contribution (ARC)	$14,953,772
Interest on the Net OPEB Obligation (NOPEBO)	2,404,266
Actuary's adjustment on the ARC	(3,653,066)
Annual OPEB Cost	$13,704,972

During the year ended June 30, 2015, the OCFA's actual contributions totaled $4,237,163 resulting in an increase to the NOPEBO of $9,467,809 (the difference between the Annual OPEB Cost and actual contributions). The outstanding balance of the NOPEBO as of June 30, 2015, was $57,553,126. Following is a schedule of employer contributions, as well as a calculation of the OCFA's Net OPEB Asset (Obligation) for the current and previous two fiscal years.

FYE June 30	Annual OPEB Cost	Actual Contributions	% of Annual OPEB Cost Contributed	Net Increase to Net OPEB Obligation	Cumulative Net OPEB Obligation at June 30
2013	$13,689,125	$4,759,104	34.7%	$8,930,021	$38,317,138
2014	14,461,381	4,693,202	32.45%	9,768,179	48,085,317
2015	13,704,972	4,237,163	30.92%	9,467,809	57,553,126

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

	2015	2014	2013
Amounts irrevocably transferred to OCERS trust:			
Active employees	$2,601,233	$2,758,828	$2,974,566
Retirees and other plan members	714,338	723,690	552,371
Subtotal	3,315,571	3,482,518	3,526,937
Implicit insurance premiums paid on behalf of retirees	916,573	1,205,520	1,227,387
Amounts paid directly to retirees	5,019	5,164	4,780
Total actual contributions	$4,237,163	$4,693,202	$4,759,104

(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
As of July 1	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2010	$21,549,574	$147,709,326	$126,159,752	14.59%	$81,391,495	155.00%
2012	28,910,090	156,623,184	127,713,094	18.46%	75,432,000	169.31%
2014	36,945,371	179,056,290	142,110,919	20.63%	66,021,000	215.25%

(f) Actuarial Methods and Assumptions

Actuarial calculations reflect a long-term perspective. Calculations are based on the benefits provided under the terms of the Plan in effect at the time of each valuation and on the pattern of sharing of costs between the OCFA and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The funded status of the Plan and the annual required contributions of the OCFA 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, 2015, was determined by an actuarial valuation of the Plan dated July 1, 2014. Unfunded liabilities are amortized over a closed period ending June 30, 2036. The principle assumptions and methods used to determine the annual required contribution were as follows:

Valuation date	July 1, 2014
Actuarial cost method	Entry age normal
Amortization method	30 years beginning July 1, 2006, closed, level dollar
Remaining amortization period	22 years as of July 1, 2014
Asset valuation method	Market value
Actuarial assumptions:	
• Asset rate of return	7.25%
• Discount rate	5.0%, blended using a short-term rate of 4.25% for portion of expected benefits not expected to be paid from contributions and return on assets
• Projected salary increases	N/A
• Wage inflation	3.25%
• Increase in retiree medical grant	5.0%
Plan membership:	
• Current retirees and surviving spouses	573
• Current active members	697
• Terminated participants entitled but not yet eligible	13
• Declined	14

(25) Retiree Defined Contribution Healthcare Expense Reimbursement Plan

On September 28, 2006, the 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 in a VantageCare Retirement Health Savings Plan that is administered by the International City Management Association Retirement Corporation (ICMA-RC).

All active, full-time employees who became employed by the OCFA on or after January 1, 2007, are required to contribute 4% of their gross pay through payroll deductions to the OCFA. All contributions, investment income, realized and unrealized gains and losses are credited to individual recordkeeping accounts maintained in the name of each Plan participant. Account assets are invested as directed by the participant from among investment funds selected by the OCFA. Participants are eligible to receive Plan benefits upon reaching retirement age, including those who terminate employment with the OCFA for reasons other than retirement. Required and actual employee contributions totaled $1,695,785 for the year ended June 30, 2015.

(26) Short-term Debt

On July 1, 2014, OCFA issued $44,000,000 of 2014-2015 Tax and Revenue Anticipation Notes (TRAN) at an interest rate of 0.75%, for the purpose of financing seasonal cash flow requirements for General Fund expenditures during the fiscal year ending June 30, 2015. The TRAN, plus accrued interest in the amount of $329,083, was repaid on June 30, 2015. Short-term debt activity pertaining to the TRAN was as follows for the year ended June 30, 2015:

	Beginning Balance	Additions	Payments	Ending Balance
Principal	$ -	$44,000,000	$(44,000,000)	$ -
Accrued interest	-	329,083	(329,083)	-
	$ -	$44,329,083	$(44,329,083)	$ -

(27) Subsequent Events

(a) Short-term Debt

On July 1, 2015, OCFA issued $36,260,000 of 2015-2016 Tax and Revenue Anticipation Notes (TRAN) at an interest rate of 2.0%, for the purpose of financing seasonal cash flow requirements for General Fund expenditures during the fiscal year ending June 30, 2016. In accordance with California law, the TRAN are considered general obligations of the OCFA, but are payable only out of the taxes, income, revenue, cash receipts, or other moneys received or accrued by the OCFA during Fiscal Year 2015/16 that are lawfully available for payment of the TRAN principal and accrued interest. The TRAN matures on June 30, 2016.

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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, 2015
Last Ten Fiscal Years (A)

Schedule of OCFA's Proportionate Share of the Net Pension Liability

	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2015
OCFA's proportion of the net pension liability	8.37%	9.19%
OCFA's proportionate share of the net pension liability	$ 442,651,348	$ 466,968,323
OCFA's covered payroll	$ 154,623,385	$ 155,674,648
OCFA's proportionate share of the net pension liability as a percentage of covered payroll	286.28%	299.96%
OCFA's proportionate share of plan fiduciary net position as a percentage of proportionate share of the total pension liability	69.66%	70.35%
Plan's fiduciary net position	$ 10,821,318,000	$ 11,536,106,000
Plan's fiduciary net position as a percentage of the total pension liability	67.16%	69.42%

Notes to Schedule:

(A) Fiscal year ended June 30, 2015 was the first year of implementation; therefore only two 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, 2015
Last Ten Fiscal Years

Schedule of Contributions

	Fiscal Year Ended			
	June 30, 2006	**June 30, 2007**	**June 30, 2008**	**June 30, 2009**
Required contributions (actuarially determined)	$ 30,418,467	$ 33,753,068	$ 35,709,526	$ 37,183,082
Actual contributions	30,418,467	33,753,068	35,709,526	37,183,082
Contribution excess (deficiency)	$ -	$ -	$ -	$ -
Covered payroll	$ 91,208,308	$ 95,823,423	$ 100,313,038	$ 104,571,731
Actual contributions as a percentage of covered payroll	33.35%	35.22%	35.60%	35.56%
Notes to Schedule:				
Valuation dates (D)	12/31/2003	12/31/2004	12/31/2005	12/31/2006
Actuarial cost method		Entry Age	Entry Age	Entry Age
Amortization method		Level % of Pay	Level % of Pay	Level % of Pay
Assumed payroll growth		3.50%	3.50%	3.50%
Remaining amortization period:				
Closed amortization of balance	n/a	30 years	29 years	28 years
As of	n/a	12/31/2004	12/31/2004	12/31/2004
Asset valuation method	Market value	Market value	Market value	Market value
Investment rate of return	7.50%	7.75%	7.75%	7.75%
Inflation	4.00%	3.50%	3.50%	3.50%
Real salary increases	n/a	0.00%	0.00%	0.00%
Projected salary increases:				
Safety	4.50%	3.50%-9.50%	3.50%-9.50%	3.50%-9.50%
General	4.50%	4.10%-10.50%	4.10%-10.50%	4.10%-10.50%
Cost of living adjustments	n/a	3.00%	3.00%	3.00%
Retirement age		50-70 years	50-70 years	50-70 years
Mortality	(A)	(B)	(B)	(B)

(A) 1983 Group Annuity Table

(B) 1994 Group Annuity Mortality Table

(C) RP-2000 Combined Healthy Mortality Table

(D) Rates are effective 18 months after the valuation date for the fiscal year that begins July 1.

June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
$ 42,331,507	$ 45,543,856	$ 55,756,764	$ 61,206,670	$ 57,795,043	$ 66,186,858
42,331,507	45,543,856	55,756,764	61,206,670	63,030,796	87,563,156
$ -	$ -	$ -	$ -	$ 5,235,753	$ 21,376,298
$ 106,718,627	$ 107,268,263	$ 111,444,130	$ 128,121,447	$ 125,869,628	$ 128,215,528
39.67%	42.46%	50.03%	47.77%	50.08%	68.29%
12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
3.50%	3.50%	3.50%	3.50%	3.75%	3.75%
27 years	26 years	25 years	24 years	23 years	22 years
12/31/2004	12/31/2004	12/31/2004	12/31/2004	12/31/2004	12/31/2004
Market value	Market value	Market value	Market value	Market value	Market value
7.75%	7.75%	7.75%	7.75%	7.75%	7.25%
3.50%	3.50%	3.50%	3.50%	3.50%	3.25%
0.00%	0.00%	0.00%	0.00%	0.25%	0.50%
4.50%-13.50%	4.50%-13.50%	4.50%-13.50%	4.50%-13.50%	4.75%-17.75%	4.75%-17.75%
4.50%-11.50%	4.50%-11.50%	4.50%-11.50%	4.50%-11.50%	4.75%-13.75%	4.75%-13.75%
3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
50-70 years	50-70 years	50-70 years	50-70 years	50-75 years	50-75 years
(C)	(C)	(C)	(C)	(C)	(C)

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2015
For the Last Ten Fiscal Years (A)

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ended	
	June 30, 2014	**June 30, 2015**
Total pension liability:		
Service cost	$ 8,030	$ -
Interest	11,484	-
Differences between expected and actual experience	(3,269)	9,728
Benefit payments, including refunds of member contributions	(8,676)	(6,459)
Net change in total pension liability	**7,569**	**3,269**
Total pension liability - beginning	302,551	310,120
Total pension liability - ending (a)	**310,120**	**313,389**
Plan fiduciary net position:		
Contributions - employer	2,117	2,481
Contributions - plan members	13,542	11,831
Net investment income	586	714
Benefit payments, including refunds of member contributions	(8,676)	(6,459)
Net change in plan fiduciary net position	**7,569**	**8,567**
Total pension net position - beginning	56,895	64,464
Total pension net position - ending (b)	**64,464**	**73,031**
Net pension liability - ending (a - b)	**$ 245,656**	**$ 240,358**
Plan fiduciary net position as a percentage of the total pension liability	20.79%	23.30%
Covered payroll	$ 205,340	$ 205,340
Net pension liability as a percentage of covered payroll	119.63%	117.05%
Employer contributions:		
Required and actual contributions	$ 2,117	$ 2,481
Actual contributions as a percentage of required contributions	100.00%	100.00%

Notes to Schedule:

(A) GASB Statements No. 67 and No. 68 were implemented during Fiscal Year 2013/14 and Fiscal Year 2014/15, respectively. Additional years will be added to this schedule as they become available in the future.

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2015
Last Three Actuarial Valuations (A)

Schedule of Funding Progress

	Actuarial Valuation Dated January 1, 2014
Total pension liability	$ 313,389
Total pension net position	64,464
Net pension liability (NPL)	$ 248,925
Funded ratio	20.57%
Covered payroll	$ 205,340
NPL as a percentage of covered payroll	121.23%

Notes to Schedule:

	Actuarial Valuation Dated January 1, 2014
Changes in size or composition of plan members:	
Inactive; currently receiving benefits	-
Inactive; entitled to but not yet receiving benefits	10
Active	53
Total plan members	63

(A) GASB Statements No. 67 and No. 68 were implemented during Fiscal Year 2013/14 and Fiscal Year 2014/15, respectively. The actuarial valuation dated January 1, 2014, was the first actuarial valuation completed for the plan. Additional years will be added to this schedule as they become available in the future.

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2015
For the Last Ten Fiscal Years (A)

Schedule of Investment Returns

	Fiscal Year Ended	
	June 30, 2014	June 30, 2015
Annual money-weighted rate of return, net of investment expense	0.97%	1.24%

Notes to Schedule:

(A): GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during Fiscal Year 2013/14. Additional years will be added as they become available in the future.

(B) OCFA also reports the OCERS Retirement Plan, a cost-sharing, multiple-employer defined benefit pension plan. OCERS issues a publicly available financial report that includes ten-year information regarding that Plan's money-weighted rate of return on pension plan investments. The separate OCERS report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

ORANGE COUNTY FIRE AUTHORITY

Retiree Medical Plan
A Single-Employer Defined Benefit Plan
As of June 30, 2015
Last Three Actuarial Valuations

Schedule of Funding Progress

	Actuarial Valuation Dated		
	July 1, 2010	**July 1, 2012**	**July 1, 2014**
Entry age actuarial accrued liability (AAL)	$147,709,326	$156,623,184	$179,056,290
Actuarial value of assets	21,549,574	28,910,090	36,945,371
Unfunded AAL (UAAL)	$ 126,159,752	$ 127,713,094	$ 142,110,919
Funded ratio	14.59%	18.46%	20.63%
Covered payroll	$ 81,391,495	$ 75,432,000	$ 66,021,000
UAAL as a percentage of covered payroll	155.00%	169.31%	215.25%

Notes to Schedule:

	Actuarial Valuation Dated		
	July 1, 2010	July 1, 2012	July 1, 2014
Changes in size or composition of plan members:			
Current retirees and surviving spouses	388	471	573
Current active members	896	804	697
Terminated participants entitled but not yet eligible	5	9	13
Declined	n/a	13	14
	1,289	1,297	1,297

ORANGE COUNTY FIRE AUTHORITY

Retiree Medical Plan
A Single-Employer Defined Benefit Plan
As of June 30, 2015
Last Three Fiscal Years

Schedule of Contributions from the Employer and Other Contributing Entities

	Fiscal Year Ended		
	June 30, 2013	**June 30, 2014**	**June 30, 2015**
Annual OPEB cost	$ 13,689,125	$ 14,461,381	$ 13,704,972
Actual contributions	4,759,104	4,693,202	4,237,163
Net increase to Net OPEB obligation	$ 8,930,021	$ 9,768,179	$ 9,467,809
Percentage of annual OPEB cost contributed	34.77%	32.45%	30.92%

Notes to Schedule:

Changes in assumptions: The discount rate changed per the table below.

	Actuarial Valuation Dated		
	July 1, 2010	July 1, 2012	July 1, 2014
Discount rate	5.50%	5.50%	5.00%

Major Governmental Funds

Capital Projects Funds

Facilities Maintenance and Improvements
This fund is used to account for significant capital projects that provide for either the maintenance or improvement of OCFA's facilities. During Fiscal Year 2014/15, the Board of Directors approved the closure of this fund effective July 1, 2014.

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
Facilities Maintenance and Improvements
Budgetary Comparison Schedule
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	2015				2014
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 2,710,702**	**$ 2,710,702**	**$ 2,710,702**	**$ -**	**$ 2,584,684**
Resources (inflows):					
Charges for services	298,296	-	-	-	238,129
Use of money and property	5,552	-	-	-	17,398
Miscellaneous	-	-	-	-	39,233
Transfers in	-	-	-	-	1,078,745
Total resources (inflows)	**303,848**	**-**	**-**	**-**	**1,373,505**
Amounts available for appropriations	**3,014,550**	**2,710,702**	**2,710,702**	**-**	**3,958,189**
Charges to appropriation (outflows):					
Services and supplies	866,312	-	-	-	1,247,487
Capital outlay	437,500	-	-	-	-
Transfers out	-	2,710,702	2,710,702	-	-
Total charges to appropriations	**1,303,812**	**2,710,702**	**2,710,702**	**-**	**1,247,487**
Budgetary fund balance, June 30	**$ 1,710,738**	**$ -**	**$ -**	**$ -**	**$ 2,710,702**

ORANGE COUNTY FIRE AUTHORITY
Communications and Information Systems
Budgetary Comparison Schedule
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	2015				2014
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 18,051,752**	**$ 18,051,752**	**$ 18,051,752**	**$ -**	**$ 19,079,126**
Resources (inflows):					
Use of money and property	23,109	45,340	57,488	12,148	109,385
Miscellaneous	-	253,528	253,528	-	129,909
Transfers in	584,592	3,000,906	3,000,906	-	2,449,115
Total resources (inflows)	**607,701**	**3,299,774**	**3,311,922**	**12,148**	**2,688,409**
Amounts available for appropriations	**18,659,453**	**21,351,526**	**21,363,674**	**12,148**	**21,767,535**
Charges to appropriation (outflows):					
Services and supplies	2,545,498	274,703	132,460	142,243	1,420,510
Capital outlay	1,776,609	7,546,275	1,441,647	6,104,628	2,295,273
Transfers out	-	1,133,712	1,133,712	-	-
Total charges to appropriations	**4,322,107**	**8,954,690**	**2,707,819**	**6,246,871**	**3,715,783**
Budgetary fund balance, June 30	**$ 14,337,346**	**$ 12,396,836**	**$ 18,655,855**	**$ 6,259,019**	**$ 18,051,752**

ORANGE COUNTY FIRE AUTHORITY
Fire Apparatus
Budgetary Comparison Schedule
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	2015				2014
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 29,496,881**	**$ 29,496,881**	**$ 29,496,881**	**$ -**	**$30,875,249**
Resources (inflows):					
Charges for services	1,381,161	1,381,161	1,381,161	-	1,362,214
Use of money and property	49,958	74,275	87,984	13,709	175,421
Miscellaneous	-	155,579	155,579	-	79,719
Developer contributions	-	643,106	527,289	(115,817)	-
Transfers in	-	-	-	-	1,842,515
Total resources (inflows)	**1,431,119**	**2,254,121**	**2,152,013**	**(102,108)**	**3,459,869**
Amounts available for appropriations	**30,928,000**	**31,751,002**	**31,648,894**	**(102,108)**	**34,335,118**
Charges to appropriation (outflows):					
Services and supplies	83,896	-	3,072	(3,072)	86,958
Capital outlay	7,890,479	13,542,825	3,673,667	9,869,158	2,219,556
Principal retirement	2,276,963	2,276,963	2,276,963	-	2,219,152
Interest and fiscal charges	254,760	254,760	254,760	-	312,571
Total charges to appropriations	**10,506,098**	**16,074,548**	**6,208,462**	**9,866,086**	**4,838,237**
Budgetary fund balance, June 30	**$ 20,421,902**	**$ 15,676,454**	**$ 25,440,432**	**$ 9,763,978**	**$29,496,881**

ORANGE COUNTY FIRE AUTHORITY
Fire Stations and Facilities
Budgetary Comparison Schedule
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	2015				2014
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 15,409,887**	**$ 15,409,887**	**$ 15,409,887**	**$ -**	**$ 16,683,531**
Resources (inflows):					
Use of money and property	22,618	42,548	44,075	1,527	89,100
Miscellaneous	-	150,172	150,172	-	76,949
Developer contributions	-	7,128,450	7,779,918	651,468	1,271,400
Total resources (inflows)	**22,618**	**7,321,170**	**7,974,165**	**652,995**	**1,437,449**
Amounts available for appropriations	**15,432,505**	**22,731,057**	**23,384,052**	**652,995**	**18,120,980**
Charges to appropriation (outflows):					
Services and supplies	-	-	37,696	(37,696)	-
Capital outlay	4,491,421	11,033,349	10,826,114	207,235	2,711,093
Total charges to appropriations	**4,491,421**	**11,033,349**	**10,863,810**	**169,539**	**2,711,093**
Budgetary fund balance, June 30	**$ 10,941,084**	**$ 11,697,708**	**$ 12,520,242**	**$ 822,534**	**$ 15,409,887**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Balance Sheet
June 30, 2015
(With Comparative Data for Prior Year)

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Assets:			
Cash and investments	$ 39,356,678	$ 456,342	$ 746,405
Receivables:			
Accounts, net	2,552,672	-	-
Accrued interest	27,902	-	-
Prepaid costs and other assets	31,010,462	116,686	-
Due from other governments, net	6,967,289	-	-
	$ 79,915,003	**$ 573,028**	**$ 746,405**
Liabilities:			
Accounts payable	$ 2,773,783	$ 174,634	$ 55,140
Accrued liabilities	12,828,886	-	-
Unearned revenue	3,234,898	-	-
Due to other governments	10,072,547	-	-
Total liabilities	**28,910,114**	**174,634**	**55,140**
Deferred Inflows of Resources:			
Unavailable revenue	316,087	-	-
Total Deferred Inflows of Resources	**316,087**	**-**	**-**
Fund Balances:			
Nonspendable - prepaid costs	31,010,462	116,686	-
Restricted for:			
Operations Department	55,538	-	-
Community Risk Reduction Department	-	-	-
Committed to - SFF cities enhancements	-	-	691,265
Assigned to:			
Capital improvement program	-	233,180	-
Workers' compensation	-	-	-
Executive Management	98,415	-	-
Operations Department	46,859	-	-
Community Risk Reduction Department	354	-	-
Business Services Department	66,963	-	-
Support Services Department	259,845	-	-
Organizational Planning Department	33,890	-	-
Communications and IT projects	-	48,528	-
Unassigned	19,116,476	-	-
Total Fund Balances	**50,688,802**	**398,394**	**691,265**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 79,915,003**	**$ 573,028**	**$ 746,405**

		Total General Fund	
Self Insurance	**Eliminations**	**2015**	**2014**
$ 68,598,216	$ -	$ 109,157,641	$ 93,740,510
-	-	2,552,672	2,117,990
-	-	27,902	54,196
-	-	31,127,148	30,565,638
-	-	6,967,289	9,964,127
$ 68,598,216	**$ -**	**$ 149,832,652**	**$ 136,442,461**
$ 103,420	$ -	$ 3,106,977	$ 2,329,494
-	-	12,828,886	11,540,122
-	-	3,234,898	3,012,482
-	-	10,072,547	3,055,935
103,420	**-**	**29,243,308**	**19,938,033**
-	-	316,087	1,000,139
-	**-**	**316,087**	**1,000,139**
-	-	31,127,148	30,560,638
-	-	55,538	32,015
-	-	-	267
-	-	691,265	784,617
-	-	233,180	-
68,494,796	-	68,494,796	60,921,529
-	-	98,415	90,529
-	-	46,859	75,416
-	-	354	-
-	-	66,963	58,254
-	-	259,845	90,364
-	-	33,890	-
-	-	48,528	-
-	-	19,116,476	22,890,660
68,494,796	**-**	**120,273,257**	**115,504,289**
$ 68,598,216	**$ -**	**$ 149,832,652**	**$ 136,442,461**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Revenues:			
Taxes	$ 205,141,237	$ -	$ -
Intergovernmental	23,565,214	-	-
Charges for services	100,619,516	-	-
Use of money and property	444,481	-	2,643
Miscellaneous	1,120,697	-	-
Total revenues	**330,891,145**	**-**	**2,643**
Expenditures:			
Current - public safety:			
Salaries and benefits	299,800,664	-	-
Services and supplies	33,289,388	488,508	95,995
Capital outlay	456,560	246,810	-
Debt service:			
Interest and fiscal charges	330,741	-	-
Total expenditures	**333,877,353**	**735,318**	**95,995**
Excess (deficiency) of revenues over (under) expenditures	(2,986,208)	(735,318)	(93,352)
Other financing sources (uses):			
Transfers in	2,710,702	1,133,712	-
Transfers out	(3,000,906)	-	-
Sale of capital and other assets	134,123	-	-
Insurance recoveries	32,948	-	-
Total other financing sources (uses)	**(123,133)**	**1,133,712**	**-**
Net change in fund balances	(3,109,341)	398,394	(93,352)
Fund balances, beginning of year	53,798,143	-	784,617
Fund balances, end of year	**$ 50,688,802**	**$ 398,394**	**$ 691,265**

Self Insurance	Eliminations	Total General Fund 2015	Total General Fund 2014
$ -	$ -	$ 205,141,237	$ 190,873,689
-	-	23,565,214	19,111,811
13,811,667	(13,811,667)	100,619,516	96,104,840
204,851	-	651,975	540,980
-	-	1,120,697	1,352,043
14,016,518	**(13,811,667)**	**331,098,639**	**307,983,363**
-	(13,811,667)	285,988,997	257,134,030
6,443,251	-	40,317,142	37,432,923
-	-	703,370	455,496
-	-	330,741	109,274
6,443,251	**(13,811,667)**	**327,340,250**	**295,131,723**
7,573,267	-	3,758,389	12,851,640
-	-	3,844,414	-
-	-	(3,000,906)	(5,370,375)
-	-	134,123	77,077
-	-	32,948	360,803
-	**-**	**1,010,579**	**(4,932,495)**
7,573,267	-	4,768,968	7,919,145
60,921,529	-	115,504,289	107,585,144
$ 68,494,796	**$ -**	**$ 120,273,257**	**$ 115,504,289**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Original Budget
Year ended June 30, 2015

	General Operating Fund	General Fund CIP	Structural Fire Entitlement	Self Insurance	Eliminations	Total General Fund 2015
Budgetary fund balance, July 1	**$ 53,798,143**	**$ -**	**$ 784,617**	**$ 60,921,529**	**$ -**	**$ 115,504,289**
Resources (inflows):						
Taxes	195,471,965	-	-	-	-	195,471,965
Intergovernmental	11,137,559	-	-	-	-	11,137,559
Charges for services	100,016,486	-	-	13,811,667	(13,811,667)	100,016,486
Use of money and property	886,749	-	1,496	143,401	-	1,031,646
Miscellaneous	950,700	-	-	-	-	950,700
Sale of capital and other assets	50,000	-	-	-	-	50,000
Total resources (inflows)	**308,513,459**	**-**	**1,496**	**13,955,068**	**(13,811,667)**	**308,658,356**
Amounts available for appropriations	**362,311,602**	**-**	**786,113**	**74,876,597**	**(13,811,667)**	**424,162,645**
Charges to appropriation						
Salaries and benefits	298,156,224	-	-	-	(13,811,667)	284,344,557
Services and supplies	25,904,940	-	-	10,872,378	-	36,777,318
Capital outlay	34,127	-	-	-	-	34,127
Interest and fiscal charges	895,000	-	-	-	-	895,000
Transfers out	584,592	-	-	-	-	584,592
Total charges to	**325,574,883**	**-**	**-**	**10,872,378**	**(13,811,667)**	**322,635,594**
Budgetary fund balance, June 30	**$ 36,736,719**	**$ -**	**$ 786,113**	**$ 64,004,219**	**$ -**	**$ 101,527,051**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Final Budget
Year ended June 30, 2015

	General Operating Fund	General Fund CIP	Structural Fire Entitlement	Self Insurance	Eliminations	Total General Fund 2015
Budgetary fund balance, July 1	**$ 53,798,143**	**$ -**	**$ 784,617**	**$ 60,921,529**	**$ -**	**$115,504,289**
Resources (inflows):						
Taxes	204,827,822	-	-	-	-	204,827,822
Intergovernmental	22,054,738	-	-	-	-	22,054,738
Charges for services	99,053,676	-	-	13,811,667	(13,811,667)	99,053,676
Use of money and property	389,728	-	2,326	178,207	-	570,261
Miscellaneous	1,145,842	-	-	-	-	1,145,842
Transfers in	2,710,702	1,133,712	-	-	-	3,844,414
Sale of capital and other assets	115,148	-	-	-	-	115,148
Insurance recoveries	5,135	-	-	-	-	5,135
Total resources (inflows)	**330,302,791**	**1,133,712**	**2,326**	**13,989,874**	**(13,811,667)**	**331,617,036**
Amounts available for appropriations	**384,100,934**	**1,133,712**	**786,943**	**74,911,403**	**(13,811,667)**	**447,121,325**
Charges to appropriations (outflows):						
Salaries and benefits	306,889,129	-	-	-	(13,811,667)	293,077,462
Services and supplies	36,499,106	1,269,013	216,213	6,891,895	-	44,876,227
Capital outlay	1,040,939	339,245	-	-	-	1,380,184
Interest and fiscal charges	329,083	-	-	-	-	329,083
Transfers out	3,000,906	-	-	-	-	3,000,906
Total charges to appropriations	**347,759,163**	**1,608,258**	**216,213**	**6,891,895**	**(13,811,667)**	**342,663,862**
Budgetary fund balance, June 30	**$ 36,341,771**	**$ (474,546)**	**$ 570,730**	**$ 68,019,508**	**$ -**	**$104,457,463**

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Attachment 2

ORANGE COUNTY FIRE AUTHORITY
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2015

Orange County, California
Business Services Department - Finance Division

Orange County Fire Authority
Comprehensive Annual Financial Report
Year ended June 30, 2015

Board of Directors
As of June 2015

Al Murray, Chair
City of Tustin
(Board Member Since 2011)

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

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

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

Rob Johnson
City of Cypress
(Board Member Since 2013)

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

Jeffrey Lalloway
City of Irvine
(Board Member Since 2013)

Gerard Goedhart
City of La Palma
(Board Member Since 2013)

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

Jerry McCloskey
City of Laguna Niguel
(Board Member Since 2013)

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

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

Warren Kusumoto
City of Los Alamitos
(Board Member Since 2013)

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

Craig Green
City of Placentia
(Board Member Since 2015)

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

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

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

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

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

David Shawver
City of Stanton
(Board Member Since 1995)

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

Tri Ta
City of Westminster
(Board Member Since 2009)

Lisa Bartlett
County of Orange
(Board Member Since 2015)

Todd Spitzer
County of Orange
(Board Member Since 2013)

Jeff Bowman
Fire Chief

Prepared by Finance Division
Photos provided by Multimedia

Orange County Fire Authority

Mission

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

Vision

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

Guiding Principles

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

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

Customer Service Motto

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

ORANGE COUNTY FIRE AUTHORITY
Comprehensive Annual Financial Report
Year ended June 30, 2015

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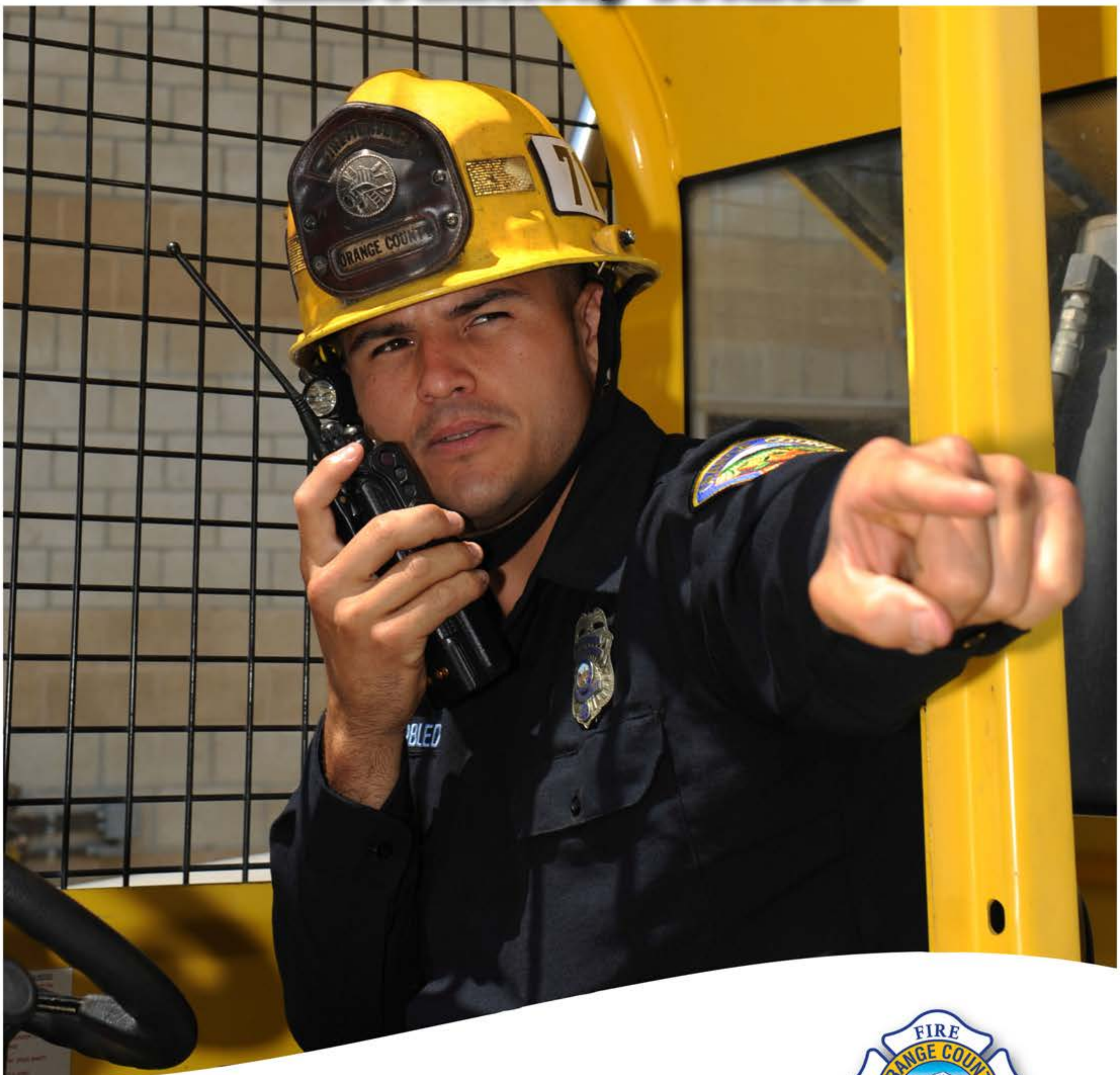


ORANGE COUNTY FIRE AUTHORITY

P. O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Rd., Irvine, CA 92602

Jeff Bowman, Fire Chief (714) 573-6000 www.ocfa.org

October 7, 2015

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, 2015. This report consists of management's representations concerning the finances of the OCFA and is presented using the financial reporting model outlined in the Governmental Accounting Standards Board (GASB) Statement No. 34. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

OCFA's financial statements have been audited by Lance, Soll & Lunghard, LLP, a firm of certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion ("clean") that the OCFA's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Background Information on the OCFA

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

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

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

Information on Orange County and the Local Economy[1]

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

Orange County Profile:

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

[1] Portions throughout this section obtained from the *2015 Community Indicators Report* published by the Children & Families Commission of Orange County, released July 2015 and revised August 2015. The report may be viewed in its entirety at *www.ocgov.com/about/infooc/facts/indicators*.

Population and Demographics:

Orange County's population continues to grow; however the proportion of seniors is increasing as compared to the proportion of children. Residents over the age of sixty-five currently comprise 14% of Orange County's population, a number that is expected to rise to 24% by the year 2040. This change in the county's demographics is projected to continue, and may impact the long-term ability to sustain schools, pensions, and other government support to members of the community.

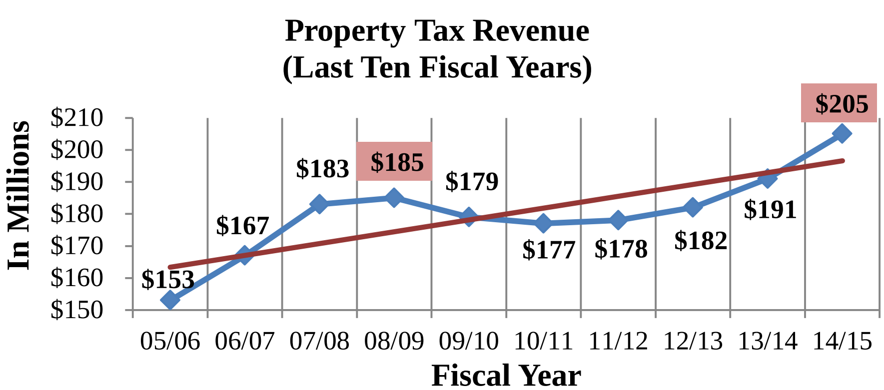
Overall, Orange County is comparable to state and national averages in regards to the financial stability of its residents. However, the county does experience geographic concentrations of wealth and poverty. Approximately 41% of neighborhoods throughout Orange County have high concentrations of families that are considered financially unstable based on their income, employment, and housing expenses, including the cities of Anaheim, Stanton, La Habra, Santa Ana, and Westminster. Approximately 24% of Orange County's residents live in poverty.

Employment and Housing:

As Orange County's economy continues to recover from the U.S. "Great Recession" that began in December 2007, it has returned to its long-time condition of being "job rich" and "housing poor." The unemployment rate has fallen from a ten-year high of 9.9% in January 2010 down to 4.4% in December 2014, and the job market is made up of a greater proportion of well-paid jobs than before the recession. However, there is still a shortfall of 50,000 to 60,000 homes for the workforce, especially homes available for those who are low income, young professionals, or families just starting out. In 2014, the minimum household income needed for a first-time homebuyer to purchase a single-family home priced at 85% of the Orange County median was $83,230. Approximately 44% of Orange County households could afford to purchase at this price. Many younger and middle-aged adults are leaving the county in search of more affordable housing.

Property Taxes:

The most significant local economic factor directly impacting OCFA is Orange County's housing market, including fluctuations in new construction activities and housing prices. Property taxes derived from these activities comprised 60.0% of the OCFA's total governmental funds revenues in Fiscal Year 2014/15. As shown in the chart below, OCFA's property tax revenues have been steadily increasing for the last four fiscal years. Property tax revenues in Fiscal Year 2014/15 totaling $205 million surpassed the pre-recession peak from Fiscal Year 2008/09 by over $20 million (11.1%). This increase is attributed primarily to appreciation in Orange County's housing prices and an increase in new housing development.



New Construction Activities – Construction activity increased in 2014 as compared to 2013. Residential building activity was greater than nonresidential building activity. Completed residential building permits accounted for approximately $600.2 million in new valuation added to the property tax rolls.

Housing Prices – Orange County's real estate market continues to improve. Housing prices have risen substantially, although they have not yet reached the same levels that existed prior to the 2007 housing downturn. In January 2015, Orange County's median single family home price was $674,340. For comparison purposes, the price peak was $747,260 in April 2007, and the price low was $432,100 in January 2009. The December 2014 Chapman Economic Forecast, which provides a reliable annual forecast for Orange County based on the comparison of projected versus actual growth rates over the past decade and beyond, projects an additional 4% increase in housing prices in the upcoming year. The forecast cites an increasing supply of new and resale housing units, lower housing affordability, and a decline in investor home purchases.[2]

Long-term Financial Planning

Since its formation in 1995, the OCFA has been preparing multi-year projections of its revenues and expenditures. For the past nineteen years, a firm of property tax consultants has been retained to assist in the projection of the OCFA's single largest revenue source – property taxes. With these projections and a collection of conservative assumptions, the OCFA forecasts its financial condition five years into the future. Various scenarios can be developed from the forecast to assess the impact of proposed or impending changes to the budget, the economy or the underlying assumptions. As a result, this tool provides an early warning of potential financial difficulties.

Historically, OCFA's method of projecting its property tax revenue was to increase the value of existing structures by the 2% constitutional maximum, increase these values to account for re-sales, and add in the value of any new development. During the recession, those techniques were adjusted to incorporate the appreciation or depreciation rate set by the State Board of Equalization, the potential for the County Assessor to reassess existing structures, and the possibility that re-sales might actually decrease the assessed values. However, with the recession now ended and housing showing signs of modest recovery, OCFA has returned to its previous practice for estimating property tax growth.

Relevant Financial Policies

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

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

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

[2] *Rosenow Spavacek Group, Inc. (RSG) 2014-15 Five Year Property Tax Revenue Projections* dated April 9, 2015; Orange County Fire Authority Budget & Finance Committee Agenda Item No. 4C on May 13, 2015

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 and Accomplishments for Fiscal Year 2014/15

Community Outreach:

Smoke Alarm Installations – OCFA increased the outreach efforts of its Smoke Alarm Program after a devastating fire in San Juan Capistrano resulted in the loss of three lives. During Fiscal Year 2014/15, smoke alarm installation events were held in San Juan Capistrano, Tustin, and Westminster, installing a total of 971 alarms in 304 homes. The smoke alarms were donated by Kidde to the OCFA Foundation, which supports OCFA with additional resources needed to enhance safety services to the citizens of Orange County. The smoke alarms were installed by hundreds of volunteers from throughout the community, including OCFA staff, the Orange County Sheriff's Department, the American Red Cross, and other church and community groups.

New Website – A new public-facing website (www.ocfa.org) was launched as Fiscal Year 2014/15 was coming to a close. This launch was the culmination of months of hard work during the year from the Communications & Public Affairs and Information Technology divisions, as well as numerous other staff who reviewed the structure, content, and links embedded in the website to ensure a successful launch. The new website is easier to read and provides better access to information that is important to members of the public.

Fire Safe Council Grant – In February 2015, OCFA completed a grant-funded project that included removal of hazardous vegetation in Peters Canyon; vegetation reduction and native vegetation replanting in Bent Tree County Park; a series of community chipper days; and the initial phase of a fire safe, drought-tolerant garden at Fire Station No. 8 (Skyline).

Long-term Liabilities:

Pay-Down of OCFA's Unfunded 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" include: (1) using unencumbered fund balance available at the close of each fiscal year to make annual lump sum payments; (2) including savings from reduced retirement rates resulting from the implementation of the Public Employees' Pension Reform Act in the annual budget to make bi-weekly additional payments; and (3) budgeting an additional $1 million UAAL payments for five years beginning in Fiscal Year 2016/17. During Fiscal Year 2014/15, OCFA made a lump-sum payment toward the UAAL totaling $3 million utilizing the strategies described above. An additional $18.3 million lump-sum payment was made to OCERS as a result of a previously negotiated term in MOU's with the Orange County Professional Firefighters Association (OCPFA) and Orange County Employees Association (OCEA) to use available cash flows for pension liabilities. A recent estimate received from the OCERS actuary indicated that the "Snowball Plan," along with the additional $18.3 million payment, have shortened the timeline to pay down the UAAL from an original twenty-nine years to thirteen years. The Board of Directors is updated annually on the status of the pay-down plan.

Standard and Poor's SP1+ Rating – On May 28, 2015, the Board of Directors authorized the issuance of Fiscal Year 2015/16 Tax and Revenue Anticipation Notes (TRAN). The purpose of this short-term debt financing is to provide cash liquidity in anticipation of property tax and cash contract revenues to be received later in the year. The TRAN covers temporary cash flow deficits in the General Fund that result from timing differences between the receipt of revenues and payment of disbursements. After a comprehensive analysis, the rating agency Standard and Poor's Rating Services assigned the obligations the highest short-term rating of SP1+. An SP1+ rating indicates that an issue is determined to possess a very strong capacity to pay debt service.

Facilities and Capital Improvements:

Construction of Fire Station No. 56 (Village of Sendero) – New Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo was the first OCFA fire station built using the design/build concept, which allows a single contractor to bid for all aspects of the project in order to provide a single source of accountability, better budget management and communication between design and construction personnel, faster completion, and better quality control. Architectural design began during Fiscal Year 2013/14, and station construction commenced in August 2014. The station was completed and placed into service in July 2015.

Partial Completion of the Public Safety System Project – OCFA is in the process of a major, multi-year project to replace its Public Safety System (PSS). This system is comprised of the Computer Aided Dispatch (CAD) system application, Orange County Fire Incident Reporting System (OCFIRS), and the Integrated Fire Prevention (IFP) application, which have been in use since the 1980's. Implementation of the new CAD portion of the project began with a request for proposals in January 2011, and system development commenced in June 2012. The new CAD system was completed and went live on September 9, 2014, marking a tremendous milestone for the PSS project as a whole.

Purchase of New Urban Search & Rescue (US&R) Warehouse – California Task Force Five (CA-TF5) is sponsored by OCFA as one of twenty-eight national task forces funded by a US&R grant from the Federal Emergency Management Agency (FEMA). The grant equips and trains task force members for responding to natural disasters or incidents involving weapons of mass destruction, and for rescuing victims in collapsed structures. US&R equipment "cache" is stored on vehicles purchased by the grant, including five tractor-trailer trucks, six light duty vehicles, and eight cargo trailers. This vehicle fleet is used to transport and support equipment utilized in task force deployments that occur locally and throughout the United States. OCFA must maintain the vehicle fleet and cache in a secured, climate controlled environment. The storage requirement was previously accomplished by housing vehicles among seven OCFA fire stations. During FEMA's 2013 Administrative Readiness Review, OCFA was graded down for not possessing a central warehouse. In April 2015, OCFA purchased a warehouse in Lake Forest that met the needs of CA-TF5 in regards to FEMA storage compliance requirements, and is in the process of completing some minor repairs and improvements. The cache will be relocated to the warehouse once all improvements are completed in Fiscal Year 2015/16.

Personnel and Board of Directors:

Board Member Orientations – Beginning in Fiscal Year 2014/15, OCFA initiated several orientation days for its Board of Directors called a "Day in the Life Demo." These in-depth presentations included mock emergency medical and fire suppression calls meant to illustrate the difference in patient care and deployment requirements between handling calls with three or four employees. These orientations have been very well received, and feedback from Board members indicates that the information was valuable and instructive, leaving them better-positioned to understand the impact of the decisions they make while serving on the Board.

Labor Negotiations for Expiring and New Contracts – During Fiscal Year 2014/15, OCFA's Memorandum of Understanding (MOU) with the Orange County Employees Association (OCEA) expired and a new three-year term was successfully negotiated. Negotiations were also completed for a one-year extension of the Orange County Professional Firefighters Association (OCPFA) MOU, and a three-year agreement with the newly formed Orange County Fire Authority Management Association (OCFAMA), which now represents OCFA's Administrative Managers.

Completed and Implemented the Alternative Dispute Resolution Process – Management and labor collaborated to develop a Workers' Compensation Alternative Dispute Resolution Program (ADR), which was approved by the Board of Directors on June 26, 2014. As required by Labor Code 3201.7, OCFA sought approval from the State of California Division of Industrial Relations. Since approval, the ADR Program has streamlined the time it takes for industrially injured workers to receive appropriate medical evaluations and treatment; provided an opportunity for early involvement of a nurse case manager to assist the injured workers to navigate more quickly through the workers' compensation process; and instituted a mediation process to reduce court appearances and resolve certain disputed matters in an expedited fashion. Although it's still early in the program implementation, it is expected that these improvements will help reduce long-term workers' compensation costs.

Academies – Academies are completed as part of the ongoing succession plan to replace retiring employees. In December 2014, twenty-three new firefighters graduated as part of Career Firefighter Academy No. 40.

Hiring Freeze – A hiring freeze for positions that do not provide front line service to the public has been in effect since Fiscal Year 2008/09. Each position that becomes vacant 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 97 authorized positions were frozen as of June 30, 2015, as summarized below.

Frozen Positions	June 30 2015	June 30 2014	+/-
• 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 frozen firefighter positions.	15	15	-
• Six staff captain positions (two training officers and Administrative Captains for Divisions 1, 3, 4 and 5) have been frozen since Fiscal Year 2010/11, with personnel transitioning to fill vacant suppression field positions.	6	6	-
• As a result of a service reduction request by the City of Stanton in July 2012, the four-person truck company at Fire Station No. 46 (Stanton) was reconfigured and replaced by a two-person paramedic van, resulting in 3 frozen fire apparatus engineer and 3 frozen fire captain positions since Fiscal Year 2012/13.	6	6	-
• In November 2012, the OCFA's agreement for Aircraft Rescue Firefighting services at John Wayne Airport was amended to reduce daily staffing from seven to six personnel, resulting in 3 frozen fire apparatus engineer positions since Fiscal Year 2012/13.	3	3	-
• Vacancies remain frozen for an additional thirty-four suppression positions, including: Fire Apparatus Engineers (15 positions, backfilled with overtime); Fire Captains (15 positions, backfilled with overtime); Staff Battalion Chiefs (2 positions); Heavy Fire Equipment Operator (1 position); and Fire Pilot (1 position).	34	34	-
Subtotal – Suppression	73	73	-
• Vacancies remain frozen for twenty-four non-suppression positions.			
✓ Executive Management/Human Resources	3	4	(1)
✓ Operations	1	1	-
✓ Community Risk Reduction	12	14	(2)
✓ Business Services	4	4	-
✓ Support Services	4	4	-
Subtotal – Non-Suppression	24	27	(3)
Total frozen positions	97	100	(3)

Other Strategic Initiatives:

Emergency Medical Services (EMS) Deployment Study – During Fiscal Year 2014/15, efforts were made to research, define, and develop recommendations identifying the most efficient and effective deployment models to enhance the quality and safety of OCFA's employees and citizens. The Board of Directors approved phase one enhancements for service reconfigurations in Dana Point, Laguna Niguel, Tustin, and Yorba Linda, effective as of new Fiscal Year 2015/16. These service reconfigurations were intended to improve levels of service and firefighter safety, reduce response times on medical calls, reduce the number of responding units, and reduce the burden placed on neighboring fire jurisdictions to respond and assist with OCFA calls.

Additional Major Initiatives and Goals for the Future

Community Outreach:

Drowning Prevention – Children and adults of all ages are at risk for drowning, which is the leading cause of accidental injury and death in children under the age of five. OCFA's Summer 2015 drowning prevention campaign includes announcements in theaters and swim lessons for children and adults in Santa Ana (sponsored by the OCFA Foundation). In addition, a task force began in August 2015 to develop strategies to reduce drowning incidents and fatalities in Orange County. The task force includes the heads of government and nonprofit organizations, parents of victims, and Olympic swimmers.

Long-term Liabilities:

Continue to Address OCFA's Liabilities – OCFA staff will continue to work with the Board of Directors to identify strategies for addressing and reducing the cost of pensions, workers' compensation, compensated absences, and debt financing.

Facilities and Capital Improvements:

Continue Progress on the Public Safety System Project – Building on the successful CAD implementation, OCFA will continue to work in Fiscal Year 2015/16 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) and Integrated Fire Prevention (IFP) applications.

Personnel and Board of Directors:

Continue to Foster Positive Labor/Management Relationships – In an effort to establish and maintain good working relationships between labor and management, periodic Joint Labor-Management (JLM) meetings are held to promote open communications and transparency relating to various issues that may arise during the course of daily operations of the organization. This will continue to be a priority during Fiscal Year 2015/16.

Establish a Professional Standards Unit – To facilitate accountability and consistency in approaching disciplinary issues, OCFA is in the planning phase of establishing a Professional Standards Unit during Fiscal Year 2015/16. The unit will assume responsibility for investigating complaints (both internal and external), reports of rule violations, and employee misconduct.

Organization-wide Training Initiatives –With the creation of the new Organizational Planning Department in Fiscal Year 2014/15, OCFA is now positioned to focus some much-needed attention on internal employee development. During Fiscal Year 2015/16, OCFA plans to develop and implement leadership training, succession planning, and employee on-boarding programs for new hires.

Reinforce a Customer Service Mindset – OCFA has always emphasized high-quality customer service, and recently developed a new motto *"We visualize problems and solutions through the eyes of those we serve."* During Fiscal Year 2015/16, a new JLM working group will be created to provide activities and reminders for employees to build and reinforce this customer service mindset.

Improve Risk Management Outcomes – A workers' compensation injury analysis will be completed in Fiscal Year 2015/16 in an attempt to reduce annual claims, expenses, and backfill costs as a result of work-related injuries. OCFA's goal is to return 75% of injured employees who are released by a physician to light duty work within four days. OCFA also plans to address safety and security at its headquarters facility by conducting at least two emergency drills and an active shooter drill for staff and Board members.

Firefighter Recruit Academies – In order to keep pace with anticipated retirements of frontline suppression personnel, OCFA is planning to have at least one firefighter academy consisting of approximately thirty trainees each fiscal year. Carrying too many vacancies can put undue strain on the existing work force by requiring extensive overtime to provide the necessary 24/7 coverage for emergency response.

Other Strategic Initiatives:

Continue Appeals Process for Second Amendment to the JPA – In response to concerns from OCFA member agencies about the relationship of financial contributions to level of service received, the Board of Directors empowered an Equity Ad Hoc Committee to identify methods for mitigating equity concerns. In September 2013, the Board approved a solution presented by the Committee which requires OCFA to issue equity payments to qualifying Structural Fire Fund (SFF) agencies, based on a calculation of average SFF Tax Rate. The solution requires that equity payments be made from unrestricted revenue sources (non-property tax revenues). A Second Amendment to the JPA was ratified by member agencies in November 2013, and concurrently the Board approved requesting a judicial review of the Second Amendment to seek court validation. On August 7, 2014, the Second Amendment was declared invalidated. OCFA and the City of Irvine have appealed the decision, as the Second Amendment is very important to the long-term stability of OCFA and all member agencies. OCFA plans to continue the legal process through its conclusion, which could take the entirety of Fiscal Year 2015/16, and depending on the outcome will either implement the Second Amendment or reconvene the Equity Ad Hoc Committee.

Continue to Pursue Grant Funding – OCFA will continue to pursue state and federal grants to assist in obtaining critical resources such as emergency vehicles, protective equipment, and materials required to implement or enhance fire safety programs.

Continuity of Operations Plan – OCFA will be developing a Continuity of Operations Plan (COOP) during Fiscal Year 2015/16 to ensure that the organization is able to continue functioning in the event of a disaster. The plan's development will involve meeting with stakeholders to identify needs, followed by generating any required policy changes.

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 2013/14 Comprehensive Annual Financial Report (CAFR), the seventeenth 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 2014/15 CAFR continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for this year's award. The timely preparation of the CAFR was made possible by the dedicated efforts of the staff of the Finance Division. We acknowledge the support and direction provided to OCFA staff by the accounting firm of Lance, Soll & Lunghard, LLP. We would also like to express our appreciation to the Board of Directors and Budget and Finance Committee for their leadership and support in planning and conducting the financial operations of the OCFA in a responsible and progressive manner.

Respectfully submitted,

Bowman | Lori Zeller

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

ORANGE COUNTY FIRE AUTHORITY
Organization Chart
As of June 30, 2015

The Public

Board of Directors — **Legal Counsel**

Fire Chief
Jeff Bowman

Human Resources Division
Jeremy Hammond
Director

- ~ Employee Benefits
- ~ Employee Relations
- ~ Risk Management

Communications & Public Affairs
Sandy Cooney
Director

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

Operations Department
Dave Thomas
Assistant Chief

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

Community Risk Reduction Dept.
Lori Smith
Assistant Chief

Investigation Services

Planning & Development

Pre-Fire Management

Safety & Environmental Services

Business Services Department
Lori Zeller
Assistant Chief

Clerk of the Authority

Finance

Purchasing
~ Materiel Management

Treasury & Financial Planning

Support Services Department
Mike Schroeder
Assistant Chief

Emergency Command Center

Fleet Services

Information Technology

Property Management

Organizational Planning Dept.
Brian Young
Assistant Chief

Emergency Planning & Coordination

Organizational Training & Development

Strategic Services

ORANGE COUNTY FIRE AUTHORITY
Management Staff and Appointed Officials
As of June 30, 2015

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

ORANGE COUNTY FIRE AUTHORITY
Organization of Board of Directors
As of June 30, 2015

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, 2014

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, (OCFA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the OCFA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

LSL CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Orange County Fire Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority, as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, in 2015 the OCFA adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.*

Other Matters

Required Supplementary Information

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

Prior Year Comparative Information

The financial statements include (partial or summarized) prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2014, from which such partial information was derived.

Other Information

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

To the Board of Directors
Orange County Fire Authority

The combining and budget comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and budget comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 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 schedule of expenditures of federal awards is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015, on our consideration of the OCFA'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 OCFA's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea California
October 7, 2015

Orange County Fire Authority Safety Message

Home Escape Plans
(Part 1 of 4)

Nationwide, more than 4,000 people die each year and more than 20,000 people are injured in fires. In the event of a fire, time is of the essence and every second counts! Escape plans help you get out of your home quickly. Once a fire starts in a home, there is no time to plan on how to get out. You may have only 1-2 minutes to get out safely. Sit down with your family and make a step-by-step plan for escaping a fire in your home.

Draw a Floor Plan

- ✓ Show two ways out of every room. Discuss it with your family.

Select an Outside Meeting Place

- ✓ Select a safe place where every member of your home will gather outside after escaping a fire. This is a spot where you can wait for the fire department and let them know if anyone is missing or trapped inside.

- ✓ After everyone is out safely, this is when you would call 9-1-1.

(Continued on Page 27)

Management's Discussion & Analysis

ORANGE COUNTY FIRE AUTHORITY
Management's Discussion and Analysis
Year ended June 30, 2015

As management of the Orange County Fire Authority (OCFA), we offer readers of the OCFA's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2015.

Financial Highlights

Governmental Activities: OCFA's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $169,124,373 at the end of the current fiscal year. Net position consisted of net investment in capital assets totaling $190,800,116; restricted for capital projects and other purposes totaling $588,770; and an unrestricted deficit totaling $360,513,259. The result of current fiscal year operations caused total net position to decrease by $50,103,101 from the prior fiscal year.

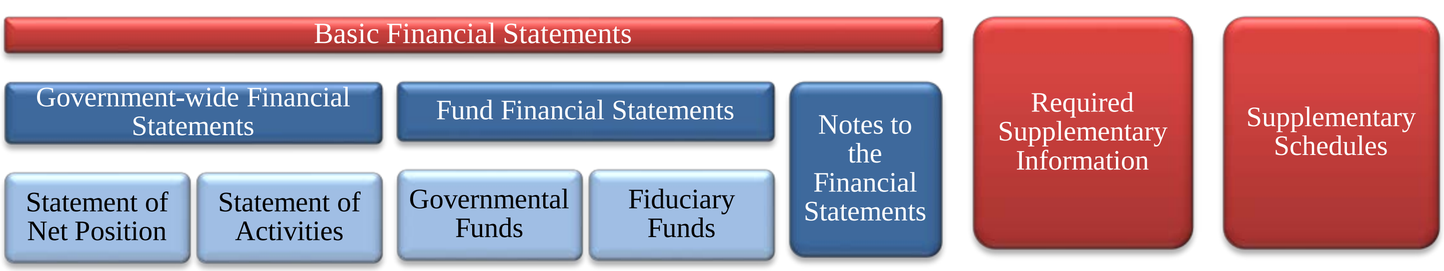
Governmental Funds: As of the close of the current fiscal year, the OCFA's governmental funds showed combined ending fund balances totaling $176,889,786, a decrease of $4,283,725 from the prior fiscal year. Of the total ending fund balance, $19,116,476 (10.8%) was available for funding future operational needs.

General Fund: At the end of the current fiscal year, total fund balance for the General Fund was $120,273,257, and was categorized as follows:

❖ Nonspendable	$ 31,127,148
❖ Restricted	55,538
❖ Committed	691,265
❖ Assigned	69,282,830
❖ Unassigned	19,116,476
Fund balance of the General Fund as of June 30, 2015	$120,273,257

Overview of the Financial Statements

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



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

Statement of Net Position: The statement of net position presents information on all of the 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 the OCFA is improving or deteriorating.

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

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 five individual governmental funds, one of which was closed during Fiscal Year 2014/15. Information is presented separately in the fund financial statements for all five 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 the OCFA's own programs. Combined basic fiduciary fund financial statements can be found on pages 43-44.

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

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

Government-wide Financial Analysis

Net Position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of OCFA, net position totaled a deficit of $169,124,373 at the end of the most recent fiscal year, a 169.4% decrease from the prior fiscal year. Following is a summary of the OCFA's net position as of June 30, 2015 and 2014:

ORANGE COUNTY FIRE AUTHORITY's Net Position

			Increase (Decrease)	
Governmental Activities	June 30, 2015	June 30, 2014	Amount	%
Assets:				
Current and other assets	$ 208,723,950	$205,053,294	$ 3,670,656	1.8%
Capital assets	199,246,842	191,641,343	7,605,499	4.0%
Total assets	407,970,792	396,694,637	11,276,155	2.8%
Deferred outflows of resources:				
Related to pensions	85,763,924	-	85,763,924	n/a
Total deferred outflows of resources	85,763,924	-	85,763,924	n/a
Liabilities:				
Long-term liabilities	611,877,324	131,771,369	480,105,955	364.3%
Other liabilities	29,787,326	21,168,653	8,618,673	40.7%
Total liabilities	641,664,650	152,940,022	488,724,628	319.6%
Deferred inflows of resources:				
Related to pensions	21,194,439	-	21,194,439	n/a
Total deferred inflows of resources	21,194,439	-	21,194,439	n/a
Net position:				
Net investment in capital assets	190,800,116	180,917,654	9,882,462	5.5%
Restricted for capital projects	533,232	1,044,040	(510,808)	-48.9%
Restricted for other purposes	55,538	32,282	23,256	72.0%
Unrestricted	(360,513,259)	61,760,639	(422,273,898)	-683.7%
Total net position	$(169,124,373)	$243,754,615	$(412,878,988)	-169.4%

- At June 30, 2015, 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 the 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. The OCFA cannot sell the assets to obtain funding.

- An additional portion of OCFA's net position represents resources that are subject to external restrictions on how they may be used. As of June 30, 2015, restricted net assets relate to CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations, as well as donations received for specific programs and unperformed purchase orders for grant-funded programs.

- The remaining balance of net position is considered unrestricted. A positive unrestricted balance, which was reported on June 30, 2014, represents amounts that may be used to meet the OCFA's ongoing obligations to citizens and creditors. A deficit unrestricted balance, as reported on June 30, 2015, indicates that OCFA's obligations (liabilities and deferred inflows of resources) currently exceed its resources (assets and deferred outflows of resources). Unrestricted net position decreased by over $420 million (-683.7%) between the prior and current fiscal years. This significant decline was due to the implementation of new Governmental Accounting Standards Board (GASB) Statement No. 68 during Fiscal Year 2014/15, which required that OCFA begin reporting its net pension liabilities ($467 million) on the Statement of Net Position. Although the situation surrounding OCFA's pension plans has not changed, the way in which they are accounted for and reported in the financial statements has changed based on the new guidance provided in GASB Statement No. 68.

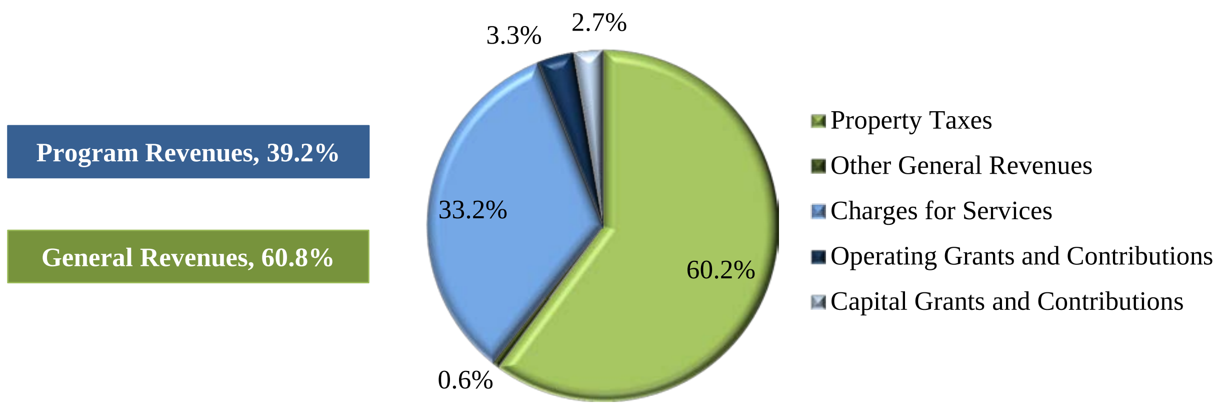
Changes in Net Position: Governmental activities decreased the OCFA's net position by $412,878,988 during the most recent fiscal year, an indication that the OCFA's financial position has deteriorated. However, as previously noted, the reason for this decline in net position is due to a change in financial 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 the OCFA's changes in net position for Fiscal Year 2014/15 and Fiscal Year 2013/14, followed by explanations for the increases or decreases in revenues and expenses between fiscal years.

ORANGE COUNTY FIRE AUTHORITY's Changes in Net Position

			Increase (Decrease)	
Governmental Activities	June 30, 2015	June 30, 2014	Amount	%
Program revenues:				
Charges for services	$ 113,150,325	$106,874,513	$ 6,275,812	5.9%
Operating grants and contributions	11,410,019	10,339,966	1,070,053	10.3%
Capital grants and contributions	9,182,195	1,462,540	7,719,655	527.8%
Total program revenues	133,742,539	118,677,019	15,065,520	12.7%
General revenues:				
Property taxes	205,141,237	190,873,689	14,267,548	7.5%
Investment income	839,864	823,010	16,854	2.0%
Gain on sale of capital assets	63,953	21,834	42,119	192.9%
Miscellaneous	1,235,004	1,200,195	34,809	2.9%
Total general revenues	207,280,058	192,918,728	14,361,330	7.4%
Total revenues	341,022,597	311,595,747	29,426,850	9.4%
Public safety expenses:				
Salaries and benefits	335,419,737	266,764,367	68,655,370	25.7%
Services and supplies	46,073,201	47,912,808	(1,839,607)	-3.8%
Depreciation and amortization	9,050,195	9,612,453	(562,258)	-5.8%
Interest on long-term debt	582,565	311,327	271,238	87.1%
Total expenses	391,125,698	324,600,955	66,524,743	20.5%
Change in net assets	(50,103,101)	(13,005,208)	(37,097,893)	
Net position, beginning of year	243,754,615	257,564,704	(13,810,089)	
Prior period adjustment	(362,775,887)	(804,881)	(361,971,006)	
Net position, end of year	$(169,124,373)	$243,754,615	$(412,878,988)	-169.4%

Revenues of Governmental Activities - by Source
Fiscal Year 2014/15



Program revenues, which totaled $133,742,539 for Fiscal Year 2014/15 and accounted for 39.2% of total revenues, increased by $15,065,520 (12.7%) from the prior fiscal year. Following is a description of each program revenue type, followed by an explanation of what contributed to the net increase or decrease from the prior fiscal year.

- Charges for services include amounts received from those who purchase, use or directly benefit from or are affected by a program. These revenues increased by $6,275,812 (5.9%) over the prior fiscal year.

Amount	Reason for Increase / Decrease
+$4,800,000	Fire service contracts increased for cash contract city charges per terms of the Joint Powers Agreement (+$4.3 million); OCFA's contract with California Department of Forestry (CALFIRE) for the protection of State Responsibility Area (SRA) lands (+$400,000); and the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport, per terms of an amended contract that went into effect in December 2012 (+$100,000). 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.
-$710,000	Fee-based fire prevention revenues decreased primarily due to permit activity for the Los Olivos and Rancho Mission Viejo projects in the prior fiscal year, as well as a delay in the number of assembly inspections completed in the current fiscal year. These decreases were offset by an increase in fees for false alarm incidents.
+$1,300,000	Reimbursements for state and federal incidents vary each year depending on fire and emergency response activity. State assistance by hire services performed for CALFIRE and the California Emergency Management Agency (CAL EMA) increased by $1.1 million. Reimbursements for state incidents were higher in the current fiscal year due to major Fiscal Year 2014/15 incidents such as the SHU Eiller, July Complex, King, and Lodge Complex fires that occurred in July through September 2014. Federal assistance by hire services performed for Cleveland National Forest increased by $300,000 due to the Silverado Fire in September 2014. Federal responses to national incidents decreased by $100,000 due to responses in Fiscal Year 2013/14 for the Washington landslides and Lyons Colorado floods.
+$750,000	Revenues for ambulance transport and supplies reimbursement were higher in Fiscal Year 2014/15 due to increased transport activity.
+$130,000	Road maintenance, fuel reduction, and other contract revenues generated by the hand crew increased due to an increase in the amount of work performed for Southern California Edison.
+$6,270,000	**Program Revenues: Charges for Services – Net Increase**

- Operating grants and contributions include grants, contributions, donations, and similar items that are restricted to one or more specific program. These revenues increased by $1,070,053 (10.3%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
+$1,660,000	Tax increment passed through from member cities increased by over $1.1 million, and one-time tax increment passed through from the County of Orange increased by $500,000. 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.
-$440,000	Federal operating grants decreased primarily due to a Fiscal Year 2013/14 federal grant passed through the Orange County Sherriff's Department for medical supplies funded by a Metropolitan Medical Response System (MMRS) grant.
-$150,000	Other miscellaneous operating revenues decreased, primarily due to a decline in the number of reimbursable instructional hours per a contract with Santa Ana College, as well as a decline in the number of projects submitted for reimbursement from the California Joint Apprenticeship Committee.
+$1,070,000	**Program Revenues: Operating Grants and Contributions – Net Increase**

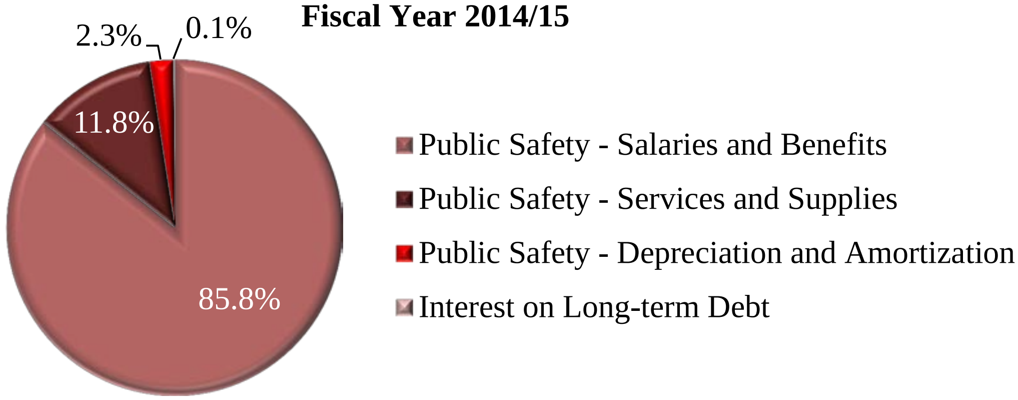
- Capital grants and contributions include grants, contributions, donations, and similar items that are restricted to one or more specific capital-related programs. These revenues increased by $7,719,655 (527.8%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
+$7,050,000	Revenues from developers increased per the terms of various Secured Fire Protection Agreements. During Fiscal Year 2014/15, OCFA received over $4.5 million from various developers as reimbursement for construction of new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo, as well as a new type 1 engine to be placed into service at the station. Contributions varied between the prior and current fiscal years based on construction projects in the cities of Irvine, Mission Viejo, Laguna Niguel, Lake Forest, and Yorba Linda, resulting in a net $2.5 million increase. This net increase included a significant $3.1 million contribution in Fiscal Year 2014/15 from Heritage Fields El Toro LLC for development at the Great Park in the City of Irvine.
+$670,000	Revenues from federal capital grants increased by $670,000. A Community Development Block Grant project for improvements at four fire stations in the City of Santa Ana commenced in Fiscal Year 2013/14 and was completed in April 2015, resulting in an $800,000 increase to capital-related federal grant reimbursements. During Fiscal Year 2014/15, OCFA also received a $10,000 State Homeland Security Grant passed through the Orange County Sheriff's Department for the purchase of gas monitors. Capital grants were lower in Fiscal Year 2013/14, with $140,000 from the Assistance to Firefighters grant program for the purchase of twenty-two thermal imaging cameras.
+$7,720,000	**Program Revenues: Capital Grants and Contributions – Net Increase**

General revenues, which totaled $207,280,058 for Fiscal Year 2014/15 and accounted for 60.8% of total revenues, increased by $14,361,330 (7.4%) over the prior fiscal year. Following is a description of each general revenue type and an explanation of what contributed to the net increase or decrease from the prior fiscal year.

<table>
<tr><th>Amount</th><th>Reason for Increase / Decrease</th></tr>
<tr><td>+$14,270,000</td><td>The largest general revenue, property taxes, increased by $14,267,548 (7.5%) over the prior fiscal year, primarily due to increases in secured property taxes.</td></tr>
<tr><td>+$15,000</td><td>Investment income increased by $16,854 (2.0%). A relatively static rate of return on the investment portfolio attributed to approximately $50,000 of the increase. The OCFA's year-to-date effective rate of return as of June 30, 2015, was 0.27%, as compared to 0.30% as of June 30, 2014. In addition, in accordance with GASB Statement No. 31, OCFA adjusts its investments to market value as of June 30 each year. This resulted in an overall investment gain in Fiscal Year 2014/15, but attributed to a $300,000 decline in total investment income since the market value gain in the prior fiscal year was substantially higher. The market value adjustment is a "paper only" transaction, and no actual investment losses have been recognized since OCFA typically holds its investments to maturity. In addition, during Fiscal Year 2014/15 OCFA issued short-term debt in the form of Tax and Revenue Anticipation Notes (TRAN), which generated a premium of approximately $275,000. These components of investment income are summarized below:
<table>
<tr><th></th><th>FY 2014/15</th><th>FY 2013/14</th><th>Increase (Decrease)</th></tr>
<tr><td>Portfolio earnings</td><td>$489,253</td><td>$436,477</td><td>$ 52,776</td></tr>
<tr><td>Market value gain (loss)</td><td>74,731</td><td>386,533</td><td>(311,802)</td></tr>
<tr><td>TRAN premium</td><td>275,880</td><td>-</td><td>275,880</td></tr>
<tr><td>Total investment income</td><td>$839,864</td><td>$823,010</td><td>$ 16,854</td></tr>
</table></td></tr>
<tr><td>+$45,000</td><td>Gain on sale of capital assets increased by $42,119 (192.9%), primarily due to proceeds received at public auction for various fully-depreciated vehicles in Fiscal Year 2014/15, including a dozer and loader that sold for a combined $53,000.</td></tr>
<tr><td>+$35,000</td><td>Miscellaneous revenues increased by $34,809 (2.9%). Fiscal Year 2014/15 increases pertained to bankruptcy proceeds from the County of Orange, as well as various SB90 claims reimbursed from the State of California. These revenue sources vary from year to year. A variety of other revenue sources were higher in Fiscal Year 2013/14, including insurance settlements received in conjunction with the Engine 61 vehicle accident and Fire Station No. 62 (Buena Park) kitchen fire, and tenant rent at from the Fullerton Airport hangar.</td></tr>
<tr><td>+$14,365,000</td><td>General Revenues – Net Increase</td></tr>
</table>

Expenses of Governmental Activities - by Type
Fiscal Year 2014/15



Total expenses increased by $66,524,743 (20.5%) over the prior fiscal year. Following is an explanation of what contributed to the net increase or decrease of each expense type from the prior fiscal year.

- Salaries and benefits increased by $68,655,370 (25.7%) over the prior fiscal year.

Amount	Reason for Increase / Decrease
+64,400,000	Retirement costs for contributions remitted to the Orange County Employees Retirement System (OCERS) increased by $24.5 million. Reasons for the increase in actual plan contributions are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis. With the implementation of GASB Statement No. 68 in Fiscal Year 2014/15, an additional $39.9 million in pension expense was recognized in order to fully capture OCFA's share of the net pension liability and related pension expense in its governmental activities, as determined by an actuarial valuation completed for the plan as a whole.
+$4,350,000	Reasons for increases and decreases to the following categories of salaries and benefits are further explained in the ***Major Governmental Funds – General Fund*** portion of this Management's Discussion and Analysis: regular pay (+$2,125,000); employee health insurance and other benefits (+$1,500,000); other pay (+$375,000); and sick leave payouts (+$350,000).
-$300,000	Other post-employment benefit (OPEB) cost for the defined benefit Retiree Medical Plan decreased by $300,000. 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.
+$200,000	The net change in long-term liabilities for various employee leave balances increased by $200,000 as compared to the prior fiscal year, and is recognized as an expense in the governmental activities. The net increase is primarily related to a decline in the use of general leave balances for employees who transitioned from the City of Santa Ana in April 2012.
+$68,650,000	**Salaries and Benefits – Net Increase**

- Services and supplies decreased by $1,839,607 (3.8%) from the prior fiscal year.

<table>
<tr><th>Amount</th><th>Reason for Increase / Decrease</th></tr>
<tr><td>+$1,030,000</td><td>In September 2013, the Board of Directors approved issuance of equity payments from unrestricted revenue sources to qualifying Structural Fire Fund member agencies, based on a calculation of average Structural Fire Fund Tax rate. The first equity payments were due to the City of Irvine during Fiscal Year 2013/14. In Fiscal Year 2014/15, equity payments plus accrued interest were due to the County of Orange and the cities of Irvine, Rancho Santa Margarita, Laguna Woods, and Lake Forest.</td></tr>
<tr><td>-$1,145,000</td><td>OCFA's long-term liability for workers' compensation reflects the present value of estimated outstanding losses, as determined by an actuarial valuation and the "confidence level" set by the Board of Directors. The change in the actuarial liability estimate, plus actual cash claims paid, is recognized as an expense. Workers' compensation expense decreased as follows:
<table>
<tr><th></th><th>FY 2014/15</th><th>FY 2013/14</th><th>Increase (Decrease)</th></tr>
<tr><td>Actual claims paid</td><td>$ 6,450,000</td><td>$ 5,450,000</td><td>$ 1,000,000</td></tr>
<tr><td>Change in actuarial estimate</td><td>5,605,000</td><td>7,750,000</td><td>(2,145,000)</td></tr>
<tr><td>Total fiscal year expense</td><td>$12,055,000</td><td>$13,200,000</td><td>$(1,145,000)</td></tr>
</table></td></tr>
<tr><td>-$900,000</td><td>Effective July 2013, the Hazardous Materials Disclosure and Cal ARP programs were transitioned back to the County of Orange Health Care Agency. Fee-funded amounts that had been budgeted for use in these programs were instead returned to the County during Fiscal Year 2013/14.</td></tr>
<tr><td>+$800,000</td><td>During Fiscal Year 2014/15, OCFA used proceeds of a federal Community Development Block Grant for kitchen and bathroom remodel projects at four city-owned fire stations in the City of Santa Ana.</td></tr>
<tr><td>+400,000</td><td>OCFA uses contracted professional services to supplement day-to-day operations in the Information Technology Division. During Fiscal Year 2014/15, there was an increase in the number of contractors providing service. In addition, the cost for certain contractors had been previously capitalized as part of the development of the new Computer Aided Dispatch (CAD) system. Those contractors began performing day-to-day maintenance once the system was placed into service in September 2014, resulting in an increase in professional services expense.
(Continued on next page)</td></tr>
</table>

Amount	Reason for Increase / Decrease
(Continued)	
-$355,000	More medical, dental and lab supplies were purchased in Fiscal Year 2013/14, primarily due to additional medical supplies funded by the Metropolitan Medical Response System (MMRS) grant. Other purchases were made in the prior fiscal year for needles and respirator masks.
-$300,000	Professional services for legal counsel were higher in Fiscal Year 2013/14, primarily due to the validation of an amendment to the Joint Powers Agreement and other ongoing legal matters.
-$240,000	During Fiscal Year 2013/14, $240,000 was incurred to repair Engine 61, which had been involved in a significant solo vehicle accident while responding to an emergency incident in March 2013.
-$215,000	Transportation costs decreased due to an overall drop in the price of diesel and regular fuels throughout Fiscal Year 2014/15.
-$200,000	The Board of Directors has authorized certain amounts to be set aside to fund OCFA-related service or resource enhancement projects in certain structural fire fund cities. Expenditures vary each year as projects are completed by the cities and submitted to OCFA for reimbursement. Reimbursable projects were $400,000 higher in Fiscal Year 2013/14, and included the purchase of a bi-directional amplifier (City of Irvine) and the installation of a sprinkler system at the Theo Lacy Facility jail complex (County of Orange). During Fiscal Year 2014/15, the City of Irvine was reimbursed $200,000 for an additional bi-directional amplifier that was funded with general donations received from a member of the public.
-$200,000	The cost of specialty items purchased by the Service Center decreased primarily due to the purchase of fifty self-contained breathing apparatus (SCBA) in Fiscal Year 2013/14.
-$130,000	During Fiscal Year 2013/14, $130,000 was incurred to repair or replace items damaged during an accidental kitchen fire at Fire Station No. 62 (Buena Park). Costs included demolition, asbestos removal, a full kitchen replacement, and the replacement of various household items such as appliances, mattresses, kitchen supplies, and furniture.
-$120,000	The annual property tax administration fee assessed by the County of Orange decreased $120,000 from the prior fiscal year.
-$110,000	Customer support for the Santa Ana portion of the CAD system decreased when the new OCFA-wide CAD system went live in September 2014. Support costs are not expected to be incurred again until after the one-year warranty period ends in September 2015.
-$100,000	Several one-time or infrequent professional service contracts pertaining to employee relations were entered into during Fiscal Year 2013/14, including an interim Human Resources Director; various background investigations; a Fair Labor Standards Act (FLSA) compliance audit; workplace investigations; and executive recruitments.
-$55,000	The cost of various Information Technology Division operating and project costs decreased: ➢ During Fiscal Year 2014/15, OCFA made its first $250,000 “partnership cost” payment toward the 800 MHz Countywide-Coordinated Communications System (CCCS) Replacement project, which is administered by the Orange County Sheriff’s Department (OCSD). Project costs are being shared proportionately among all participating agencies and reimbursed to the OCSD annually through Fiscal Year 2018/19. ➢ The MDC and Mobile Data Network Upgrade project was a multi-year project consisting of the purchase of modems and their subsequent installation onto fire apparatus. Costs were $235,000 lower in the current fiscal year, since most of the modems were purchased and installed in Fiscal Year 2013/14. ➢ During Fiscal Year 2013/14, twenty tablets utilized by field personnel were purchased at a cost of $70,000.
-$1,840,000	**Services and supplies – Net Decrease**

- Depreciation and amortization expense, which had no impact on the OCFA's cash balances, decreased by $562,258 (5.8%), and pertained primarily to depreciation on vehicles and equipment. During the prior fiscal year, several assets reached the end of their estimated useful lives, including three ambulances, one box truck, one crew-carrying vehicle, and the original cubicle workstations at the Regional Fire Operations and Training Center (RFOTC). These assets remained in service during Fiscal Year 2014/15, but no depreciation expense was recognized since they were considered fully depreciated as of June 30, 2014.

- Interest on long-term debt increased by $271,238 (87.1%) from the prior fiscal year. Interest expense on the 2008 helicopter lease purchase agreement decreased by approximately $60,000 as principal was paid down per the debt-to-maturity schedule. This was offset by an increase totaling approximately $330,000 for interest on Tax and Revenue Anticipation Notes (TRAN) issued during Fiscal Year 2014/15.

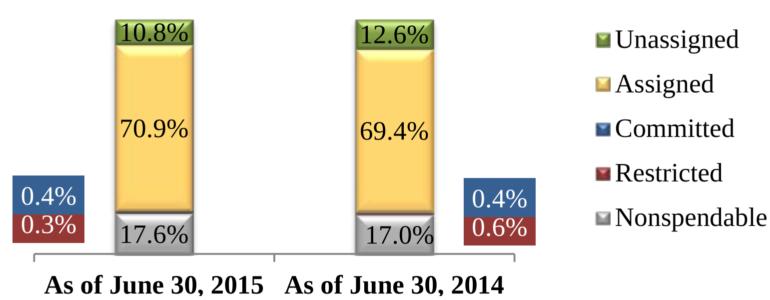
Financial Analysis of the OCFA's Funds

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

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

At the end of Fiscal Year 2014/15, OCFA's governmental funds reported combined ending fund balances of $176,889,786, a decrease of $4,283,725 in comparison with the prior fiscal year. Approximately 10.8% constitutes unassigned fund balance, which is available for spending for any purpose. The remaining 89.2% 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 the OCFA has elected to classify all of its governmental funds as major, regardless of the calculation, the OCFA has reported five major funds during the current fiscal year.

The ***General Fund*** is the chief operating fund of the OCFA. At the end of Fiscal Year 2014/15, the General Fund's fund balance totaled $120,273,257. Unassigned fund balance totaling $19,116,476 (15.9%) is available for future spending. The remaining $101,156,781 (84.1%) is not available for spending on any new purpose, because it has already been restricted, committed or assigned for specific purposes, or is in a nonspendable form.

Total fund balance of the OCFA's General Fund increased by $4,768,968 during the current fiscal year. The prior fiscal year's fund balance increased by $7,919,145, a difference of $3,150,177.

Effective July 1, 2014, fund balance totaling $2,710,702 in the ***Facilities Maintenance and Improvements Fund*** was transferred to the General Fund. The fund was subsequently closed and fund balance at the end of Fiscal Year 2014/15 was $0. Fund balance decreased by $2,710,702 during the current fiscal year due to this single transfer. The prior fiscal year's fund balance increased by $126,018, a difference of $2,836,720. Activities that were accounted for in the Facilities Maintenance and Improvements Fund during Fiscal Year 2013/14 were accounted for in the General Fund during Fiscal Year 2014/15. For comparison purposes only, the funds have been presented together below to demonstrate the impact on fund balance as a combined total.

General Fund	Facilities Maintenance and Improvements Fund	Combined Impact on Fund Balance	Description
+$14,270,000		+$14,270,000	Revenue from property taxes increased primarily due to secured property taxes.
+$4,450,000		+$4,450,000	The most significant increase in intergovernmental revenue was tax increment passed through from member cities and the County of Orange. Other increases included state and federal assistance by hire revenues for increased emergency response activity; a federal grant for Santa Ana fire station kitchen and bathroom remodels; contract revenues for the protection of State Responsibility Area (SRA); and SB90 claims reimbursed from the State of California. These increases totaled $5.2 million, but were offset by decreases for Fiscal Year 2013/14 federal grants and responses to national incidents such as the Washington landslides and Lyons Colorado floods.
+$4,510,000	-$240,000	+$4,270,000	The most significant increases in charges for services were for operating and facilities charges to cash contract cities per terms of the Joint Powers Agreement. Other increases included ambulance transport and supplies reimbursements; contract work generated by the hand crew; the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport; and fees for false alarm incidents. These increases totaled just over $5 million, but were offset by decreases for permit and inspection fees. Permit fees were higher in Fiscal Year 2013/14 due to the Los Olivos and Rancho Mission Viejo projects. Inspection fees were lower in Fiscal Year 2014/15 due to delayed assembly inspections. ***(Continued on next page)***

(Continued) General Fund	Facilities Maintenance and Improvements Fund	Combined Impact on Fund Balance	Description
+$110,000	-$20,000	+$90,000	The most significant increases in use of money and property pertained to the premium on for the Fiscal Year 2014/15 TRAN issuance (+$275,000). This was offset by a decrease in the market value investment gain allocated to the funds (-$185,000).
-$230,000	-$40,000	-$270,000	The decrease in miscellaneous revenue was primarily due to a decline in the number of reimbursable instructional hours per a contract with Santa Ana College. Other miscellaneous revenues that were higher in Fiscal Year 2013/14 included rent at the Fullerton Airport hangar for four tenants as compared to only one in the current year; reimbursable projects from the California Joint Apprenticeship Committee; and reimbursement from the City of Tustin for various household items necessary to outfit new Fire Station No. 37. These decreases totaled $350,000, but were offset by an increase in bankruptcy proceeds received from the County of Orange in Fiscal Year 2014/15.
+$23,110,000	***-$300,000***	***+$22,810,000***	***Subtotal – Impact of Revenues***
-$24,500,000		-$24,500,000	Retirement costs increased due to one-time employer contributions made toward the net unfunded pension liability (-$18.3 million); pension contributions based on changes to employee compensation negotiated during Fiscal Year 2014/15, net of a decline in the annual savings achieved by pre-paying a portion of the subsequent fiscal year's contributions to OCERS (-$8.4 million); and additional payments made toward the unfunded pension liability during Fiscal Year 2013/14, which was achieved by carrying forward the higher safety member retirement rates from Fiscal Year 2012/13 (+$2.2 million).
-$2,125,000		-$2,125,000	An increase in regular pay was due primarily to labor contracts negotiated with the Firefighter Unit and General and Supervisory Management Units during Fiscal Year 2014/15, which resulted in 2.0% and 2.75% base salary increases, respectively.
-$1,500,000		-$1,500,000	Employee health insurance and other benefits increased due to firefighter health insurance premiums. Monthly rates per employee increased from $1,598 to $1,742 effective January 1, 2015.
-$375,000		-$375,000	Other pay – which includes pay to employees on workers' compensation, educational incentives, paramedic/EMT bonuses, bilingual pay, and other specialty pay – increased primarily due to changes in employee compensation negotiated during Fiscal Year 2014/15. There was also an increase in "on call" pay for the Data Center. On call duties previously assigned to a manager exempted from this type of compensation were re-assigned to other professional staff upon his retirement. These increases were offset by a significant one-time taxable payment made to long-term employee who terminated employment during Fiscal Year 2013/14.
-$350,000		-$350,000	Sick leave payouts increased primarily due to the retirement of several long-term personnel during Fiscal Year 2014/15. ***(Continued on next page)***
-$28,850,000		***-$28,850,000***	***Subtotal – Impact of Salaries and Benefits***

(Continued) General Fund	Facilities Maintenance and Improvements Fund	Combined Impact on Fund Balance	Description
-$1,325,000		-$1,325,000	Significant increases in professional services pertained to workers compensation claims paid; contract support in the Information Technology Division, which increased as key contractors previously assigned to the CAD implementation project transitioned to day-to-day maintenance in the General Fund; support and maintenance of the intranet/internet calendaring project, which had previously been accounted for in the Communications and Information Systems Fund; and new partnership costs paid for the 800 MHz Countywide-Coordinated Communications System (CCCS) replacement. These increases totaled approximately $1.9 million, but were partially offset by decreases for legal fees associated with cases that had greater activity in the prior fiscal year; the annual property tax administration fee; and various employee relations costs that were incurred in the prior fiscal year for an interim Human Resources Director, background investigations, an FLSA compliance audit, and executive recruitments.
+$1,090,000	+$50,000	+$1,140,000	Decreases in special department expenditures pertained to higher costs in Fiscal Year 2013/14 for the return of hazardous materials disclosure and Cal ARP fees back to the County of Orange Health Care Agency; reimbursements to the City of Irvine, the County of Orange, and other structural fire fund cities for resource enhancement projects; and purchase of fifty self-contained breathing apparatus (SCBA). These decreases totaled $1.3 million, but were partially offset by Fiscal Year 2014/15 purchases of fire hose stock and portable 800 MHz radios.
-$1,030,000		-$1,030,000	Miscellaneous expenditures increased for equity payments due to the County of Orange and the cities of Irvine, Rancho Santa Margarita, Laguna Woods, and Lake Forest.
-$1,610,000	+$930,000	-$680,000	Increases in building maintenance were attributed to a grant-funded kitchen and bathroom remodel project at four fire stations in the City of Santa Ana; a hardscape remodel project at Fire Station No. 8 (Skyline); and the maintenance of doors, gates, and HVAC systems at various fire stations. These increases totaled $975,000, but were offset by decreases in other maintenance costs at fire stations and the RFOTC for flooring, lockers and partitions, roofing, painting, AQMD, and UPS systems and batteries.
-$590,000	+$50,000	-$540,000	Office supplies increased primarily due to the annual cost of operating Microsoft Office products and an increase in the number of desktop computers, monitor, tablets and cases, and I-pads purchased in Fiscal Year 2014/15. Similar purchases had been accounted for in the Communications and Information Systems Fund in the prior fiscal year.
+$340,000	+$90,000	+$430,000	Equipment and vehicle maintenance were higher in Fiscal Year 2013/14 primarily due to the major repair of Engine 61. Also, customer support for the Santa Ana portion of the CAD system decreased when the new OCFA-wide CAD system went live in September 2014. ***(Continued on next page)***

(Continued) General Fund	Facilities Maintenance and Improvements Fund	Combined Impact on Fund Balance	Description
+$355,000		+$355,000	More medical, dental and lab supplies were purchased in Fiscal Year 2013/14, including needles, medical equipment supplies, respirator masks, and various medical supplies funded by the Metropolitan Medical Response System (MMRS) grant.
-$190,000		-$190,000	An increase in utilities and communications charges was primarily due to rising electricity rates and the upgrade of AVL modem accounts to include full broadband communication.
+$150,000		+$150,000	Transportation costs decreased due to an overall drop in fuel prices (+$215,000). Fiscal Year 2013/14 fuel prices averaged $3.58 and $3.52 per gallon for diesel and regular, respectively. Fiscal Year 2014/15 fuel prices were 15-20% lower with an average price of $2.84 and $2.93 per gallon for diesel and regular, respectively. These decreases were offset by an increase in the cost of employee travel, training, and meetings, primarily due to a change in the number of employees utilizing the Target Solutions system (-$65,000).
+$70,000		+$70,000	More small tools and instruments were purchased in Fiscal Year 2013/14, including eighty-six handheld GPS devices and various hand tools used by fleet maintenance staff.
+$60,000		+$60,000	The decrease in food costs related primarily to the in-county Baker Fire that occurred in October 2013.
-$50,000		-$50,000	The cost of insurance premiums for excess workers' compensation and general liability coverage increased during Fiscal Year 2014/15.
-$150,000	+$130,000	-$20,000	The cost of household items increased primarily due to various appliances (ranges, hoods, refrigerators, etc.) purchased as part of grant-funded kitchen remodel projects at Fire Stations No. 72 and 74 (Santa Ana), and workspace reconfigurations at Fire Station No. 34 (Placentia). These increases were offset by a decline in costs pertaining to the Fiscal Year 2013/14 repair and replacement of items damaged during an accidental kitchen fire at Fire Station No. 62 (Buena Park).
-$2,880,000	***+$1,250,000***	***-$1,630,000***	***Subtotal – Impact of Services and Supplies***
-$250,000		-$250,000	Capital outlay increased in Fiscal Year 2014/15 due to the purchase of two servers, a helicopter hoist, a portable restroom facility, two sheds, various extrication tools, twelve portable 800 MHz radios, and various audio visual equipment. The most significant purchases in Fiscal Year 2013/14 were twenty-two thermal imaging cameras, two rapid deployment kits, and one flashover container.
-$220,000		-$220,000	Interest and fiscal charges increased due to the issuance of the Fiscal Year 2014/15 Tax and Revenue Anticipation Notes (-$330,000), offset by a decline in interest charged to the General Fund for temporary internal borrowing from capital projects funds (+$110,000). ***(Continued on next page)***
-$32,200,000	***+$1,250,000***	***-$30,950,000***	***Subtotal – Impact of Expenditures***

(Continued) General Fund	Facilities Maintenance and Improvements Fund	Combined Impact on Fund Balance	Description
+$6,210,000	-$3,790,000	+$2,420,000	Net interfund transfers increased as follows: ➢ Transfers are made from the General Fund to the capital projects funds to fund current and future projects in the Capital Improvement Program. Transfers from the General Fund to the Communications and Information Systems Fund increased during Fiscal Year 2014/15 (-$550,000). In Fiscal Year 2013/14, amounts were transferred from the General Fund to the Fire Apparatus Fund (+$1.84 million), but no transfers between those funds occurred in the current fiscal year. ➢ When the *Capital Projects Fund Policy* was implemented in Fiscal Year 2014/15, certain projects within the Capital Improvement Program were moved from the Communications and Information Systems Fund to the General Fund, resulting in corresponding increases in transfers in Fiscal Year 2014/15 (+$1.13 million).
+$60,000		+$60,000	There was an increase in the proceeds from sale of capital and other assets in Fiscal Year 2014/15, primarily due to the sale of a dozer and loader during Fiscal Year 2014/15.
-$330,000		-$330,000	Insurance recoveries decreased due to amounts recovered in Fiscal Year 2013/14 for a kitchen fire at Fire Station No. 62 (Buena Park) and a vehicle accident involving Engine 61.
+$5,940,000	***-$3,790,000***	***+$2,150,000***	***Subtotal – Impact of Other Financing Sources and Uses***
-$3,150,000	**-$2,840,000**	**-$5,990,000**	**Combined – Net Impact on Fund Balance**

The ***Communications and Information Systems Fund*** had total fund balance of $18,655,855 at the end of Fiscal Year 2014/15. Fund balance pertaining to prepaid items ($32,946) was classified as nonspendable. Remaining fund balance was assigned to the Capital Improvement Program ($18,528,376) and communications and information technologies projects ($94,533).

Total fund balance increased by $604,103 during the current fiscal year. The prior fiscal year's fund balance decreased by $1,027,374, a difference of $1,631,477.

Impact on Fund Balance	Description
-$50,000	Revenues for use of money and property decreased primarily due to the market value investment gain allocated to the fund (-$30,000). Also, the General Fund temporarily borrowed $8 million during Fiscal Year 2013/14, which earned the fund $20,000 of interfund interest. There was no interfund borrowing between the funds during Fiscal Year 2014/15.
+$120,000	Miscellaneous revenues pertaining to bankruptcy proceeds increased during Fiscal Year 2014/15.
+$2,140,000	Expenditures for services and supplies and capital outlay decreased primarily due to two significant, multi-year capital improvement projects that were completed during Fiscal Year 2014/15. ➢ The MDC and Mobile Data Network Upgrade project consisted of the purchase of approximately 350 modems and their subsequent installation onto fire apparatus over the course of three fiscal years. Fiscal Year 2013/14 project costs were higher since they included the purchase of 250 modems and related accessories (+$230,000). ***(Continued on next page)***

(Continued) Impact on Fund Balance	Description
	➢ The development of a new Computer Aided Dispatch (CAD) system began in Fiscal Year 2011/12 and was placed in service September 2014. Fiscal Year 2013/14 project costs were higher than the current fiscal year since a significant number of project milestones were completed and costs were incurred at the peak of the project's activity, including acquisition of hardware; software licenses; system design; coding; data development; and user training (+$820,000). When a new *Capital Projects Fund Policy* was implemented in Fiscal Year 2014/15, certain projects within the Capital Improvement Program were moved from the Communications and Information Systems Fund to the General Fund, resulting in a decrease in expenditures totaling nearly $2 million pertaining to the following projects: Microsoft software enterprise agreement (+$250,000); computer, laptop, and printer replacements (+$190,000); intranet/internet calendaring (+$160,000); Installation of communications equipment on fire apparatus (+$160,000); network systems (+$85,000); portable VHF and 800 MHz radios (+$75,000); field data collection devices (+$70,000); 900 MHz pagers, fax machines, and other communications equipment (+$40,000); centralized server storage and backup recovery (+$30,000); and fire station phone, alarm, and sound systems (+$30,000).
-$580,000	Net transfers in and out of the General Fund funds decreased as follows: ➢ Transfers in from the General Fund for current and future projects in the Capital Improvement Program increased by $550,000 over the amount transferred in the prior fiscal year. ➢ When a new *Capital Projects Fund Policy* was implemented in Fiscal Year 2014/15, certain projects within the Capital Improvement Program were moved from the Communications and Information Systems Fund to the General Fund, resulting in a corresponding increase in transfers out and a negative impact to balance in Fiscal Year 2014/15 totaling $1,130,000.
+$1,630,000	**Communications and Information Systems Fund – Net Impact on Fund Balance**

The ***Fire Apparatus Fund*** had total fund balance of $25,440,432 at the end of Fiscal Year 2014/15. Fund balance was assigned to the Capital Improvement Program ($17,409,649) and purchase of fire apparatus and vehicles ($8,030,783). Total fund balance decreased by $4,056,449 during the current fiscal year. The prior fiscal year's fund balance decreased by $1,378,368, a difference of $2,678,081.

Impact on Fund Balance	Description
+$525,000	Developer contribution revenue increased due to a Fiscal Year 2014/15 reimbursement from Rancho Mission Viejo Community Development for the type 1 engine to be placed into service at new Fire Station No. 56 (Village of Sendero).
+$85,000	The decrease in services and supplies expenditures pertained primarily to the annual warranty cost on eighty-eight defibrillators that were purchased in May 2010. Beginning in Fiscal Year 2014/15, those costs were accounted for in the General Fund upon adoption of the new *Capital Projects Fund Policy*.
-$1,450,000	Capital outlay expenditures to purchase and outfit vehicles increased during Fiscal Year 2014/15 due to significant purchases of five type 1 engines, nineteen sport utility vehicles (Tahoes and Suburbans), and four mail delivery box trucks. Significant purchases in Fiscal Year 2013/14 included four type 1 engines.
-$1,840,000	Transfers in from the General Fund to fund current and future projects in the Capital Improvement Program decreased during Fiscal Year 2014/15.
-$2,680,000	**Fire Apparatus Fund – Net Impact on Fund Balance**

The ***Fire Stations and Facilities Fund*** had total fund balance of $12,520,242 at the end of Fiscal Year 2014/15. 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 ($11,987,010).

Total fund balance decreased by $2,889,645 during the current fiscal year. The prior fiscal year's fund balance decreased by $1,273,644, a difference of $1,616,001.

Impact on Fund Balance	Description
+$6,500,000	Developer contribution revenue increased because of new housing development throughout the county. During Fiscal Year 2014/15, OCFA received over $4 million from various developers as reimbursement for construction of new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo. In addition, $3.1 million was received from Heritage Fields El Toro LLC related to development at the Great Park in the City of Irvine. Additional contributions were received from various developers for projects at Vireo Apartments, Kelvin Apartments, and Hyatt House in the City of Irvine. During Fiscal Year 2013/14, OCFA received contributions from various developers for projects at Baker Ranch, Metropolis Gardens, and Avalon Bay in the City of Irvine; Pacific Los Alisos in the City of Mission Viejo; and Cal I Crown Valley in the City of Laguna Niguel.
-$8,100,000	Capital outlay expenditures increased primarily due to the purchase of a centralized Urban Search and Rescue warehouse during Fiscal Year 2014/15 at a cost of over $6.2 million. The cost of a multi-year construction project to build new Fire Station No. 56 (Village of Sendero) also increased by approximately $4.1 million. During Fiscal Year 2013/14, capital outlay included the purchase of the western portion of the hangar facility at Fullerton Municipal Airport for approximately $2.2 million.
-$1,600,000	**Fire Stations and Facilities Fund – Net Impact on Fund Balance**

General Fund Budgetary Highlights

The following table summarizes the changes in General Fund appropriations, as well as the variance between the final budget and actual amounts for Fiscal Year 2014/15.

	Original Budget	Increase (Decrease)	Final Budget	Variance Positive (Negative)	Actual Amounts
Salaries and benefits	$284,344,557	$ 8,732,905	$293,077,462	$ 7,088,465	$285,988,997
Services and supplies	36,777,318	8,098,909	44,876,227	4,559,085	40,317,142
Capital outlay	34,127	1,346,057	1,380,184	676,814	703,370
Interest and fiscal charges	895,000	(565,917)	329,083	(1,658)	330,741
Transfers out	584,592	2,416,314	3,000,906	-	3,000,906
	$322,635,594	$20,028,268	$342,663,862	$12,322,706	$330,341,156

- Budgeted General Fund appropriations increased by $20,028,268 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	Amount
Various Capital Improvement Program (CIP) projects moved from the capital projects funds to the General Fund upon adoption of the *Capital Projects Fund Policy*	$ 5,150,000
Equity payments	4,980,000
Workers compensation	(3,980,000)
Overtime and backfill for response to out-of-county incidents	3,200,000
Grant activities	3,025,000
One-time contribution toward unfunded pension liability	3,000,000
Transfers to Capital Improvement Program (CIP)	2,415,000
Staffing configurations and changes from new Memorandums of Understanding	1,080,000
Interest on Tax and Revenue Anticipation Notes (TRAN)	(570,000)
Helicopter components	300,000
Structural fire entitlement projects	215,000
Donations received	200,000
Program enhancements to Air Operations program	190,000
Various other appropriations	825,000
Total adjustments	**$20,030,000**

- Final budgeted General Fund expenditures exceeded actual amounts by $12,322,706.

  - The $7.1 million positive variance in salaries and benefits is attributed primarily to vacancies in the Operations, Support Services, and Community Risk Reduction departments.

  - The $5.2 million positive variance in services and supplies and capital outlay is primarily attributed to the following:

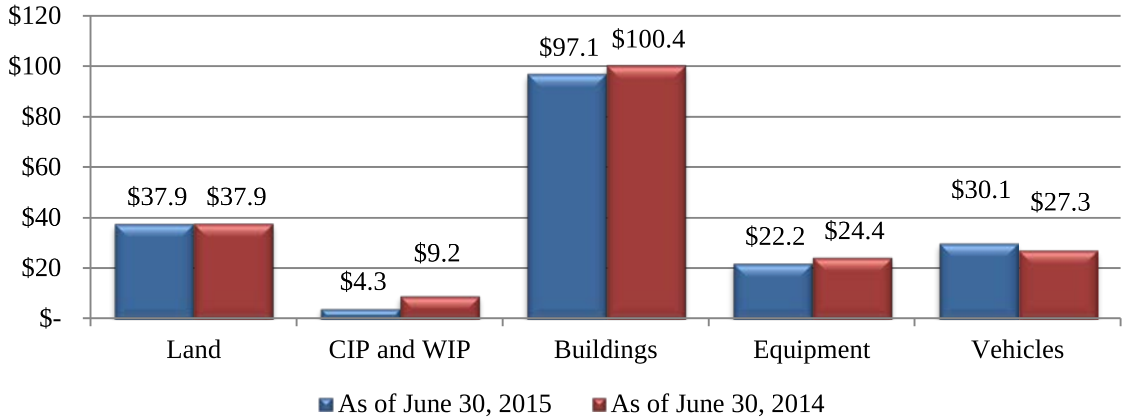
    - The amount budgeted for workers' compensation is based on an actuarially-determined estimate. Actual expenditures for workers' compensation cases typically occur over multiple years, which often attributes to a difference between budgeted costs and actual expenditures during any given fiscal year. In Fiscal Year 2014/15, actual claims paid from the General Fund were $400,000 less than the actuarial estimate.

    - Nearly $2 million in various Information Technology Division (IT) operating costs and projects from the Capital Improvement Program (CIP) were budgeted but not completed during Fiscal Year 2014/15. Many of these projects involved the installation of communications equipment on fire apparatus, which was delayed when the vehicles were delivered later than originally planned. Other IT projects were not completed during Fiscal Year 2014/15 due to the timing and availability of staff resources. These expenditure savings, along with $2.8 million in uncompleted projects from other areas of the organization, will be re-budgeted if needed to Fiscal Year 2015/16.

Capital Assets and Debt Administration

Capital Assets: The OCFA's investment in capital assets for its government activities at the end of Fiscal Year 2014/15 totaled $190,800,116 (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 $7,605,499 (4.0%). 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, 2015 and 2014
(In Millions)



Major capital asset additions during Fiscal Year 2014/15 included the following:

- Construction in progress (CIP) and work in progress (WIP) accounted for twenty-nine projects during Fiscal Year 2014/15, two of which were placed into service and twenty-seven of which were still in progress at year-end.

  - Construction projects completed over the span of multiple fiscal years are classified as CIP at year-end if they are not yet completed and placed into service. Additions totaling $4.6 included various construction costs for new Fire Station No. 56 (Village of Sendero) in Rancho Mission Viejo, as well as initial permits pulled for a remodel project at Fire Station No. 41 (Fullerton Airport). Both projects were in progress at fiscal year-end. Fire Station No. 56 was placed into service in July 2015, and construction work for the improvements at Fire Station No. 41 is expected to begin in late 2015.

  - 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. The most significant additions during Fiscal Year 2014/15 were four type 1 engines ($2.1 million), thirteen front-line Chevrolet Tahoes ($470,000), and six front-line Chevrolet Suburbans ($250,000), all of which were still in the process of being outfitted for operations at fiscal year-end.

  - Communications and information system projects are also classified as WIP at year-end if they are implemented over the span of multiple fiscal years. Additions during the current fiscal year included the replacement Computer Aided Dispatch (CAD) system ($820,000); a Fire Station Alerting system ($650,000); a Service Center inventory system ($10,000); and a winch addition to Heavy Rescue 6 ($10,000). The CAD and Service Center inventory systems, which totaled nearly $4 million and $20,000, respectively, were both placed into service and transferred into the equipment category during Fiscal Year 2014/15.

- The most significant equipment additions during Fiscal Year 2014/15 were the CAD system (cumulative $4 million), which was transferred in from WIP, two servers ($160,000), and a helicopter hoist ($160,000).

- Six vehicles were purchased and added to the OCFA's fleet during Fiscal Year 2014/15 – one type 1 engine ($530,000); four mail delivery box trucks ($175,000); and one Caterpillar compact track loader ($80,000).

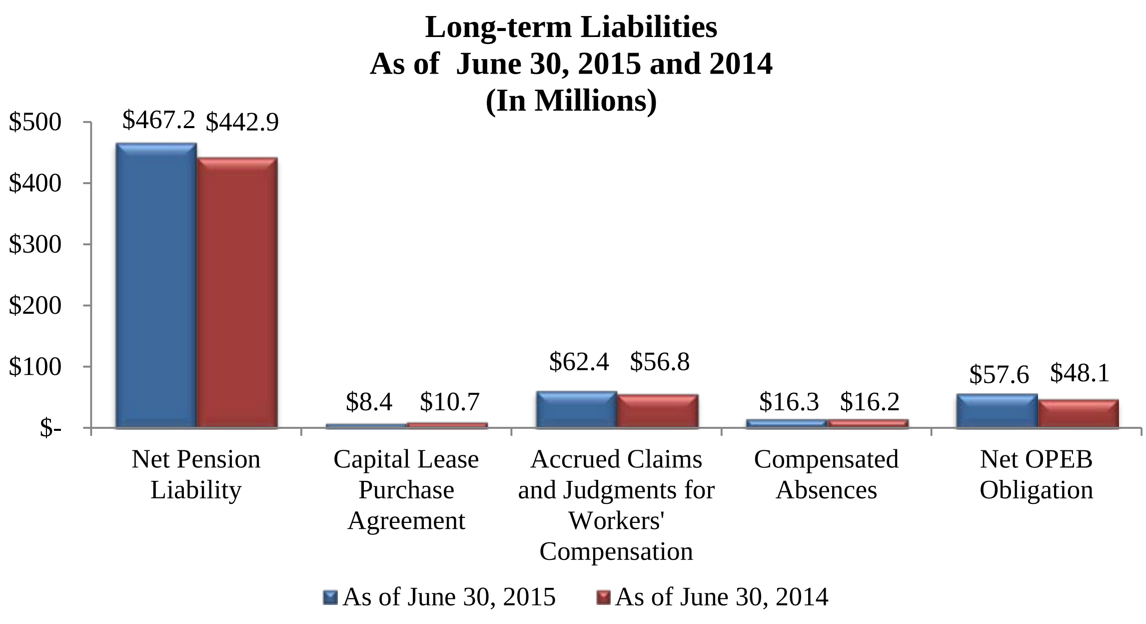
Major capital asset deletions during Fiscal Year 2014/15 included the following:

- Thirty-five capital equipment items were sold, scrapped, or written off during Fiscal Year 2014/15, including the original CAD system and various related software components ($2 million); twelve servers ($160,000); and six thermal imaging cameras ($50,000). The net book value of all equipment disposals was approximately $32,000, as most items had reached the end of their useful service lives and were either fully or mostly depreciated. Most equipment was sold at public auction or sent to an e-waste recycling center. Other obsolete equipment items, including the "intangible" software pertaining to the old CAD system, were removed from service but could not be sold to a third party.

- Fifteen vehicles were removed from OCFA's fleet during Fiscal Year 2014/15 as part of OCFA's ongoing vehicle replacement plan. The net book value of all vehicle disposals was $0, as all items had reached the end of their useful service lives and were fully depreciated. One 90' truck ($500,000); two type 1 engines ($380,000); two fire dozers ($170,000); one fire command bus ($150,000); four vans ($150,000); one ambulance ($100,000); and one sport utility vehicle ($35,000) were sold at public auction. One type 1 engine ($75,000) that was acquired from the City of Santa Ana during the April 2012 service transition was returned to the city for disposal. One sport utility vehicle and one van ($20,000 each) were written off as total losses due to vehicle accidents that occurred during the fiscal year.

Additional information pertaining to the OCFA's capital assets can be found in Note 16 of the accompanying Notes to the Financial Statements.

Long-term Debt: Total long-term liabilities increased by net $37,208,951 (6.5%) during Fiscal Year 2014/15.



The most significant increases and decreases to long-term liabilities pertained to the net pension liability for the Orange County Employees Retirement System (OCERS) pension plan, which is being reported in the financial statements as a long-term liability for the first time in conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68. During Fiscal Year 2014/15, OCFA's share of the plan's net pension liability, as determined by an actuarial valuation for the plan as a whole, increased by $112 million. This addition was offset by $87 million in actual employer and employee contributions remitted by

OCFA to the plan. The increases and decreases reported for the long-term pension liability are reported using an "accounting-based approach" in order to fully capture OCFA's net liability and related pension expense incurred during each fiscal year. This differs from the "funding-based approach" used to calculate annual retirement rates and the amount of required employer and employee contributions due from OCFA to OCERS.

Additional information on the OCFA's long-term liabilities can be found in Note 17 of the accompanying Notes to the Financial Statements.

Next Year's Budget

The Fiscal Year 2015/16 General Operating Fund adopted expenditure budget is approximately $322.4 million, which is a net increase of $5.9 million (1.9%) from the final Fiscal Year 2014/15 General Operating Fund budget totaling $316.5 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 2015/16 General Operating Fund Budget are as follow:

- Budgeted salaries and benefits increased by $6.2 million. The budget reflects estimated $1.4 million and $1.3 million increases in annual costs resulting from the latest Memorandums of Understanding with the Firefighters Unit and General/Supervisory Management Unit, respectively. The Fiscal Year 2015/16 budget for salaries and benefits also reflects new positions for Fire Station No. 56 (Village of Sendero), which became operational in July 2015. The retirement budget for Fiscal Year 2015/16 is based on rates provided by the Orange County Employees Retirement System (OCERS). Those rates reflect a decrease as compared to Fiscal Year 2014/15, due to increasing employee retirement contributions.

- Budgeted services and supplies, capital outlay, and debt service decreased by $300,000. Overall, budgets were held flat as compared to Fiscal Year 2014/15, and exclude one-time or grant-related expenditures. These projects are budgeted as-needed throughout the fiscal year and are not incorporated into the original base budget at the time of adoption.

- The total number of authorized positions in the Fiscal Year 2015/16 budget is 1,360, an increase of sixteen positions from the final, authorized position list as of June 30, 2015. However, the budget reflects funding for only 1,267 of those authorized positions, since frozen vacancies, grant-funded, and limited term positions are not included at the time the original budget is adopted. Changes in authorized positions by unit are summarized as follows:

Unit	FY 2015/16 Budget	FY 2014/15 Final	Increase (Decrease)
Firefighter Unit	1,020	1,011	9
Fire Management Unit	45	45	-
General Unit	213	205	8
Supervisory Management Unit	27	27	-
Supported Employment Unit	4	4	-
Administrative Management	43	44	(1)
Executive Management	8	8	-
Total authorized positions	**1,360**	**1,344**	**16**

Requests for Information

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

Government-wide Financial Statements

Orange County Fire Authority Safety Message

Home Escape Plans
(Part 2 of 4)

(Continued from Page 4)

Practice Every Month

- ✓ Practice your plan to ensure that children and adults react to the smoke alarm and know what to do.
- ✓ Make sure you know the primary and secondary exits.
- ✓ Make sure windows are not stuck, screens can be taken out quickly, and that security bars can be opened easily.

Test Doors Before Opening

- ✓ While kneeling or crouching at the door, use the back of your hand to feel the door, working from the bottom up. If it feels hot or warm, do not open the door. Use a secondary (window, sliding door, etc.) way out.

(Continued on Page 32)

ORANGE COUNTY FIRE AUTHORITY
Statement of Net Position
June 30, 2015
(With Comparative Data for Prior Year)

	Primary Government	
	Governmental Activities	
	2015	**2014**
Assets:		
Cash and investments (Note 5)	$ 164,787,506	$ 160,237,038
Receivables:		
Accounts, net (Note 6)	3,976,952	2,117,990
Accrued interest	96,621	127,913
Prepaid costs and other assets	31,160,094	30,849,987
Due from other governments, net (Note 7)	8,702,777	11,720,366
Capital assets (Note 16):		
Land	37,887,850	37,887,850
Construction in progress	5,092,288	509,142
Work in progress	4,121,289	3,808,738
Capital assets, net of accumulated depreciation/amortization	152,145,415	149,435,613
Total assets	**407,970,792**	**396,694,637**
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions (Note 17b)	85,763,924	-
Total deferred outflows of resources	**85,763,924**	**-**
Liabilities:		
Accounts payable	3,602,338	6,488,835
Accrued liabilities	12,828,886	11,540,122
Accrued interest	4,737	6,015
Unearned revenue (Note 9)	3,278,818	3,065,827
Due to other governments (Note 8)	10,072,547	67,854
Long-term liabilities (Note 17):		
Other due within one year	12,512,349	11,676,387
Other due in more than one year	74,603,168	72,009,665
Proportionate share net pension liability	467,208,681	-
Net OPEB obligation	57,553,126	48,085,317
Total liabilities	**641,664,650**	**152,940,022**
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions (Note 17b)	21,194,439	-
Total deferred outflows of resources	**21,194,439**	**-**
Net position:		
Net investment in capital assets (Note 16b)	190,800,116	180,917,654
Restricted for (Note 11):		
Capital projects	533,232	1,044,040
Other purposes	55,538	32,282
Unrestricted	(360,513,259)	61,760,639
Total net position	**$ (169,124,373)**	**$ 243,754,615**

See Notes to the Financial Statements

Component Unit OCFA Foundation 2015	Component Unit OCFA Foundation 2014
$ 108,720	$ 95,341
-	-
-	-
723	15,168
-	-
-	-
-	-
-	-
-	-
109,443	**110,509**
-	-
-	-
4,529	-
-	-
-	-
-	6,000
-	-
-	-
-	-
-	-
-	-
4,529	**6,000**
-	-
-	-
-	-
-	-
52,583	54,123
52,331	50,386
$ 104,914	**$ 104,509**

ORANGE COUNTY FIRE AUTHORITY
Statement of Activities
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	Primary Government	
	Governmental Activities	
	2015	2014
Expenses:		
Public safety:		
Salaries and benefits	$ 335,419,737	$ 266,764,367
Services and supplies	46,073,201	47,912,808
Depreciation and amortization (Note 16d)	9,050,195	9,612,453
Interest on long-term debt	582,565	311,327
Total program expenses	**391,125,698**	**324,600,955**
Program revenues:		
Public safety:		
Charges for services	113,150,325	106,874,513
Operating grants and contributions	11,410,019	10,339,966
Capital grants and contributions	9,182,195	1,462,540
Total program revenues	**133,742,539**	**118,677,019**
Net program (expenses) revenues	(257,383,159)	(205,923,936)
General revenues:		
Property taxes	205,141,237	190,873,689
Investment income	839,864	823,010
Gain on sale of capital assets	63,953	21,834
Miscellaneous	1,235,004	1,200,195
Total general revenues	**207,280,058**	**192,918,728**
Change in net position	(50,103,101)	(13,005,208)
Net position at beginning of year, as restated (Note 4)	(119,021,272)	256,759,823
Net position at end of year	**$ (169,124,373)**	**$ 243,754,615**

See Notes to the Financial Statements

Component Unit	
OCFA Foundation	
2015	**2014**
$ -	$ -
61,633	33,010
-	-
-	-
61,633	**33,010**
-	-
62,038	60,174
-	-
62,038	**60,174**
405	27,164
-	-
-	-
-	-
-	-
-	**-**
405	27,164
104,509	77,345
$ 104,914	**$ 104,509**

Orange County Fire Authority Safety Message

Home Escape Plans
(Part 3 of 4)

(Continued from Page 27)

If You Are Trapped – Shelter in Place

- ✓ If smoke, heat, or flames block your exit routes, stay in the room with the door closed. Stuff the cracks around the doors with bedding, towels, clothing, or pillows to keep smoke out.

- ✓ Wait at the window and signal for help with a flashlight or by waving a light-colored cloth. If there is a telephone in the room, call 9-1-1 and report your exact location.

Getting Out

- ✓ Once a fire starts, it spreads rapidly. Normal exits may become filled with intense heat and blinding smoke.

- ✓ Because smoke and heat rise, cleaner air will be found near the floor. If you must exit through smoke, crawl on your hands and knees, keeping your head 12-24 inches above the floor.

(Continued on Page 33)

Fund Financial Statements

Orange County Fire Authority Safety Message

Home Escape Plans
(Part 4 of 4)

(Continued from Page 32)

Once You Are Out – Stay Out!

- ✓ Once you are out, do not go back in for any reason.
- ✓ If people are trapped, the firefighters have the best chance of rescuing them. Firefighters have the training, experience, and protective equipment needed to enter burning buildings.
- ✓ Do not go back in to find pets, money, or valuables.

ORANGE COUNTY FIRE AUTHORITY
Governmental Funds
Balance Sheet
June 30, 2015
(With Comparative Data for Prior Year)

	General Fund	Facilities Maintenance and Improvements
Assets:		
Cash and investments (Note 5)	$ 109,157,641	$ -
Receivables:		
Accounts, net (Note 6)	2,552,672	-
Accrued interest	27,902	-
Prepaid costs and other assets	31,127,148	-
Due from other governments, net (Note 7)	6,967,289	-
Total assets	**$ 149,832,652**	**$ -**
Liabilities:		
Accounts payable	$ 3,106,977	$ -
Accrued liabilities	12,828,886	-
Unearned revenue (Note 9)	3,234,898	-
Due to other governments (Note 8)	10,072,547	-
Total liabilities	**29,243,308**	**-**
Deferred Inflows of Resources:		
Unavailable revenue (Note 9)	316,087	-
Total deferred inflows of resources	**316,087**	**-**
Fund balances:		
Nonspendable - prepaid costs (Note 10)	31,127,148	-
Restricted for (Note 11):		
Capital improvement program	-	-
Operations Department	55,538	-
Community Risk Reduction Department	-	-
Committed to - SFF cities enhancements (Note 12)	691,265	-
Assigned to (Note 13):		
Capital improvement program	233,180	-
Workers' compensation	68,494,796	-
Executive Management	98,415	-
Operations Department	46,859	-
Community Risk Reduction Department	354	-
Business Services Department	66,963	-
Support Services Department	259,845	-
Organizational Planning Department	33,890	-
Communications and IT projects	48,528	-
Fire apparatus and other vehicles	-	-
Fire station construction	-	-
Unassigned (Note 14)	19,116,476	-
Total fund balances	**120,273,257**	**-**
Total liabilities, deferred inflows of resources, and fund balances	**$ 149,832,652**	**$ -**

See Notes to the Financial Statements

Capital Projects Funds			**Total Governmental Funds**	
Communications and Information Systems	**Fire Apparatus**	**Fire Stations and Facilities**	**2015**	**2014**
$ 19,002,170	$ 24,957,220	$ 11,670,475	$ 164,787,506	$ 160,237,038
-	527,289	896,991	3,976,952	2,117,990
9,231	950	58,538	96,621	127,913
32,946	-	-	31,160,094	30,849,987
-	-	-	6,967,289	10,003,360
$ 19,044,347	**$ 25,485,459**	**$ 12,626,004**	**$ 206,988,462**	**$ 203,336,288**
$ 388,492	$ 1,107	$ 105,762	$ 3,602,338	$ 3,500,754
-	-	-	12,828,886	11,540,122
-	43,920	-	3,278,818	3,065,827
-	-	-	10,072,547	3,055,935
388,492	**45,027**	**105,762**	**29,782,589**	**21,162,638**
-	-	-	316,087	1,000,139
-	**-**	**-**	**316,087**	**1,000,139**
32,946	-	-	31,160,094	30,844,987
-	-	533,232	533,232	1,044,040
-	-	-	55,538	32,015
-	-	-	-	267
-	-	-	691,265	784,617
18,528,376	17,409,649	11,987,010	48,158,215	55,012,800
-	-	-	68,494,796	60,921,529
-	-	-	98,415	90,529
-	-	-	46,859	75,416
-	-	-	354	-
-	-	-	66,963	58,254
-	-	-	259,845	119,678
-	-	-	33,890	-
94,533	-	-	143,061	1,610,018
-	8,030,783	-	8,030,783	3,197,280
-	-	-	-	4,491,421
-	-	-	19,116,476	22,890,660
18,655,855	**25,440,432**	**12,520,242**	**176,889,786**	**181,173,511**
$ 19,044,347	**$ 25,485,459**	**$ 12,626,004**	**$ 206,988,462**	**$ 203,336,288**

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015
(With Comparative Data for Prior Year)

	2015	2014
Fund balances of governmental funds	**$ 176,889,786**	**$ 181,173,511**
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	314,353,552	301,503,238
Accumulated depreciation/amortization	(115,106,710)	(109,861,895)
Long-term Liabilities and Receivables		
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. A portion of OCFA's long-term liability for compensated absences is reimbursable by the City of Santa Ana, and therefore offset by a long-term receivable. Long-term receivables are not available to fund the activities of the current period, and are likewise not reported as governmental fund assets. All assets and liabilities, both current and long-term, are reported in the Statement of Net Position.		
OCERS pension plan	(402,392,752)	-
Extra Help pension plan	(246,444)	-
Capital lease purchase agreements	(8,446,726)	(10,723,689)
Accrued claims and judgments	(62,372,690)	(56,789,859)
Compensated absences	(16,296,101)	(16,172,504)
Long-term receivable for compensated absences	1,735,488	1,717,006
Net OPEB obligation	(57,553,126)	(48,085,317)

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

	2015	2014
Accrued Interest		
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds. Accrued interest was calculated and reported in the Statement of Net Position.	(4,737)	(6,015)
Unavailable Revenues		
Unavailable revenues are reported in the governmental funds if not collected or expected to be collected within the OCFA's availability period. However, amounts relating to unavailable revenues are not reported in the Statement of Net Position since revenue recognition is not based upon measurable and available criteria.		
Due from other governments - property tax increment	-	367,964
Due from other governments - Santa Ana start-up costs	316,087	632,175
Net position of governmental activities	**$ (169,124,373)**	**$ 243,754,615**

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, 2015
(With Comparative Data for Prior Year)

	General Fund	Facilities Maintenance and Improvements
Revenues:		
Taxes	$ 205,141,237	$ -
Intergovernmental	23,565,214	-
Charges for services	100,619,516	-
Use of money and property	651,975	-
Miscellaneous	1,120,697	-
Developer contributions	-	-
Total revenues	**331,098,639**	**-**
Expenditures:		
Current - public safety:		
Salaries and benefits	285,988,997	-
Services and supplies	40,317,142	-
Capital outlay	703,370	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	330,741	-
Total expenditures	**327,340,250**	**-**
Excess (deficiency) of revenues over (under) expenditures	3,758,389	-
Other financing sources (uses):		
Transfers in (Note 15)	3,844,414	-
Transfers out (Note 15)	(3,000,906)	(2,710,702)
Sale of capital and other assets	134,123	-
Insurance recoveries	32,948	-
Total other financing sources (uses)	**1,010,579**	**(2,710,702)**
Net change in fund balances	4,768,968	(2,710,702)
Fund balances, beginning of year	115,504,289	2,710,702
Fund balances, end of year	**$ 120,273,257**	**$ -**

See Notes to the Financial Statements

Capital Projects Funds			Total Governmental Funds	
Communications and Information Systems	**Fire Apparatus**	**Fire Stations and Facilities**	**2015**	**2014**
$ -	$ -	$ -	$ 205,141,237	$ 190,873,689
-	-	-	23,565,214	19,111,811
-	1,381,161	-	102,000,677	97,705,183
57,488	87,984	44,075	841,522	932,284
253,528	155,579	150,172	1,679,976	1,677,853
-	527,289	7,779,918	8,307,207	1,271,400
311,016	**2,152,013**	**7,974,165**	**341,535,833**	**311,572,220**
-	-	-	285,988,997	257,134,030
132,460	3,072	37,696	40,490,370	40,187,878
1,441,647	3,673,667	10,826,114	16,644,798	7,681,418
-	2,276,963	-	2,276,963	2,219,152
-	254,760	-	585,501	421,845
1,574,107	**6,208,462**	**10,863,810**	**345,986,629**	**307,644,323**
(1,263,091)	(4,056,449)	(2,889,645)	(4,450,796)	3,927,897
3,000,906	-	-	6,845,320	5,370,375
(1,133,712)	-	-	(6,845,320)	(5,370,375)
-	-	-	134,123	77,077
-	-	-	32,948	360,803
1,867,194	**-**	**-**	**167,071**	**437,880**
604,103	(4,056,449)	(2,889,645)	(4,283,725)	4,365,777
18,051,752	29,496,881	15,409,887	181,173,511	176,807,734
$ 18,655,855	**$ 25,440,432**	**$ 12,520,242**	**$ 176,889,786**	**$ 181,173,511**

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, 2015
(With Comparative Data for Prior Year)

	2015	2014
Net change in fund balances - total governmental funds	**$ (4,283,725)**	**$ 4,365,777**
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	16,644,798	7,681,418
Capitalized labor, included in salaries and benefits	23,975	71,063
Depreciation/amortization expense	(9,050,195)	(9,612,453)
Capital assets received through grant or donation are recognized as revenue in the Statement of Activities at their estimated fair value at time of receipt.	37,736	36,000
Governmental funds report the proceeds from sale of capital and other assets as other financing sources. In the Statement of Activities, those proceeds are offset by the net book value of the asset, resulting in a gain or loss on the sale.		
Capital asset disposals	(3,856,195)	(1,125,501)
Accumulated depreciation/amortization on disposals	3,805,380	1,089,492
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.	2,276,963	2,219,152
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	(39,860,404)	-
Extra Help pension plan	(2,905)	-
Accrued claims and judgments - workers' compensation	(5,582,831)	(7,724,930)
Compensated absences - Santa Ana general leave	(18,482)	(270,788)
Compensated absences - other leave balances	(105,115)	(204,009)

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

	2015	2014
A long-term receivable has been established in the Statement of Net Position for the portion of compensated absences reimbursable by the City of Santa Ana. The receivable balance is reduced over time as leave balances are used by employees and subsequently reimbursed by the city. Those reimbursements are reported as revenue in the governmental funds.	18,482	270,788
Contributions to the defined benefit retiree medical plan are made on a pay-as-you-go basis in the governmental fund financial statements. If actual contributions are less than the actuarially-determined required amount, the difference is reported as an expense in the Statement of Activities.	(9,467,809)	(9,768,179)
Accrued Interest		
Interest expenditures are reported when paid in the governmental funds, while the net change in accrued interest incurred for the period is recognized as interest expense in the Statement of Activities.	1,278	1,244
Unavailable Revenues		
Certain receivables and grants that have been accrued but not collected are reflected as unavailable revenue in the governmental funds. All earned revenue is recognized in the Statement of Activities regardless of when collected.		
Intergovernmental revenue - property tax increment	(367,964)	367,964
Intergovernmental revenue - grants	-	(86,158)
Charges for services - Santa Ana start-up costs	(316,088)	(316,088)
Interfund Transactions		
Transactions between governmental funds are eliminated for presentation in the government-wide financial statements.		
Transfers in	(6,845,320)	(5,370,375)
Transfers out	6,845,320	5,370,375
Use of money and property	(1,658)	(109,274)
Interest and fiscal charges	1,658	109,274
Change in net assets of governmental activities	**$ (50,103,101)**	**$ (13,005,208)**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
General Fund
Budgetary Comparison Statement
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	2015				2014
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 115,504,289**	**$ 115,504,289**	**$ 115,504,289**	**$ -**	**$ 107,585,144**
Resources (inflows):					
Taxes	195,471,965	204,827,822	205,141,237	313,415	190,873,689
Intergovernmental	11,137,559	22,054,738	23,565,214	1,510,476	19,111,811
Charges for services	100,016,486	99,053,676	100,619,516	1,565,840	96,104,840
Use of money and property	1,031,646	570,261	651,975	81,714	540,980
Miscellaneous	950,700	1,145,842	1,120,697	(25,145)	1,352,043
Transfers in	-	3,844,414	3,844,414	-	-
Sale of capital and other assets	50,000	115,148	134,123	18,975	77,077
Insurance recoveries	-	5,135	32,948	27,813	360,803
Total resources (inflows)	**308,658,356**	**331,617,036**	**335,110,124**	**3,493,088**	**308,421,243**
Amounts available for appropriations	**424,162,645**	**447,121,325**	**450,614,413**	**3,493,088**	**416,006,387**
Charges to appropriation (outflows):					
Salaries and benefits	284,344,557	293,077,462	285,988,997	7,088,465	257,134,030
Services and supplies	36,777,318	44,876,227	40,317,142	4,559,085	37,432,923
Capital outlay	34,127	1,380,184	703,370	676,814	455,496
Interest and fiscal charges	895,000	329,083	330,741	(1,658)	109,274
Transfers out	584,592	3,000,906	3,000,906	-	5,370,375
Total charges to appropriations	**322,635,594**	**342,663,862**	**330,341,156**	**12,322,706**	**300,502,098**
Budgetary fund balance, June 30	**$ 101,527,051**	**$ 104,457,463**	**$ 120,273,257**	**$ 15,815,794**	**$ 115,504,289**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2015
(With Comparative Data for Prior Year)

	Pension Trust Funds	Total Pension Trust Funds	
	Extra Help Retirement	**2015**	**2014**
Assets:			
Cash and investments (Note 5):			
Local Agency Investment Fund -			
Domestic fixed income securities	$ 73,031	$ 73,031	$ 64,464
Total assets	**73,031**	**73,031**	**64,464**
Net position restricted for pensions	**$ 73,031**	**$ 73,031**	**$ 64,464**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	Pension Trust Funds	Total Pension Trust Funds	
	Extra Help Retirement	2015	2014
Additions:			
Contributions:			
Employer	$ 2,481	$ 2,481	$ 2,117
Plan members	11,831	11,831	13,542
Total contributions	14,312	14,312	15,659
Net investment income:			
Interest	714	714	586
Total net investment income	714	714	586
Total additions	**15,026**	**15,026**	**16,245**
Deductions:			
Benefits and refunds paid to plan members and beneficiaries	6,459	6,459	8,676
Total deductions	**6,459**	**6,459**	**8,676**
Change in net position	8,567	8,567	7,569
Net position, beginning of year	64,464	64,464	56,895
Net position, end of year	**$ 73,031**	**$ 73,031**	**$ 64,464**

See Notes to the Financial Statements

Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY

Index to Notes to the Financial Statements

Year ended June 30, 2015

Orange County Fire Authority Safety Message

Wildfire Preparedness

Ready, Set, Go!
(Part 1 of 3)

Many residents have built their homes and landscaped without fully understanding the impact that could result from wildfire. There may not be a lot of time to figure out who is home, what to take, where or when to go. Take personal responsibility and learn what you can do today.

Firefighters train hard to prepare for wildfires. Residents need to do the same!

Ready

✓ Take personal responsibility and prepare long before the threat of a wildfire so your home is ready in case of a fire.

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ORANGE COUNTY FIRE AUTHORITY

Notes to the Financial Statements

Year ended June 30, 2015

(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 joined the OCFA as members.

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

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

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

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

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

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

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

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

- The **OCFA Foundation** ("Foundation") was established by the OCFA Board of Directors in July 2010, and qualifies as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The purpose of the Foundation is to support the OCFA with the additional resources needed to provide an enhanced level of fire prevention, suppression, and emergency medical services to the citizens of Orange County. The Foundation assists the OCFA by conducting fundraising activities and securing non-government grant funds, services, materials, and contributions that support OCFA's mission. The 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 the OCFA's Board appointed the first three Foundation Directors from among existing OCFA Board members. As of June 30, 2015, 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 the OCFA, because the nature and significance of its relationship with the OCFA is such that its exclusion would cause the OCFA's financial statements to be misleading or incomplete. Within these financial statements, the Foundation is reported as a discrete component unit in the government-wide financial statements. The Foundation also issues separate, component unit financial statements that may be obtained through written request from the OCFA Finance Division at 1 Fire Authority Road, Irvine, California 92602.

(b) Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The 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 the 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. The OCFA has elected to report all of its governmental funds as major funds.

- The **General Fund** is the primary operating fund of the OCFA and is used to account for all financial resources not accounted for and reported in another fund. The General Fund accounts for the financial activities of providing fire suppression, protection, prevention and related services to the 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 **Facilities Maintenance and Improvements Fund** is a capital projects fund used to account for significant capital projects that provide for either the maintenance or improvement of OCFA's facilities. During Fiscal Year 2014/15, the Board of Directors approved the closure of this fund effective July 1, 2014.

- 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. The OCFA's pension trust fund accounts for the cost of the extra help post-employment defined benefit retirement plan.

(d) Deposits and Investments

The 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 value at which a financial instrument could be exchanged, other than in a forced or liquidation sale), in accordance with GASB Statement No. 31. The 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 of Orange bills and collects the property taxes and distributes them to the 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 the OCFA as assets with an estimated useful life in excess of one year and with an initial, individual cost of $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or developer-contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. OCFA's capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

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

(h) Deferred Outflows and Inflows of Resources

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

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

(i) Compensated Absences

The 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 has been accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if it has matured (for example, as a result of employee resignations or retirements).

(j) Long-term Obligations

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

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

(k) Pensions

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

(l) Fund Equity

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

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

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

- **Committed** fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as the 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 the OCFA for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of

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

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

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the OCFA's *Flow Assumptions Policy* specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the 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, the OCFA established a General Fund Contingency Reserve ("operating contingency") at 15% of budgeted operating revenues, which was subsequently revised to 10% of budgeted non-grant operating expenditures. The 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. In addition, certain amounts pertaining to pension plans are not comparable due to the implementation of GASB Statements No. 68 and No. 71 as further described in Note 3.

(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

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

Perspective differences occur when the framework used for budgeting differs from the fund structure used for financial reporting. The OCFA's General Fund consists of four separately-budgeted funds that have been combined and consolidated for financial statement presentation. The table below reconciles fund balance for the General Fund as reported on the budgetary basis to the presentation in the financial statements. The Supplementary Schedules section of this report includes additional General Fund combining schedules for balance sheet, budgetary data, and actual operating data for the year ended June 30, 2015.

	Fund Balance as of June 30, 2015
Budgetary basis:	
General Operating Fund	$ 50,688,802
General Fund Capital Improvement Program (CIP)	398,394
Structural Fire Entitlement	691,265
Self Insurance	68,494,796
General Fund for financial statement presentation	$120,273,257

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, the Fire Chief may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of the OCFA to review the budgets mid-year and, if necessary, recommend changes to the Board. The following is a summary of the originally adopted expenditure budget (including carryovers of unexpended prior year encumbrances and transfers out) compared to the final budget by budgeted fund:

Fund	Original Budget	Increase/ (Decrease)	Final Budget
General Fund	$322,635,594	$20,028,268	$342,663,862
Facilities Maintenance and Improvements	1,303,812	1,406,890	2,710,702
Communications and Information Systems	4,322,107	4,632,583	8,954,690
Fire Apparatus	10,506,098	5,568,450	16,074,548
Fire Stations and Facilities	4,491,421	6,541,928	11,033,349
Total budgeted governmental funds	$343,259,032	$38,178,119	$381,437,151

(b) Emergency Appropriations Policy

In September 2008, the Board adopted the Emergency Appropriations Policy to provide a means of increasing budgeted appropriations in the event that extraordinary fire or emergency incident activity occurs after the last Board meeting of the fiscal year, which may cause expenditures to exceed the authorized General Fund budget. The contingency appropriation, which may not exceed $3,000,000 each fiscal year, is established for unforeseen requirements, primarily salary and employee benefits for extraordinary fire or emergency response. No expenditures may be made directly against the contingency appropriations; however, OCFA management may recommend a transfer from the contingency appropriations to a specific purpose appropriation. The Chair of the Board of Directors or the Vice Chair, in the absence of the Chair, must pre-approve any such transfers. Upon approval by the Chair or Vice Chair, notice of this transfer must be provided immediately to the full Board in writing. There were no transfers made from the contingency appropriations during the year ended June 30, 2015; therefore, the budgetary comparison statements and schedules included in the financial statements do not reflect any increase to the final budgeted expenditures.

(c) Encumbrance Accounting

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

(3) Implementation of New Accounting Standards

During the year ended June 30, 2015, OCFA implemented the following new accounting standards as required by the Governmental Accounting Standards Board (GASB):

- **GASB Statement No. 68** *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.* This statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts and equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements.

- **GASB Statement No. 71** *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68.* The provisions of this statement are required to be applied simultaneously with the provisions of Statement No. 68.

Prior to the implementation of GASB Statements No. 68 and 71, there was a close relationship between how governments funded pensions and how they accounted for and reported pension information in their financial statements. A pension liability was reported only if there was a cumulative difference between the required and actual contributions made to the pension plan. Prior to Fiscal Year 2014/15, OCFA did not report a long-term liability for pensions since all required contributions, as determined by actuarial valuation, were contributed annually. Under the new accounting standards, the funding of OCFA's pension liability is completely disconnected from how the liability and related pension expense is reported in the financial statements.

Although the factual situation of OCFA's pension plan has not changed in Fiscal Year 2014/15, the guidance provided in GASB Statements No. 68 and 71 is a definitive shift from a ***funding-based approach*** to an ***accounting-based approach*** in financial reporting for pensions.

The table below summarizes the impact of implementing GASB Statements No. 68 and 71 to the Statement of Net Position as of July 1, 2014:

	OCERS Pension Plan	Extra Help Pension Plan	Net Impact to Beginning Net Position of Governmental Activities
Net pension liability	$(442,651,348)	$(245,656)	$(442,897,004)
Deferred outflows of resources	80,119,000	2,117	80,121,117
Total prior period adjustment	$(362,532,348)	$(243,539)	$(362,775,887)

Additional accounting standards that became effective during the year ended June 30, 2015, but that were not applicable to OCFA's financial reporting included GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, and Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

(4) Prior Period Adjustment

During the year ended June 30, 2015, OCFA restated beginning net position of governmental activities by a net decrease of $362,775,887, in conjunction with the implementation of GASB Statements No. 68 and 71. Additional information regarding this new accounting standard is included in Note 3.

	Primary Government Net Position of Governmental Activities
As previously reported	$ 243,754,615
Prior period adjustment	(362,775,887)
As restated	$(119,021,272)

(5) Cash and Investments

(a) Financial Statement Presentation

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

Cash and investments as of June 30, 2015, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Governmental activities	$164,787,506
Discretely presented component unit – OCFA Foundation	108,720
Statement of Fiduciary Net Position:	
Fiduciary funds	73,031
Total cash and investments	$164,969,257

Cash and investments consist of the following as of June 30, 2015:

Petty cash / cash on hand	$ 13,644
Demand deposits	1,136,591
Investments	163,819,022
Total cash and investments	$164,969,257

(b) Demand Deposits

At June 30, 2015, the carrying amount of the OCFA's demand deposits was $1,136,591 and the bank balance was $1,369,440. The $232,849 difference represents outstanding checks and other reconciling items.

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

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

The table below identifies the investment types that are authorized by the OCFA's investment policy and by the California Government Code Section 53600 et seq. and Section 5922(d). The table also identifies certain provisions of the California Government Code (or the 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 the OCFA rather than the general provisions of the 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 the OCFA's investment policy.

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

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

(d) Investments Authorized by Debt Agreements

Proceeds of bonds or other indebtedness and any moneys set aside and pledged to secure payment of bonds may be invested in accordance with the resolution, indenture or statutory provisions governing the issuance of the indebtedness. The OCFA did not have any investments held by fiscal agent during Fiscal Year 2014/15.

(e) Investments in State Investment Pool

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

(f) GASB Statement No. 31

The OCFA adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the OCFA reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

(g) Credit Risk

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

	Minimum Rating Required	Rating at Year-End Aaa / AA+ / AAA	P1 / A1+	Unrated	Fair Value
Federal agency securities	N/A	$86,974,590	$ -	$ -	$ 86,974,590
Commercial paper	P1/A1/F1	-	8,573,368	-	8,573,368
Money market mutual funds	Aaa/AAA	-	-	18,252,265	18,252,265
LAIF	N/A	-	-	50,018,799	50,018,799
Total		$86,974,590	$8,573,368	$68,271,064	$163,819,022

(h) Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The OCFA's investment policy requires that collateral be held by an independent third party with whom the 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. The 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 the OCFA's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. As of June 30, 2015, none of the OCFA's deposits or investments was exposed to disclosable custodial credit risk.

(i) Concentration of Credit Risk

The 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, 2015, the OCFA is in compliance with the investment policy's restrictions. In addition, GASB 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, 2015, are summarized below.

Issuer	Fair Value	% of Portfolio
Federal Home Loan Bank (FHLB)	$50,991,330	31.1%
Freddie Mac	17,995,770	11.0%
Federal Farm Credit Bank (FFCB)	17,987,490	11.0%
General Electric	8,573,368	5.2%

(j) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The OCFA's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The 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. The OCFA has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2015, the OCFA had the following investments and maturities:

	Investment Maturities in Months			
	6 or Less	7 to 12	13 to 60	Fair Value
Federal agency securities	$44,996,580	$ 9,000,270	$32,977,740	$ 86,974,590
Commercial paper	8,573,368	-	-	8,573,368
Money market mutual funds	18,252,265	-	-	18,252,265
LAIF	-	50,018,799	-	50,018,799
Total	$71,822,213	$59,019,069	$32,977,740	$163,819,022

As of June 30, 2015, the 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	0.424%	4/22/2016	$9,000,270
Federal Home Loan Bank (FHLB)	Anytime	0.624%	8/9/2017	6,000,600
Federal Home Loan Bank (FHLB)	7/9/2015	0.584%	11/9/2017	8,992,890
Federal Farm Credit Bank (FFCB)	7/22/2015	0.998%	1/22/2018	8,987,220
Freddie Mac	12/23/2015	0.904%	3/23/2018	8,997,030

(6) Accounts Receivable

Accounts receivable, net of an allowance for doubtful accounts, consists of the following as of June 30, 2015:

	Governmental Funds			
	General Fund	Fire Apparatus	Fire Stations and Facilities	Total
Fire prevention/late fees	$ 526,367	$ -	$ -	$ 526,367
Ambulance/other reimbursements	2,140,629	-	-	2,140,629
Due from developers	-	527,289	896,991	1,424,280
Other/miscellaneous	59,841	-	-	59,841
Accounts receivable	2,726,837	527,289	896,991	4,151,117
Allowance for doubtful accounts	(174,165)	-	-	(174,165)
Accounts receivable, net	$2,552,672	$527,289	$896,991	$3,976,952

(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, 2015:

	Governmental Funds General Fund	Governmental Activities
Fire protection and other services:		
Cash contract cities – start-up costs	$ 316,087	$ 316,087
Cash contract cities – leave balances and other contract costs	12,137	1,747,625
State responsibility area	888,721	888,721
Airport rescue firefighting	358,485	358,485
Other services	151,807	151,807
Subtotal	1,727,237	3,462,725
Assistance by hire/activation	1,214,485	1,214,485
Grants	762,878	762,878
Property tax/tax increment	3,259,689	3,259,689
Other/miscellaneous	3,000	3,000
Due from other governments	6,967,289	8,702,777
Allowance for doubtful accounts	-	-
Due from other governments, net	$6,967,289	$8,702,777

(8) Due to Other Governments

Amounts due to other governments, as reported in both the governmental funds (General Fund) and governmental activities, consist of the following as of June 30, 2015:

Government Agency	Jurisdictional Equity Adjustment Payments (JEAP's)	Accrued Interest on Unpaid JEAP's	Other	Total
City of Irvine	$9,501,321	$15,861	$ -	$ 9,517,182
City of Laguna Woods	5,616	5	-	5,621
City of Lake Forest	155	-	-	155
City of Rancho Santa Margarita	135,571	128	-	135,699
County of Orange	335,293	317	78,280	413,890
Due to other governments	$9,977,956	$16,311	$78,280	$10,072,547

With the ratification of the OCFA's Second Amendment to the Joint Powers Agreement (JPA), Jurisdictional Equity Adjustment Payments (JEAP's) are required for qualifying structural fire fund members. On August 7, 2014, a Superior Court judge ruled the Second Amendment to the JPA invalid and OCFA has appealed the ruling. Since that time, JEAP amounts due to structural fire fund members, plus accrued interest, have not been disbursed pending resolution of the appeal.

(9) Unearned and Unavailable Revenue

Unavailable revenue in the governmental funds consists of amounts that are considered *unavailable* to finance the expenditures of the current fiscal period. Only the amounts that are *unearned* are reported as liabilities of governmental activities. Unearned and unavailable revenues consist of the following as of June 30, 2015:

	Governmental Funds			
	General Fund	Fire Apparatus	Total	Governmental Activities
Unearned revenue:				
City of Santa Ana contract – July 2015	$3,065,246	$43,920	$3,109,166	$3,109,166
Good faith deposit for Fiscal Year 2015/16 TRAN	150,000	-	150,000	150,000
Helicopter hangar rental deposits	10,862	-	10,862	10,862
Helicopter hangar rent – July 2015	8,515	-	8,515	8,515
Miscellaneous cash advances	275	-	275	275
Total	$3,234,898	$43,920	$3,278,818	$3,278,818
Unavailable revenue:				
City of Santa Ana start-up costs	$ 316,087	$ -	$ 316,087	

(10) Fund Balance of Governmental Funds – Nonspendable

Prepaid costs are reported as an asset until the expenditures are recognized proportionately over the future period in which the services are to be provided. An amount equal to the asset is reported as nonspendable fund balance in the governmental funds, since these amounts are not in a spendable form. Nonspendable fund balance consists of the following as of June 30, 2015:

Not in Spendable Form	General Fund	Communications and Information Systems	Total
Retirement contributions:			
Fiscal Year 2015/16	$29,539,884	$ -	$29,539,884
Fiscal Year 2014/15	1,123,647	-	1,123,647
Maintenance and support	252,869	17,091	269,960
Warranties	113,457	15,855	129,312
Subscriptions and memberships	50,018	-	50,018
Other	47,273	-	47,273
Total	$31,127,148	$32,946	$31,160,094

In January 2014 and 2015, OCFA prepaid a portion of its retirement contributions to the Orange County Employees Retirement System (OCERS) totaling $29,214,818 and $29,539,884, respectively. The prepayments produced savings of over $2.0 million in Fiscal Year 2014/15, and are expected to produce savings of over $1.7 million in Fiscal Year 2015/16. Due to the timing of the pay period calendar, the unamortized balance of the January 2014 prepayment totaled $1,123,647 as of June 30, 2015. The entire amount of the January 2015 prepayment was unamortized as of June 30, 2015. Other prepaid items as of

June 30, 2015, included various equipment warranties on mobile data computers, laptops, computers, pagers, tablets, and defibrillators; and other miscellaneous amounts such as annual maintenance and support fees, subscriptions, and professional memberships.

(11) Fund Balance of Governmental Funds – Restricted

Restricted fund balance in the General Fund includes grant-funded or other restricted, unexpended encumbrances outstanding at year-end, as well as donations received for specific programs. Restricted fund balance in the Fire Stations and Facilities Fund includes CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations. Restricted fund balance consists of the following as of June 30, 2015:

	General Fund	Fire Stations and Facilities	
	Operations Department	Capital Improvement Program	Total
Purpose of encumbrances:			
USAR grant program	$35,477	$ -	$ 35,477
California Joint Apprenticeship Committee	15,490	-	15,490
	50,967	-	50,967
Donations – disaster preparation academy	4,571	-	4,571
CALFIRE station(s)	-	533,232	533,232
	$55,538	$533,232	$588,770

(12) 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, 2015, the remaining unspent amount totaling $691,265 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	$ 27,104
Dana Point	9,325
Irvine	584,265
Laguna Niguel	52,893
Rancho Santa Margarita	17,678
	$691,265

(13) Fund Balance of Governmental Funds – Assigned

Assigned fund balance includes the following as of June 30, 2015:

Capital Improvement Program	$ 48,158,215
Workers' compensation	68,494,796
Assigned, unexpended encumbrances	8,680,170
	$125,333,181

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 $48,158,215 as of June 30, 2015, and is reported in the General Fund ($233,180), Communications and Information Systems Fund ($18,528,376), Fire Apparatus Fund ($17,409,649) and Fire Stations and Facilities Fund ($11,987,010).

- 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 $68,494,796 as of June 30, 2015.

Assigned fund balance pertaining to unexpended encumbrances outstanding as of June 30, 2015, totaled $8,680,170 and is summarized below for each governmental fund:

	Communications and Information Systems	Fire Apparatus
Purpose of Encumbrance	Communications and IT Projects	Fire Apparatus and Other Vehicles
100' tractor drawn aerials	$ -	$5,227,858
Type 1 combo engines	-	2,138,153
Sport utility vehicles	-	444,990
Vehicle outfitting	-	151,146
Brush bandit chipper	-	68,636
Fire station alerting system	46,204	-
RFOTC audio visual upgrade	48,329	-
	$94,533	$8,030,783

	General Fund							
Purpose of Encumbrance	Executive Management	Operations Department	Community Risk Reduction Department	Business Services	Support Services Department	Organizational Planning Department	Communications and IT Projects	Total
Sharepoint support	$ -	$ -	$ -	$ -	$ 79,824	$ -	$ -	$ 79,824
Clothing and supplies	-	-	-	66,963	-	-	-	66,963
Mobile lifting system	-	-	-	-	64,676	-	-	64,676
Facilities maintenance	-	-	-	-	52,061	-	-	52,061
Fire station alerting	-	-	-	-	-	-	48,528	48,528
Rescue harnesses/tools	-	-	-	-	-	33,890	-	33,890
Fixed asset appraisal	34,500	-	-	-	-	-	-	34,500
Exercise equipment	-	23,329	-	-	-	-	-	23,329
Community education	23,195	-	-	-	-	-	-	23,195
Labor negotiator	20,720	-	-	-	-	-	-	20,720
Other	20,000	23,530	354	-	63,284	-	-	107,168
	$98,415	$46,859	$354	$66,963	$259,845	$33,890	$48,528	$554,854

(14) Fund Balance of Governmental Funds – Unassigned

Unassigned fund balance in the General Fund consists of the following as of June 30, 2015:

10% Operating Contingency	$19,116,476
All other residual amounts available for any purpose	-
Total	$19,116,476

The total amount of the 10% Operating Contingency calculation was $29,745,723 as of June 30, 2015, which exceeded the General Fund's total unassigned fund balance by $10,629,247.

(15) Interfund Transfers

Interfund transfers are used to move revenues from the fund required by statue or budget to collect them to the fund required by statute or budget to expend them. Interfund transfers for the year ended June 30, 2015, are as follows:

Fund	Transfers In		Transfers Out	
General Fund	$3,844,414	(#2)	$3,000,906	(#1)
Facilities Maintenance and Improvements	-		2,710,702	(#2)
Communications and Information Systems	3,000,906	(#1)	1,133,712	(#2)
Total	$6,845,320		$6,845,320	

(#1) Transfers totaling $3,000,906 were made from the General Fund to the Communications and Information Systems Fund for current and future capital improvement projects identified in the Capital Improvement Plan.

(#2) The Board of Directors approved a new *Capital Projects Fund Policy* effective July 1, 2014. Under the new policy, the Facilities Maintenance and Improvements Fund was closed since it no longer met the criteria to be reported as a capital projects fund, resulting in transfers totaling $2,710,702 to the General Fund. In addition, several projects were no longer considered eligible to be tracked in the Communications and Information Systems Fund, resulting in additional transfers totaling $1,133,712 to the General Fund. Transfers back to the General Fund represent both ongoing operating costs and certain current and future projects from the Capital Improvement Plan that will be accounted for in the General Fund effective July 1, 2014.

(16) Capital Assets

(a) Changes in Capital Asset Balances by Asset Class

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not depreciated/amortized:					
Land	$ 37,887,850	$ -	$ -	$ -	$ 37,887,850
Construction in progress	509,142	4,583,146	-	-	5,092,288
Work in progress	3,808,738	4,328,973	(18,272)	(3,998,150)	4,121,289
Total capital assets not depreciated/amortized	42,205,730	8,912,119	(18,272)	(3,998,150)	47,101,427
Capital assets depreciated/ amortized:					
Buildings	131,528,877	6,243,557	-	-	137,772,434
Equipment	55,555,368	758,474	(2,235,381)	3,998,150	58,076,611
Vehicles	72,213,263	792,359	(1,602,542)	-	71,403,080
Subtotal	259,297,508	7,794,390	(3,837,923)	3,998,150	267,252,125
Less accumulated depreciation/ amortization for:					
Buildings	(34,385,300)	(2,937,393)	-	-	(37,322,693)
Equipment	(33,339,200)	(2,564,456)	2,202,838	-	(33,700,818)
Vehicles	(42,137,395)	(3,548,346)	1,602,542	-	(44,083,199)
Subtotal	(109,861,895)	(9,050,195)	3,805,380	-	(115,106,710)
Total capital assets depreciated/amortized, net	149,435,613	(1,255,805)	(32,543)	3,998,150	152,145,415
Governmental activities capital assets, net	$191,641,343	$7,656,314	$ (50,815)	$ -	$199,246,842

(b) Net Investment in Capital Assets

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

Capital assets, net of accumulated depreciation/amortization	$199,246,842
Capital-related debt – 2011 aircraft lease refinance	(8,446,726)
Net investment in capital assets	$190,800,116

(c) Capital Assets Acquired Under Capital Lease

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

Equipment	$22,074,284
Vehicles	15,695,827
Total capital assets acquired under capital lease	$37,770,111

(d) Depreciation/Amortization Expense

Depreciation/amortization expense of $9,050,195 was charged to Public Safety in the Statement of Activities.

(17) Long-term Liabilities

(a) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, is summarized in the table below.

Governmental Activities	Beginning Balances, Restated	Additions	Deletions	Ending Balances	Due Within One Year
Net pension liability:					
OCERS pension plan	$442,651,348	$111,880,132	$ (87,563,157)	$466,968,323	$ -
Extra Help pension plan	245,656	9,728	(15,026)	240,358	-
	442,897,004	111,889,860	(87,578,183)	467,208,681	-
Capital lease purchase agreement:					
Aircraft Lease Refinance-2011	10,723,689	-	(2,276,963)	8,446,726	2,336,279
Accrued claims and judgments:					
Workers' compensation	56,789,859	12,026,082	(6,443,251)	62,372,690	7,076,667
Compensated absences	16,172,504	13,067,593	(12,943,996)	16,296,101	3,099,403
Net OPEB obligation	48,085,317	13,704,972	(4,237,163)	57,553,126	-
Total	$574,668,373	$150,688,507	$(113,479,556)	$611,877,324	$12,512,349

Beginning balances have been restated to reflect net pension liabilities totaling $442,897,004 as of July 1, 2014, in conjunction with the implementation of GASB Statements No. 68 and 71.

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

(b) Pension Plans

OCFA participates in two defined benefit pension plans that are administered through a trust or equivalent arrangement. Additional information is provided for these plans within these notes as Note 22 and Note 23. Following is a summary of plan activities as of and for the year ended June 30, 2015:

Description	OCERS Pension Plan	Extra Help Pension Plan	Total
Net pension liability	$466,968,323	$240,358	$467,208,681
Deferred outflows of resources related to pensions	85,761,443	2,481	85,763,924
Deferred inflows of resources related to pensions	(21,185,872)	(8,567)	(21,194,439)
Pension expenditures associated with net pension liabilities (as reported in the fund financial statements)	87,563,156	6,459	87,569,615
Pension expense associated with net pension liabilities (as reported in the government-wide financial statements)	127,423,560	9,364	127,432,924

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

On December 22, 2008, the OCFA entered into a Master Aircraft Lease Agreement (Agreement) with SunTrust Equipment Finance & Leasing Corp. (SunTrust). Under the terms of the Agreement, $21,515,238 was deposited into an escrow account with SunTrust Bank, Inc. (SunTrust Bank) to be used by the OCFA for the acquisition of certain aircraft equipment. The 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 the OCFA during the term of the Agreement; accordingly, the lease has been recorded as a capital lease liability of the OCFA.

On November 16, 2011, the terms of the Agreement were amended to reflect a reduction in the annual interest rate from 3.7609% to 2.58%. A 1.75% prepayment premium totaling $286,599, plus accrued interest for the period September 22, 2011 through November 16, 2011 totaling $92,386, were added to the outstanding principal balance to be repaid over the remaining life of the lease. Rental payments are payable quarterly commencing March 22, 2009, and terminating on December

22, 2018. During the year ended June 30, 2015, the OCFA made principal and interest payments totaling $2,276,963 and $254,760, respectively. The outstanding balance of the capital lease liability was $8,446,726 as of June 30, 2015. Future annual lease payment requirements are as follows:

FYE June 30	Principal	Interest	Total
2016	$2,336,279	$195,444	$2,531,723
2017	2,397,140	134,583	2,531,723
2018	2,459,589	72,134	2,531,723
2019	1,253,718	12,144	1,265,862
Total	$8,446,726	$414,305	$8,861,031

(d) Compensated Absences

OCFA is obligated to its employees for the following accumulated earned but unused leave benefits as of June 30, 2015:

	Vacation	Comp/Other	Sick Leave	Santa Ana General Leave	Total
Safety Members	$ 9,491,201	$164,816	$1,425,560	$1,711,455	$12,793,032
General Members	1,729,935	307,143	1,441,958	24,033	3,503,069
	$11,221,136	$471,959	$2,867,518	$1,735,488	$16,296,101

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

(18) Commitments and Contingencies

(a) Second Amendment Ruling

In response to concerns from OCFA's member agencies about the relationship of financial contributions to level of service received, an Equity Working Group was established to identify methods for mitigating these equity concerns. In September 2013, the Board of Directors approved a solution presented by the Equity Working Group, which required the OCFA to issue equity payments from unrestricted revenue sources to qualifying Structural Fire Fund member agencies, based on a calculation of average Structural Fire Fund Tax rate. The solution also required that the City of Irvine, OCFA's largest Structural Fire Fund member in terms of property tax revenue, remain a member of the OCFA until the year 2030. By November 2013, two thirds of the OCFA member agencies had approved the 2nd Amendment to the Joint Powers Agreement (JPA), and OCFA began to implement the new required equity measures. As of June 30, 2015, OCFA has either paid or accrued as a liability all equity payments due to Structural Fire Fund members under the provisions of the JPA.

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

(b) Outstanding Encumbrances / Commitments with Vendors

As of June 30, 2015, commitments for outstanding encumbrances (unperformed purchase orders and contracts for goods and services) by major governmental fund are as follows:

General Fund	$ 605,821
Communications and Information Systems	94,533
Fire Apparatus	8,030,783
Total outstanding encumbrances	$8,731,137

Significant individual commitments with vendors as of June 30, 2015 are identified below.

Fund / Vendor	Description	Original Commitment	Spent-to-Date	Remaining Commitment
General Fund:				
6th Street Consulting	Sharepoint support	$118,204	$38,380	$79,824
Keystone Uniforms	Academy uniforms	66,500	-	66,500
Automotive Resources, Inc.	Mobile lifting system	64,676	-	64,676
Westnet	Fire station alerting system	48,528	-	48,528
Communications and Information Systems:				
Dell Marketing, L.P.	Dell storage system	48,329	-	48,329
Westnet	Fire station alerting system	163,343	117,139	46,204
Fire Apparatus:				
KME Fire Apparatus	4 100’ tractor drawn aerials	5,227,858	-	5,227,858
KME Fire Apparatus	4 Type 1 combo engines	2,138,153	-	2,138,153
Winner Chevrolet	17 Chevy Colorado SUV’s	444,990	-	444,990
Johnson Equipment Company	Lightbars, sirens and lights	87,133	-	87,133
A-OK Power Equipment	Brush Bandit Chipper	68,637	-	68,637
DDL Traffic, Inc.	13 infrared emitters and GPS vehicle kits	56,290	-	56,290

(c) Pending Litigation

In June 2015, a former employee filed a lawsuit against OCFA in the Orange County Superior Court claiming various actions including racial discrimination, harassment, retaliation, and wrongful termination. The claim had been previously investigated and mediated in conjunction with the employee grievance process. In July 2015, OCFA filed its demurrer to the complaint, which is expected to be heard in October 2015. OCFA's legal counsel does not believe that a liability for OCFA is probable. However, if the plaintiff were to prevail at trial, he or she could possibly be entitled to damages estimated at $1 million.

(19) Lessor in Operating Lease Agreements

(a) Aircraft Hangar Leases

OCFA has entered into Aircraft Hangar Lease agreements to provide spaces to tenants in the western portion of the OCFA-owned aircraft hangar at Fullerton Municipal Airport. The original cost of the aircraft hangar's western was $2,201,950, and the net book value was $2,104,086 as of June 30, 2015. Fiscal Year 2014/15 depreciation expense totaled $48,932. The terms of the agreements are as follows:

Lessee/Tenant	Agreement Date	Term	Initial Monthly Rent	Automatic Annual Rent Increase
Ladera Aircraft, LLC	October 30, 2013	Five Years	$4,924	2.5%
Lidar America, LLC	June 1, 2015	Five Years	$5,391	2.5%

Future potential rental revenue under the terms of the leases is as follows:

Fiscal Year	Ladera Aircraft, LLC	Lidar America, LLC	Total
2015/16	$ 61,572	$ 64,827	$ 126,399
2016/17	63,108	66,450	129,558
2017/18	64,688	68,110	132,798
2018/19	21,740	69,817	91,557
2019/20	-	65,461	65,461
	$211,108	$334,665	$545,773

(b) Wireless Communications Facilities Site Lease

On March 24, 2011, the 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. Vista 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. Vista pays $1,250 for each month in which there is one or no carrier on one of the towers, and $1,000 per month for each additional carrier occupied on each tower beyond the first carrier. Base rent automatically increases by 3% annually.

OCFA began collecting base rent in July 2012, with rent for a second and third carrier commencing in June and October 2013, respectively. Rental revenue totaled $40,955 for Fiscal Year 2014/15. Future potential rental revenue, assuming rent for the three additional carriers will commence January 1, 2016, is as follows:

Fiscal Year(s)	Carriers 1-3	Carriers 4-6	Total
2015/16	$ 42,380	$ 19,674	$ 62,054
2016/17	43,853	40,485	84,338
2017/18	45,173	41,709	86,882
2018/19	46,527	42,966	89,493
2019/20	47,929	44,262	92,191
2020/21 - 2024/25	262,050	242,022	504,072
2025/26 - 2029/30	303,747	280,566	584,313
2030/31 - 2034/35	352,179	325,296	677,475
2035/36 - 2037/38	159,453	147,276	306,729
	$1,303,291	$1,184,256	$2,487,547

(20) Lessee in Operating Lease Agreements

The OCFA is obligated under operating lease agreements for the rental of various fire stations, including a land lease at Fullerton Municipal Airport:

- Twenty-six city-owned stations are leased for $1 per year through June 30, 2030. In addition, OCFA leases land from three cities for three OCFA-owned stations. The station land leases are for $1 per year and extend through June 30, 2030 (Station 6); November 26, 2057 (Station 17); and April 30, 2045 (Station 36).

- On June 14, 2010**,** the 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 CPI, from a minimum of 3% to a maximum of 5%. The term of the agreement extends forty years through July 2050, with a fifteen year extension option through July 2065.

- On August 25, 2011, the OCFA Executive Committee approved the execution of a Lease Agreement with FW Aviation, LLC for a training tower at Fire Station No. 41 Air Operations and Maintenance Facility at Fullerton Airport, which includes a helicopter training prop, an additional restroom, and approximately 600 square feet of classroom/storage area. The lease term is for ten years commencing September 2011, with an optional ten-year extension. Initial monthly rent of $1,575 will increase by $18 each year.

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

Fiscal Year(s)	City-Owned Stations/ Land Leases	Airport Land Lease	Airport Training Tower	Total
2015/16	$ 29	$ 68,952	$ 19,728	$ 88,709
2016/17	29	71,016	19,944	90,989
2017/18	29	73,140	20,160	93,329
2018/19	29	75,324	20,376	95,729
2019/20	29	77,592	20,592	98,213
2020/21 – 2024/25	145	424,272	24,282	448,699
2025/26 – 2029/30	145	491,880	-	492,025
2030/31 – 2034/35	11	570,264	-	570,275
2035/36 – 2039/40	10	661,104	-	661,114
2040/41 – 2044/45	10	766,356	-	766,366
2045/46 – 2049/50	6	872,749	-	872,755
2050/51 – 2054/55	5	112,691	-	112,696
2055/56 – 2059/60	3	-	-	3
	$480	$4,265,340	$125,082	$4,390,902

(21) Insurance

(a) Coverage Limits

OCFA has purchased commercial insurance coverage for general, auto, property, 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
General Liability:	
Each Occurrence or Wrongful Act	$1,000,000 each occurrence
General Annual Aggregate	$2,000,000
Management Liability	$1,000,000
Cyber Liability	$1,000,000
Auto Liability – Combined Single Limit	$1,000,000
Garage Keepers Legal Liability	$250,000
Umbrella Liability	$10,000,000
Property Liability:	
Buildings and Contents	Scheduled Replacement Cost
Crime – Employee Dishonesty Coverage	$1,000,000
Aircraft Hull and Liability	$50,000,000 (hull coverage applicable only to 2008 aircraft)
Pollution Liability	$1,000,000
Public Official Bonds	$1,000,000 each
Auto Verifier Bonds	$5,000 each
Excess Workers Compensation	Statutory Limits

At June 30, 2015, the OCFA had no outstanding claims which exceed insurance coverage. There have been no significant changes in insurance coverage as compared to last year, and settlements have not exceeded coverage in each of the past three fiscal years.

(b) Self-Insurance

The OCFA transitioned its program for workers' compensation insurance from Guaranteed Cost to Self-Insurance effective March 1, 2002. The 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. The OCFA utilizes the services of a third-party claims administrator for administration of workers' compensation claims.

As of June 30, 2015, accrued claims and judgments for workers' compensation totaled $62,372,690 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, 2014, 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, 2015 and 2014, including the current and long-term portions at year-end.

	Fiscal Year Ended June 30,	
	2015	2014
Unpaid claims at beginning of fiscal year	$56,789,859	$49,064,929
Incurred claims (including IBNR's)	12,026,082	13,172,346
Claim payments	(6,443,251)	(5,447,416)
Unpaid claims at end of fiscal year	$62,372,690	$56,789,859
Current portion	$ 7,076,667	$ 6,305,074
Long-term portion	55,296,023	50,484,785
Unpaid claims at end of fiscal year	$62,372,690	$56,789,859
Confidence level at end of fiscal year	50%	50%

Because of the long-term nature of this liability, it is excluded from the OCFA's governmental fund financial statements under the modified accrual basis of accounting. However, the OCFA has established a fund balance assignment for workers' compensation in the General Fund in the amount of $68,494,796. 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.

(22) Retirement Plan for Full-Time Employees

(a) General Information about the Plan

Plan Description and Administration

The OCFA participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer, defined benefit pension plan for the County of Orange, the City of San Juan Capistrano, and thirteen other agencies – Orange County Cemetery District; Orange County Children and Families Commission; Orange County Department of Education; Orange County Employees Retirement System; Orange County Fire Authority (OCFA); Orange County In-Home Supportive Services Public Authority; Orange County Local Agency Formation Commission; Orange County Public Law Library; Orange County Sanitation District; Superior Court of California; Orange County Transportation Authority; Transportation Corridor Agencies; and the University of California, Irvine Medical Center and Campus. The Orange County Department of Education and the University of California, Irvine Medical Center and Campus are closed to new member participation and only the latter has remaining active employees. Capistrano Beach, Cypress Recreation & Parks District, Orange County Vector Control District, and the City of Rancho Santa Margarita are no longer active plan sponsors, but retired members and their beneficiaries, as well as deferred members, remain in the OCERS system. OCERS is legally and fiscally independent of the County of Orange.

OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937. OCERS is governed by a ten-member Board of Retirement, including nine voting members and one alternate member. Board membership consists of four members appointed by the County of Orange Board of Supervisors and five members elected by the members of the pension system – two by the general members, two by the safety members (one voting and one alternate), and one by the retired members. The County of Orange Treasurer-Tax Collector, who is elected by the voters registered in the county, serves as an ex-officio member.

OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by OCERS. The report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

Benefits Provided

OCERS provides retirement, disability, and death benefits to general and safety members. Safety membership includes those members serving in active law enforcement, fire suppression, and as probation officers. General membership applies to all other occupations. Plan retirement benefits are tiered based upon date of OCERS membership. Tier I members were hired prior to September 21, 1979, and use their highest one-year average salary to determine their retirement allowance. Tier II members were hired after September 21, 1979, and use their highest three-year average salary to determine their retirement allowance. Member rate groups are determined by employer, bargaining unit, and benefit plan. The benefit plan represents the benefit formula and tier that will be used in calculating a retirement benefit. All regular employees scheduled to work twenty hours or more per week become members of the plan upon commencing employment with one of OCERS' plan sponsors, with the exception of a provision adopted in 2014 that allows new members over the age of 65 to opt out of the plan. Active members are vested in OCERS upon accumulating five years of accredited service or attaining the age of 70.

On September 12, 2012, California Governor Brown signed Assembly Bill 340, which created the California Public Employees' Pension Reform Act of 2012 (PEPRA) and amended sections of the 1937 Act under which OCERS operates. The law created a benefit tier for new employees entering public agency employment and public retirement system membership, effective January 1, 2013. One of the many changes brought about by PEPRA involved new retirement formulas for newly hired employees who do not establish reciprocity with OCERS. Those new formulas are 2.7% at age 57 for Safety Members and 2.5% at age 67 for General Members. Another change brought about by PEPRA requires employees who do not establish reciprocity to pay 50% of the normal retirement costs from the beginning of their employment.

In general, the retirement benefits received by members are determined by plan formula, age at retirement, years of service, and final average salary. Members are entitled to receive a retirement allowance upon reaching the following years of service and age criteria:

Years of Service Credit	Eligible Age
10 or more	Age 50
5 or more (PEPRA Members)	Age 52
30 or more (General Members)	Any age
20 or more (Safety Members)	Any age
5 or more, and at least 10 years of active employment with a sponsoring agency covered by OCERS (Part-time Members)	Age 55
Any	Age 70

The provisions and benefits provided by OCFA to its safety and general members as of June 30, 2015 are summarized below:

Benefits Provided to Safety Members					
			Representation / Bargaining Unit / Employee Hire Date		
			Orange County Professional Firefighters Association	Orange County Fire Authority Chief Officers Association	Unrepresented
Plan	Tier	Benefit Formula	Firefighter Unit	Fire Management Unit	Executive Management in Safety Positions
E	I	3.0% at 50	Prior to 7/1/2012	Prior to 7/1/2012	Prior to 7/1/2011
F	II	3.0% at 50	Prior to 7/1/2012	Prior to 7/1/2012	Prior to 7/1/2011
R	II	3.0% at 55	On or After 7/1/2012 (with reciprocity)	On or After 7/1/2012 (with reciprocity)	On or After 7/1/2011 (with reciprocity)
V	II	2.7% at 57 (PEPRA)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)

Benefits Provided to General Members					
			Representation / Bargaining Unit / Employee Hire Date		
			Orange County Employees Association	Orange County Fire Authority Management Association	Unrepresented
Plan	Tier	Benefit Formula	General and Supervisory Management	Administrative Management	Executive Management in General Positions
I	I	2.7% at 55	Prior to 7/1/2011	Prior to 12/1/2012	Prior to 12/1/2012
J	II	2.7% at 55	Prior to 7/1/2011	Prior to 12/1/2012	Prior to 12/1/2012
N	II	2.0% at 55	On or After 7/1/2011 (with reciprocity)	On or After 12/1/2012 (with reciprocity)	On or After 12/1/2012 (with reciprocity)
U	II	2.5% at 67 (PEPRA)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)

Contributions

Each year, an actuarial valuation is performed for OCERS to determine funding contributions for each agency member within their assigned rate group and plan on an actuarial basis. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability (UAAL).

The table below summarizes OCFA's required employer contribution rates and employee rates (paid by OCFA) for the year ended June 30, 2015:

Category	Plan	Tier	Benefit Formula	Employer Contribution Rates: Normal Cost	Employer Contribution Rates: UAAL	Employer Contribution Rates: Total	Employee Contribution Rates (See Below)
Safety	E	I	3.0% at 50	26.16%	23.67%	49.83%	9.75%-13.81%
Safety	F	II	3.0% at 50	26.16%	23.67%	49.83%	13.37%-19.82%
Safety	R	II	3.0% at 55	21.12%	23.73%	44.85%	12.62%-18.72%
Safety	V	II	2.7% at 57 (PEPRA)	16.41%	24.55%	40.96%	13.00%-21.25%
General	I	I	2.7% at 55	13.92%	22.78%	36.70%	10.45%-16.31%
General	J	II	2.7% at 55	13.92%	22.78%	36.70%	9.99%-16.31%
General	N	II	2.0% at 55	14.01%	22.98%	36.99%	7.59%-13.32%
General	U	II	2.5% at 67 (PEPRA)	8.50%	23.31%	31.81%	7.25%-12.00%

OCFA assumes the contribution cost for both the employer and employee. However, employees in each unit have agreed through their respective Memorandums of Understanding or Personnel and Salary Resolution to reimburse OCFA for a portion of their retirement costs. The retirement reimbursement is deducted from the employee's compensation earnable and continues throughout the employee's entire term of employment with OCFA.

Employee reimbursement rates vary depending on the individual employee's hire date and unit, and are summarized below for the year ended June 30, 2015.

Employee Hire Date	Benefit Formula	Employee Reimbursement Rate
Safety – Firefighter Unit		
Prior to 1/1/2011	3.0% at 50	9.0%* as of 7/1/2014; 11.0%** as of 11/14/2014
1/1/2011-6/30/2012	3.0% at 50	9.0% as of 7/1/2014; 11.0% as of 11/14/2014
On or After 7/1/2012 (with reciprocity)	3.0% at 55	
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
Safety – Firefighter Management Unit		
Prior to 1/1/2011	3.0% at 50	8.25%
1/1/2011-6/30/2012	3.0% at 50	9.0%
On or After 7/1/2012 (with reciprocity)	3.0% at 55	9.0%
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
Safety – Executive Management		
Prior to 7/1/2011	3.0% at 50	9.0% as of 7/1/2014; 11% as of 3/6/2015, capped at maximum employee contribution
On or After 7/1/2011 (with reciprocity)	3.0% at 55	
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
General – General and Supervisory Management		
Prior to 7/1/2011	2.7% at 55	9.0% as of 7/1/2014; 11.0% as of 3/7/2015, capped at maximum employee contribution
On or After 7/1/2011 (with reciprocity)	2.0% at 55	
On or After 1/1/2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost
General – Administrative Management		
Prior to 12/1/2012	2.7% at 55	8.25%
On or After 12/1/2012 (with reciprocity)	2.0% at 55	9.0%
On or After 1/1/2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost
General – Executive Management		
Prior to 12/1/2012	2.7% at 55	9.0% as of 7/1/2014; 11% as of 3/6/2015, capped at maximum employee contribution
On or After 12/1/2012 (with reciprocity)	2.0% at 55	
On or After 1/1//2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost

* *Consists of a 7.0% 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 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.*

For the year ended June 30, 2015, employer and employee contributions remitted to OCERS, including the amounts recognized as part of OCFA's pension expense in the government-wide financial statements, were as follows:

	Employer Contributions	Employee Contributions	Governmental Funds Pension Expenditures	Government-wide Pension Expenses
Contributions paid by OCFA	$82,699,618	$ 4,863,538	$87,563,156	$ 87,563,156
Contributions paid by employees	-	11,091,209	-	11,091,209
Contributions remitted to OCERS	$82,699,618	$15,954,747		98,654,365
Net adjustments and accruals				28,769,195
Total			$87,563,156	$127,423,560

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

As of June 30, 2015, OCFA reported net pension liabilities for its proportionate share of the net pension liability with OCERS as follows:

	Proportionate Share of Net Pension Liability
Safety	$404,329,372
General	62,638,951
Total net pension liability	$466,968,323

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, 2014, 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, 2013, rolled forward to December 31, 2014, 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, 2014 and 2015 was as follows:

	Proportion at June 30, 2014		Increase (Decrease)		Proportion at June 30, 2015	
	Amount	%	Amount	%	Amount	%
Safety	$372,209,258	7.1%	$32,120,114	0.9%	$404,329,372	8.0%
General	70,442,090	1.3%	(7,803,139)	(0.1%)	62,638,951	1.2%
Total net pension liability	$442,651,348	8.4%	$24,316,975	0.8%	$466,968,323	9.2%

For the year ended June 30 2015, OCFA recognized pension expense of $127,423,560. At June 30, 2015, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to measurement date	$33,366,000	$ -
Differences between actual and expected experience in the Total Pension Liability	-	(17,416,376)
Changes in assumptions	30,141,106	(3,769,496)
Net differences between projected and actual earnings on plan investments	22,254,337	-
Total	$85,761,443	$(21,185,872)

Deferred outflows of resources related to contributions subsequent to the measurement date totaling $33,366,000 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will also be recognized as an adjustment to pension expense as follows:

Year ended June 30,	Amount
2016	$ 7,292,394
2017	7,292,394
2018	7,292,394
2019	7,292,391
2020	1,728,809
2021	311,189
Thereafter	-
Total	$31,209,571

(c) Actuarial Assumptions

The total pension liability in the December 31, 2013, actuarial valuation was determined using the following actuarial assumptions:

	Safety	**General**
Valuation Date	December 31, 2013	
Measurement Date	December 31, 2014, 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	5.00% to 17.50% (varying by service, including inflation)	4.25% to 13.50% (varying by service, including inflation)
• Mortality:		
o Healthy	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.
o Disabled	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set forward six years for males and set forward three years for females.
o Beneficiaries	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement.	
o Employee Contribution Rates	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years weighted 80% male and 20% female.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 40% male and 60% female.

The mortality tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience in the January 1, 2011 through December 31, 2013 Actuarial Experience Study completed by OCERS.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25% as of December 31, 2014, and December 31, 2013. 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, 2014, and December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation (approved by the OCERS Retirement Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	14.90%	5.92%
Small/Mid Cap U.S. Equity	2.73%	6.49%
Developed International Equity	10.88%	6.90%
Emerging International Equity	6.49%	8.34%
Core Bonds	10.00%	0.73%
Global Bonds	2.00%	0.30%
Emerging Market Debt	3.00%	4.00%
Real Estate	10.00%	4.96%
Diversified Credit (U.S. Credit)	8.00%	4.97%
Diversified Credit (Non-U.S. Credit)	2.00%	6.76%
Hedge Funds	7.00%	4.13%
GTAA	7.00%	4.22%
Real Return	10.00%	5.86%
Private Equity	6.00%	9.60%
Total	100.00%	

Sensitivity of the Net pension Liability to Changes in the Discount Rate

The following presents OCFA's proportionate share of the net pension liability with OCERS, calculated using the discount rate of 7.25%, as well as what OCFA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Total proportionate share of net pension liability	$687,825,250	$466,968,323	$285,369,791

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OCERS financial reports.

(23) Retirement Plan for Part-Time Employees

(a) General Information about the Plan

Plan Description and Administration

OCFA administers the Extra Help Retirement Plan (Plan), a single-employer defined benefit pension plan that provides retirement benefits for its less than half-time and extra help employees. The Plan was established on January 1, 1997, and is accounted for in the Extra Help Retirement Plan fiduciary fund. The Board establishes and amends all Plan provisions, and has the authority to change contribution rates and investment types. A separate, audited pension plan report is not available.

Benefits Provided

The Plan provides retirement benefits in the form of a lifetime annuity. Retirement benefits for Plan members are calculated at the rate of 2% of career earnings during the first thirty years of credited service. Upon retirement, participants are eligible to receive their benefit either as a lump sum payment or as a monthly payment. If employment with the 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, 2015, lump sum distributions totaling $6,459 were made to five participants. Currently, there are no participants collecting retirement benefits.

Plan Membership

As of June 30, 2015, Plan membership consisted of the following:

	Balance as of June 30, 2015		
Plan Members (or Beneficiaries)	$3,500 or Less	More than $3,500	Total
Inactive; currently receiving benefits	-	-	-
Inactive; entitled to but not yet receiving benefits	36	3	39
Active	39	2	41
Total plan members	75	5	80

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, 2015, employee and employer contributions totaled $11,831 and $2,481, respectively.

(b) Investments

Method Used to Value Investments

Investments are reported at fair value.

Investment Policy

Contributions are deposited into the OCFA's Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is functionally equivalent to a non-SEC regulated government mutual fund invested in fixed income debt securities. LAIF is overseen by the Local Agency Investment Advisory Board which consists of five members, in accordance with State statute.

Concentrations

All Plan assets are invested in the Local Agency Investment Fund, which is reported at fair value of the pool shares.

(c) Net Pension Liability

Net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The Plan's net pension liability is measured as of June 30, 2015, using a bi-annual actuarial valuation as of January 1, 2014, rolled forward to June 30, 2015 using standard update procedures. A summary of components of the Plan's net pension liability as of June 30, 2015, is shown below, followed by principal assumptions and methods used to determine the net pension liability.

Total pension liability	$313,389
Plan fiduciary net position	(73,031)
Net pension liability	$240,358
Plan fiduciary net position as a % of total pension liability	23.3%

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, 2014, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	January 1, 2014
Measurement Date	June 30, 2015, rolled forward on an actuarial basis
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
• Discount rate	3.75%, net of pension investment expense, including inflation
• Inflation	3.00%
• Salary increases	3.00%, including merit, seniority, and inflation
• Investment rate of return	3.75%
• Mortality	RP-2000 mortality table for combined healthy participants to 2014 for mortality according to Scale BB
Experience study	Given the size of the plan, there was not enough data available to conduct a credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions.

Form of payment	Participants who have 5 years or less of credited service or have a contribution balance less than or equal to $3,500 are assumed to take an immediate lump sum upon termination or retirement. Participants who have worked more than 5 years or have attained age 55 are assumed to commence a modified cash refund annuity starting at age 65.
Retirement	100% retirement at age 65
Termination	Service / Rate 0 years 30% 1-3 years 50% 4 years 25% 5+ years 5%
Plan Assets	The employee contributions are deposited into the Authority's LAIF account. The LAIF account is managed by the State Treasurer's Office and is invested in fixed income securities. Quoted market value was used as the fair value of assets.

Discount Rate

The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(d) Changes in the Net Pension Liability

Changes in the Plan's net pension liability for the year were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	$310,120	$64,464	$245,656
Changes in the year:			
Difference between actual and expected experience	9,728	-	9,728
Contributions – employer	-	2,481	(2,481)
Contributions – plan members	-	11,831	(11,831)
Net investment income	-	714	(714)
Benefit payments, including refunds of employee contributions	(6,459)	(6,459)	-
Net changes	3,269	8,567	(5,298)
Balance at June 30, 2015	$313,389	$73,031	$240,358

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 3.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.75%) or one percentage point higher (4.75%) than the current rate:

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Net pension liability	$338,894	$240,358	$182,260

Pension Plan Fiduciary Net Position

As previously mentioned, the Plan does not issue a separate stand-alone financial report. More detailed information on the Plan's fiduciary net position is presented on pages 43 and 44 of this report.

(e) Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30 2015, OCFA recognized pension expense of $9,364. At June 30, 2015, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to measurement date	$2,481	$ -
Differences between actual and expected experience in the Total Pension Liability	-	(8,567)
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	-
Total	$2,481	$(8,567)

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Given the size of the Plan, there was not enough data available to conduct a credible experience study. Accordingly, 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 in the year ended June 30, 2016.

(24) Defined Benefit Retiree Medical Plan – Other Post-Employment Benefits (OPEB)

(a) Plan Description

The OCFA provides a post-employment Retiree Medical Plan (Plan), a single-employer defined benefit plan, for its full-time employees hired prior to January 1, 2007. The Plan, which was established on January 1, 1997, and amended on September 28, 2006, provides a monthly grant toward the cost of retirees' health insurance coverage. The Board establishes and amends all Plan provisions through negotiations with labor bargaining units.

The Plan's assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are administered by the Orange County Employees Retirement System (OCERS). Funds are held in a trust account established pursuant to Section 401(h) of the Internal Revenue Code and are held separate from the assets of the OCERS retirement system, except for investment purposes. A publicly available financial report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

Prior to the amendment on September 28, 2006, all Plan activity was accounted for in the OCFA's Retiree Medical Fund. Thereafter, plan assets were remitted to OCERS and are no longer reported in the OCFA's financial statements.

All retirees and full-time employees hired prior to January 1, 2007, are eligible to participate in the Plan. Following is a schedule of active Plan participants (excluding any terminated/declined participants) as of June 30 for the current and previous two fiscal years.

As of June 30	Active Employees	Current Retirees and Surviving Spouses	Current Deferred Retirees	Active Plan Participants
2013	768	528	3	1,299
2014	703	569	3	1,275
2015	641	622	3	1,266

(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.) The OCFA periodically remits 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, 2015, there were 622 eligible retirees who received monthly benefits aggregating to an annual total of $3,985,111. In addition, there were three deferred retirees who received monthly benefits directly from the OCFA totaling $5,019.

(d) Annual OPEB Cost and Net OPEB Obligation/Asset

The OCFA's Annual OPEB Cost is equal to the annual required contribution to the Plan, plus an adjustment for the cumulative difference between the Annual OPEB Cost and the OCFA's actual contributions for the year. The cumulative difference is called the Net OPEB Obligation (NOPEBO) (or a Net OPEB Asset if annual required contributions are over-funded). For the year ended June 30, 2015, the OCFA's annual OPEB cost was $13,704,972, as determined by an actuarial valuation with a measurement date as of July 1, 2014, and was calculated as follows:

Annual Required Contribution (ARC)	$14,953,772
Interest on the Net OPEB Obligation (NOPEBO)	2,404,266
Actuary's adjustment on the ARC	(3,653,066)
Annual OPEB Cost	$13,704,972

During the year ended June 30, 2015, the OCFA's actual contributions totaled $4,237,163 resulting in an increase to the NOPEBO of $9,467,809 (the difference between the Annual OPEB Cost and actual contributions). The outstanding balance of the NOPEBO as of June 30, 2015, was $57,553,126. Following is a schedule of employer contributions, as well as a calculation of the OCFA's Net OPEB Asset (Obligation) for the current and previous two fiscal years.

FYE June 30	Annual OPEB Cost	Actual Contributions	% of Annual OPEB Cost Contributed	Net Increase to Net OPEB Obligation	Cumulative Net OPEB Obligation at June 30
2013	$13,689,125	$4,759,104	34.77%	$8,930,021	$38,317,138
2014	14,461,381	4,693,202	32.45%	9,768,179	48,085,317
2015	13,704,972	4,237,163	30.92%	9,467,809	57,553,126

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

	2015	2014	2013
Amounts irrevocably transferred to OCERS trust:			
Active employees	$2,601,233	$2,758,828	$2,974,566
Retirees and other plan members	714,338	723,690	552,371
Subtotal	3,315,571	3,482,518	3,526,937
Implicit insurance premiums paid on behalf of retirees	916,573	1,205,520	1,227,387
Amounts paid directly to retirees	5,019	5,164	4,780
Total actual contributions	$4,237,163	$4,693,202	$4,759,104

(e) Funded Status and Funding Progress

The following schedule of funding progress shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. A required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

As of July 1	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/c UAAL as a % of Covered Payroll
2010	$21,549,574	$147,709,326	$126,159,752	14.59%	$81,391,495	155.00%
2012	28,910,090	156,623,184	127,713,094	18.46%	75,432,000	169.31%
2014	36,945,371	179,056,290	142,110,919	20.63%	66,021,000	215.25%

(f) Actuarial Methods and Assumptions

Actuarial calculations reflect a long-term perspective. Calculations are based on the benefits provided under the terms of the Plan in effect at the time of each valuation and on the pattern of sharing of costs between the OCFA and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The funded status of the Plan and the annual required contributions of the OCFA 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, 2015, was determined by an actuarial valuation of the Plan dated July 1, 2014. Unfunded liabilities are amortized over a closed period ending June 30, 2036. The principle assumptions and methods used to determine the annual required contribution were as follows:

Valuation date	July 1, 2014
Actuarial cost method	Entry age normal
Amortization method	30 years beginning July 1, 2006, closed, level dollar
Remaining amortization period	22 years as of July 1, 2014
Asset valuation method	Market value
Actuarial assumptions:	
• Asset rate of return	7.25%
• Discount rate	5.0%, blended using a short-term rate of 4.25% for portion of expected benefits not expected to be paid from contributions and return on assets
• Projected salary increases	N/A
• Wage inflation	3.25%
• Increase in retiree medical grant	5.0%

Plan membership:	
• Current retirees and surviving spouses	573
• Current active members	697
• Terminated participants entitled but not yet eligible	13
• Declined	14

(25) Retiree Defined Contribution Healthcare Expense Reimbursement Plan

On September 28, 2006, the 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 in a VantageCare Retirement Health Savings Plan that is administered by the International City Management Association Retirement Corporation (ICMA-RC).

All active, full-time employees who became employed by the OCFA on or after January 1, 2007, are required to contribute 4% of their gross pay through payroll deductions to the OCFA. All contributions, investment income, realized and unrealized gains and losses are credited to individual recordkeeping accounts maintained in the name of each Plan participant. Account assets are invested as directed by the participant from among investment funds selected by the OCFA. Participants are eligible to receive Plan benefits upon reaching retirement age, including those who terminate employment with the OCFA for reasons other than retirement. Required and actual employee contributions totaled $1,695,785 for the year ended June 30, 2015.

(26) Short-term Debt

On July 1, 2014, OCFA issued $44,000,000 of 2014-2015 Tax and Revenue Anticipation Notes (TRAN) at an interest rate of 0.75%, for the purpose of financing seasonal cash flow requirements for General Fund expenditures during the fiscal year ending June 30, 2015. The TRAN, plus accrued interest in the amount of $329,083, was repaid on June 30, 2015. Short-term debt activity pertaining to the TRAN was as follows for the year ended June 30, 2015:

	Beginning Balance	Additions	Payments	Ending Balance
Principal	$ -	$44,000,000	$(44,000,000)	$ -
Accrued interest	-	329,083	(329,083)	-
	$ -	$44,329,083	$(44,329,083)	$ -

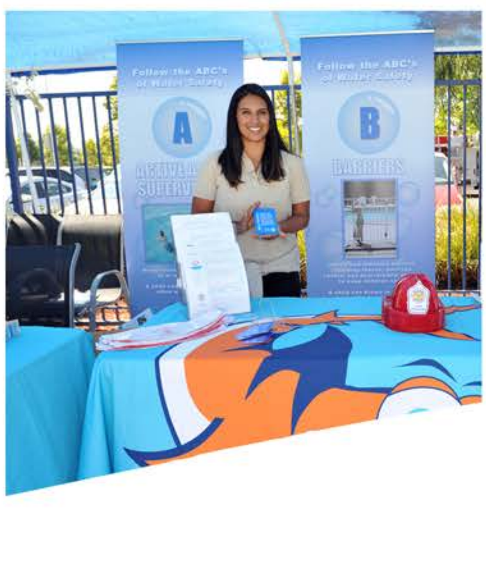
(27) Subsequent Events

(a) Short-term Debt

On July 1, 2015, OCFA issued $36,260,000 of 2015-2016 Tax and Revenue Anticipation Notes (TRAN) at an interest rate of 2.0%, for the purpose of financing seasonal cash flow requirements for General Fund expenditures during the fiscal year ending June 30, 2016. In accordance with

California law, the TRAN are considered general obligations of the OCFA, but are payable only out of the taxes, income, revenue, cash receipts, or other moneys received or accrued by the OCFA during Fiscal Year 2015/16 that are lawfully available for payment of the TRAN principal and accrued interest. The TRAN matures on June 30, 2016.

Water Safety Event



Required Supplementary Information

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

Wildfire Preparedness
Ready, Set, Go!
(Part 2 of 3)

(Continued from Page 46)

Firefighters train hard to prepare for wildfires. Residents need to do the same!

<u>Set</u>

- ✓ Pack your vehicle with your emergency items.
- ✓ Stay aware of the latest news from local media and your local fire department for updated information.

(Continued on Page 116)

ORANGE COUNTY FIRE AUTHORITY

OCERS Retirement Plan
A Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2015
Last Ten Fiscal Years (A)

Schedule of OCFA's Proportionate Share of the Net Pension Liability

	Fiscal Year Ended	
	June 30, 2014	**June 30, 2015**
OCFA's proportion of the net pension liability	8.37%	9.19%
OCFA's proportionate share of the net pension liability	$ 442,651,348	$ 466,968,323
OCFA's covered payroll	$ 154,623,385	$ 155,674,648
OCFA's proportionate share of the net pension liability as a percentage of covered payroll	286.28%	299.96%
OCFA's proportionate share of plan fiduciary net position as a percentage of proportionate share of the total pension	69.66%	70.35%
Plan's fiduciary net position	$ 10,821,318,000	$ 11,536,106,000
Plan's fiduciary net position as a percentage of the total pension liability	67.16%	69.42%

Notes to Schedule:

(A) Fiscal year ended June 30, 2015 was the first year of implementation; therefore only two 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, 2015
Last Ten Fiscal Years

Schedule of Contributions

	Fiscal Year Ended			
	June 30, 2006	**June 30, 2007**	**June 30, 2008**	**June 30, 2009**
Required contributions (actuarially determined)	$ 30,418,467	$ 33,753,068	$ 35,709,526	$ 37,183,082
Actual contributions	30,418,467	33,753,068	35,709,526	37,183,082
Contribution excess (deficiency)	$ -	$ -	$ -	$ -
Covered payroll	$ 91,208,308	$ 95,823,423	$ 100,313,038	$ 104,571,731
Actual contributions as a percentage of covered payroll	33.35%	35.22%	35.60%	35.56%
Notes to Schedule:				
Valuation dates (D)	12/31/2003	12/31/2004	12/31/2005	12/31/2006
Actuarial cost method		Entry Age	Entry Age	Entry Age
Amortization method		Level % of Pay	Level % of Pay	Level % of Pay
Assumed payroll growth		3.50%	3.50%	3.50%
Remaining amortization period:				
Closed amortization of balance	n/a	30 years	29 years	28 years
As of	n/a	12/31/2004	12/31/2004	12/31/2004
Asset valuation method	Market value	Market value	Market value	Market value
Investment rate of return	7.50%	7.75%	7.75%	7.75%
Inflation	4.00%	3.50%	3.50%	3.50%
Real salary increases	n/a	0.00%	0.00%	0.00%
Projected salary increases:				
Safety	4.50%	3.50%-9.50%	3.50%-9.50%	3.50%-9.50%
General	4.50%	4.10%-10.50%	4.10%-10.50%	4.10%-10.50%
Cost of living adjustments	n/a	3.00%	3.00%	3.00%
Retirement age		50-70 years	50-70 years	50-70 years
Mortality	(A)	(B)	(B)	(B)

(A) 1983 Group Annuity Table

(B) 1994 Group Annuity Mortality Table

(C) RP-2000 Combined Healthy Mortality Table

(D) Rates are effective 18 months after the valuation date for the fiscal year that begins July 1.

June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
$ 42,331,507	$ 45,543,856	$ 55,756,764	$ 61,206,670	$ 57,795,043	$ 66,186,858
42,331,507	45,543,856	55,756,764	61,206,670	63,030,796	87,563,156
$ -	$ -	$ -	$ -	$ 5,235,753	$ 21,376,298
$ 106,718,627	$ 107,268,263	$ 111,444,130	$ 128,121,447	$ 125,869,628	$ 128,215,528
39.67%	42.46%	50.03%	47.77%	50.08%	68.29%
12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
3.50%	3.50%	3.50%	3.50%	3.75%	3.75%
27 years	26 years	25 years	24 years	23 years	22 years
12/31/2004	12/31/2004	12/31/2004	12/31/2004	12/31/2004	12/31/2004
Market value	Market value	Market value	Market value	Market value	Market value
7.75%	7.75%	7.75%	7.75%	7.75%	7.25%
3.50%	3.50%	3.50%	3.50%	3.50%	3.25%
0.00%	0.00%	0.00%	0.00%	0.25%	0.50%
4.50%-13.50%	4.50%-13.50%	4.50%-13.50%	4.50%-13.50%	4.75%-17.75%	4.75%-17.75%
4.50%-11.50%	4.50%-11.50%	4.50%-11.50%	4.50%-11.50%	4.75%-13.75%	4.75%-13.75%
3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
50-70 years	50-70 years	50-70 years	50-70 years	50-75 years	50-75 years
(C)	(C)	(C)	(C)	(C)	(C)

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2015
For the Last Ten Fiscal Years (A)

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ended	
	June 30, 2014	**June 30, 2015**
Total pension liability:		
Service cost	$ 8,030	$ -
Interest	11,484	-
Differences between expected and actual experience	(3,269)	9,728
Benefit payments, including refunds of member contributions	(8,676)	(6,459)
Net change in total pension liability	**7,569**	**3,269**
Total pension liability - beginning	302,551	310,120
Total pension liability - ending (a)	**310,120**	**313,389**
Plan fiduciary net position:		
Contributions - employer	2,117	2,481
Contributions - plan members	13,542	11,831
Net investment income	586	714
Benefit payments, including refunds of member contributions	(8,676)	(6,459)
Net change in plan fiduciary net position	**7,569**	**8,567**
Total pension net position - beginning	56,895	64,464
Total pension net position - ending (b)	**64,464**	**73,031**
Net pension liability - ending (a - b)	**$ 245,656**	**$ 240,358**
Plan fiduciary net position as a percentage of the total pension liability	20.79%	23.30%
Covered payroll	$ 205,340	$ 205,340
Net pension liability as a percentage of covered payroll	119.63%	117.05%
Employer contributions:		
Required and actual contributions	$ 2,117	$ 2,481
Actual contributions as a percentage of required contributions	100.00%	100.00%

Notes to Schedule:

(A) GASB Statements No. 67 and No. 68 were implemented during Fiscal Year 2013/14 and Fiscal Year 2014/15, respectively. Additional years will be added to this schedule as they become available in the future.

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2015
Last Three Actuarial Valuations (A)

Schedule of Funding Progress

	Actuarial Valuation Dated January 1, 2014
Total pension liability	$ 313,389
Total pension net position	64,464
Net pension liability (NPL)	$ 248,925
Funded ratio	20.57%
Covered payroll	$ 205,340
NPL as a percentage of covered payroll	121.23%

Notes to Schedule:

	Actuarial Valuation Dated January 1, 2014
Changes in size or composition of plan members:	
Inactive; currently receiving benefits	-
Inactive; entitled to but not yet receiving benefits	10
Active	53
Total plan members	63

(A) GASB Statements No. 67 and No. 68 were implemented during Fiscal Year 2013/14 and Fiscal Year 2014/15, respectively. The actuarial valuation dated January 1, 2014, was the first actuarial valuation completed for the plan. Additional years will be added to this schedule as they become available in the future.

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2015
For the Last Ten Fiscal Years (A)

Schedule of Investment Returns

	Fiscal Year Ended	
	June 30, 2014	**June 30, 2015**
Annual money-weighted rate of return, net of investment expense	**0.97%**	**1.24%**

Notes to Schedule:

(A): GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during Fiscal Year 2013/14. Additional years will be added as they become available in the future.

(B) OCFA also reports the OCERS Retirement Plan, a cost-sharing, multiple-employer defined benefit pension plan. OCERS issues a publicly available financial report that includes ten-year information regarding that Plan's money-weighted rate of return on pension plan investments. The separate OCERS report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

ORANGE COUNTY FIRE AUTHORITY

Retiree Medical Plan
A Single-Employer Defined Benefit Plan
As of June 30, 2015
Last Three Actuarial Valuations

Schedule of Funding Progress

	Actuarial Valuation Dated		
	July 1, 2010	**July 1, 2012**	**July 1, 2014**
Entry age actuarial accrued liability (AAL)	$147,709,326	$156,623,184	$179,056,290
Actuarial value of assets	21,549,574	28,910,090	36,945,371
Unfunded AAL (UAAL)	$ 126,159,752	$ 127,713,094	$ 142,110,919
Funded ratio	14.59%	18.46%	20.63%
Covered payroll	$ 81,391,495	$ 75,432,000	$ 66,021,000
UAAL as a percentage of covered payroll	155.00%	169.31%	215.25%

Notes to Schedule:

	Actuarial Valuation Dated		
	July 1, 2010	July 1, 2012	July 1, 2014
Changes in size or composition of plan members:			
Current retirees and surviving spouses	388	471	573
Current active members	896	804	697
Terminated participants entitled but not yet eligible	5	9	13
Declined	n/a	13	14
	1,289	1,297	1,297

ORANGE COUNTY FIRE AUTHORITY

Retiree Medical Plan
A Single-Employer Defined Benefit Plan
As of June 30, 2015
Last Three Fiscal Years

Schedule of Contributions from the Employer and Other Contributing Entities

	Fiscal Year Ended		
	June 30, 2013	**June 30, 2014**	**June 30, 2015**
Annual OPEB cost	$13,689,125	$14,461,381	$13,704,972
Actual contributions	4,759,104	4,693,202	4,237,163
Net increase to Net OPEB obligation	$ 8,930,021	$ 9,768,179	$ 9,467,809
Percentage of annual OPEB cost contributed	34.77%	32.45%	30.92%

Notes to Schedule:

Changes in assumptions: The discount rate changed per the table below.

	Actuarial Valuation Dated		
	July 1, 2010	July 1, 2012	July 1, 2014
Discount rate	5.50%	5.50%	5.00%

Best & Bravest 2015

Supplementary Schedules

Major Governmental Funds

Capital Projects Funds

Facilities Maintenance and Improvements
This fund is used to account for significant capital projects that provide for either the maintenance or improvement of OCFA's facilities. During Fiscal Year 2014/15, the Board of Directors approved the closure of this fund effective July 1, 2014.

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
Facilities Maintenance and Improvements
Budgetary Comparison Schedule
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	2015				2014
	Budget Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)	Actual Amounts
Budgetary fund balance, July 1	**$ 2,710,702**	**$ 2,710,702**	**$ 2,710,702**	**$ -**	**$ 2,584,684**
Resources (inflows):					
Charges for services	298,296	-	-	-	238,129
Use of money and property	5,552	-	-	-	17,398
Miscellaneous	-	-	-	-	39,233
Transfers in	-	-	-	-	1,078,745
Total resources (inflows)	**303,848**	**-**	**-**	**-**	**1,373,505**
Amounts available for appropriations	**3,014,550**	**2,710,702**	**2,710,702**	**-**	**3,958,189**
Charges to appropriation (outflows):					
Services and supplies	866,312	-	-	-	1,247,487
Capital outlay	437,500	-	-	-	-
Transfers out	-	2,710,702	2,710,702	-	-
Total charges to appropriations	**1,303,812**	**2,710,702**	**2,710,702**	**-**	**1,247,487**
Budgetary fund balance, June 30	**$ 1,710,738**	**$ -**	**$ -**	**$ -**	**$ 2,710,702**

ORANGE COUNTY FIRE AUTHORITY
Communications and Information Systems
Budgetary Comparison Schedule
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	2015				2014
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 18,051,752**	**$ 18,051,752**	**$ 18,051,752**	**$ -**	**$ 19,079,126**
Resources (inflows):					
Use of money and property	23,109	45,340	57,488	12,148	109,385
Miscellaneous	-	253,528	253,528	-	129,909
Transfers in	584,592	3,000,906	3,000,906	-	2,449,115
Total resources (inflows)	**607,701**	**3,299,774**	**3,311,922**	**12,148**	**2,688,409**
Amounts available for appropriations	**18,659,453**	**21,351,526**	**21,363,674**	**12,148**	**21,767,535**
Charges to appropriation (outflows):					
Services and supplies	2,545,498	274,703	132,460	142,243	1,420,510
Capital outlay	1,776,609	7,546,275	1,441,647	6,104,628	2,295,273
Transfers out	-	1,133,712	1,133,712	-	-
Total charges to appropriations	**4,322,107**	**8,954,690**	**2,707,819**	**6,246,871**	**3,715,783**
Budgetary fund balance, June 30	**$ 14,337,346**	**$ 12,396,836**	**$ 18,655,855**	**$ 6,259,019**	**$ 18,051,752**

ORANGE COUNTY FIRE AUTHORITY
Fire Apparatus
Budgetary Comparison Schedule
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	2015				2014
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 29,496,881**	**$ 29,496,881**	**$ 29,496,881**	**$ -**	**$ 30,875,249**
Resources (inflows):					
Charges for services	1,381,161	1,381,161	1,381,161	-	1,362,214
Use of money and property	49,958	74,275	87,984	13,709	175,421
Miscellaneous	-	155,579	155,579	-	79,719
Developer contributions	-	643,106	527,289	(115,817)	-
Transfers in	-	-	-	-	1,842,515
Total resources (inflows)	**1,431,119**	**2,254,121**	**2,152,013**	**(102,108)**	**3,459,869**
Amounts available for appropriations	**30,928,000**	**31,751,002**	**31,648,894**	**(102,108)**	**34,335,118**
Charges to appropriation (outflows):					
Services and supplies	83,896	-	3,072	(3,072)	86,958
Capital outlay	7,890,479	13,542,825	3,673,667	9,869,158	2,219,556
Principal retirement	2,276,963	2,276,963	2,276,963	-	2,219,152
Interest and fiscal charges	254,760	254,760	254,760	-	312,571
Total charges to appropriations	**10,506,098**	**16,074,548**	**6,208,462**	**9,866,086**	**4,838,237**
Budgetary fund balance, June 30	**$ 20,421,902**	**$ 15,676,454**	**$ 25,440,432**	**$ 9,763,978**	**$ 29,496,881**

ORANGE COUNTY FIRE AUTHORITY
Fire Stations and Facilities
Budgetary Comparison Schedule
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	2015				2014
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 15,409,887**	**$ 15,409,887**	**$ 15,409,887**	**$ -**	**$ 16,683,531**
Resources (inflows):					
Use of money and property	22,618	42,548	44,075	1,527	89,100
Miscellaneous	-	150,172	150,172	-	76,949
Developer contributions	-	7,128,450	7,779,918	651,468	1,271,400
Total resources (inflows)	**22,618**	**7,321,170**	**7,974,165**	**652,995**	**1,437,449**
Amounts available for appropriations	**15,432,505**	**22,731,057**	**23,384,052**	**652,995**	**18,120,980**
Charges to appropriation (outflows):					
Services and supplies	-	-	37,696	(37,696)	-
Capital outlay	4,491,421	11,033,349	10,826,114	207,235	2,711,093
Total charges to appropriations	**4,491,421**	**11,033,349**	**10,863,810**	**169,539**	**2,711,093**
Budgetary fund balance, June 30	**$ 10,941,084**	**$ 11,697,708**	**$ 12,520,242**	**$ 822,534**	**$ 15,409,887**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Balance Sheet
June 30, 2015
(With Comparative Data for Prior Year)

	General Operating Fund	General Fund CIP
Assets:		
Cash and investments	$ 39,356,678	$ 456,342
Receivables:		
Accounts, net	2,552,672	-
Accrued interest	27,902	-
Prepaid costs and other assets	31,010,462	116,686
Due from other governments, net	6,967,289	-
	$ 79,915,003	**$ 573,028**
Liabilities:		
Accounts payable	$ 2,773,783	$ 174,634
Accrued liabilities	12,828,886	-
Unearned revenue	3,234,898	-
Due to other governments	10,072,547	-
Total liabilities	**28,910,114**	**174,634**
Deferred Inflows of Resources:		
Unavailable revenue	316,087	-
Total deferred inflows of resources	**316,087**	**-**
Fund balances:		
Nonspendable - prepaid costs	31,010,462	116,686
Restricted for:		
Operations Department	55,538	-
Community Risk Reduction Department	-	-
Committed to - SFF cities enhancements	-	-
Assigned to:		
Capital improvement program	-	233,180
Workers' compensation	-	-
Executive Management	98,415	-
Operations Department	46,859	-
Community Risk Reduction Department	354	-
Business Services Department	66,963	-
Support Services Department	259,845	-
Organizational Planning Department	33,890	-
Communications and IT projects	-	48,528
Unassigned	19,116,476	-
Total fund balances	**50,688,802**	**398,394**
Total liabilities, deferred inflows of resources, and fund balances	**$ 79,915,003**	**$ 573,028**

Structural Fire Entitlement	Self Insurance	Eliminations	Total General Fund 2015	Total General Fund 2014
$ 746,405	$ 68,598,216	$ -	$ 109,157,641	$ 93,740,510
-	-	-	2,552,672	2,117,990
-	-	-	27,902	54,196
-	-	-	31,127,148	30,565,638
-	-	-	6,967,289	9,964,127
$ 746,405	**$ 68,598,216**	**$ -**	**$ 149,832,652**	**$ 136,442,461**
$ 55,140	$ 103,420	$ -	$ 3,106,977	$ 2,329,494
-	-	-	12,828,886	11,540,122
-	-	-	3,234,898	3,012,482
-	-	-	10,072,547	3,055,935
55,140	**103,420**	**-**	**29,243,308**	**19,938,033**
-	-	-	316,087	1,000,139
-	**-**	**-**	**316,087**	**1,000,139**
-	-	-	31,127,148	30,560,638
-	-	-	55,538	32,015
-	-	-	-	267
691,265	-	-	691,265	784,617
-	-	-	233,180	-
-	68,494,796	-	68,494,796	60,921,529
-	-	-	98,415	90,529
-	-	-	46,859	75,416
-	-	-	354	-
-	-	-	66,963	58,254
-	-	-	259,845	90,364
-	-	-	33,890	-
-	-	-	48,528	-
-	-	-	19,116,476	22,890,660
691,265	**68,494,796**	**-**	**120,273,257**	**115,504,289**
$ 746,405	**$ 68,598,216**	**$ -**	**$ 149,832,652**	**$ 136,442,461**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2015
(With Comparative Data for Prior Year)

	General Operating Fund	General Fund CIP
Revenues:		
Taxes	$ 205,141,237	$ -
Intergovernmental	23,565,214	-
Charges for services	100,619,516	-
Use of money and property	444,481	-
Miscellaneous	1,120,697	-
Total revenues	**330,891,145**	**-**
Expenditures:		
Current - public safety:		
Salaries and benefits	299,800,664	-
Services and supplies	33,289,388	488,508
Capital outlay	456,560	246,810
Debt service:		
Interest and fiscal charges	330,741	-
Total expenditures	**333,877,353**	**735,318**
Excess (deficiency) of revenues over (under) expenditures	(2,986,208)	(735,318)
Other financing sources (uses):		
Transfers in	2,710,702	1,133,712
Transfers out	(3,000,906)	-
Sale of capital and other assets	134,123	-
Insurance recoveries	32,948	-
Total other financing sources (uses)	**(123,133)**	**1,133,712**
Net change in fund balances	(3,109,341)	398,394
Fund balances, beginning of year	53,798,143	-
Fund balances, end of year	**$ 50,688,802**	**$ 398,394**

Structural Fire Entitlement	Self Insurance	Eliminations	Total General Fund 2015	Total General Fund 2014
$ -	$ -	$ -	$ 205,141,237	$ 190,873,689
-	-	-	23,565,214	19,111,811
-	13,811,667	(13,811,667)	100,619,516	96,104,840
2,643	204,851	-	651,975	540,980
-	-	-	1,120,697	1,352,043
2,643	**14,016,518**	**(13,811,667)**	**331,098,639**	**307,983,363**
-	-	(13,811,667)	285,988,997	257,134,030
95,995	6,443,251	-	40,317,142	37,432,923
-	-	-	703,370	455,496
-	-	-	330,741	109,274
95,995	**6,443,251**	**(13,811,667)**	**327,340,250**	**295,131,723**
(93,352)	7,573,267	-	3,758,389	12,851,640
-	-	-	3,844,414	-
-	-	-	(3,000,906)	(5,370,375)
-	-	-	134,123	77,077
-	-	-	32,948	360,803
-	**-**	**-**	**1,010,579**	**(4,932,495)**
(93,352)	7,573,267	-	4,768,968	7,919,145
784,617	60,921,529	-	115,504,289	107,585,144
$ 691,265	**$ 68,494,796**	**$ -**	**$ 120,273,257**	**$ 115,504,289**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Original Budget
Year ended June 30, 2015

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Budgetary fund balance, July 1	**$ 53,798,143**	**$ -**	**$ 784,617**
Resources (inflows):			
Taxes	195,471,965	-	-
Intergovernmental	11,137,559	-	-
Charges for services	100,016,486	-	-
Use of money and property	886,749	-	1,496
Miscellaneous	950,700	-	-
Sale of capital and other assets	50,000	-	-
Total resources (inflows)	**308,513,459**	**-**	**1,496**
Amounts available for appropriations	**362,311,602**	**-**	**786,113**
Charges to appropriation (outflows):			
Salaries and benefits	298,156,224	-	-
Services and supplies	25,904,940	-	-
Capital outlay	34,127	-	-
Interest and fiscal charges	895,000	-	-
Transfers out	584,592	-	-
Total charges to appropriations	**325,574,883**	**-**	**-**
Budgetary fund balance, June 30	**$ 36,736,719**	**$ -**	**$ 786,113**

Self Insurance	Eliminations	Total General Fund 2015
$ 60,921,529	**$ -**	**$ 115,504,289**
-	-	195,471,965
-	-	11,137,559
13,811,667	(13,811,667)	100,016,486
143,401	-	1,031,646
-	-	950,700
-	-	50,000
13,955,068	**(13,811,667)**	**308,658,356**
74,876,597	**(13,811,667)**	**424,162,645**
-	(13,811,667)	284,344,557
10,872,378	-	36,777,318
-	-	34,127
-	-	895,000
-	-	584,592
10,872,378	**(13,811,667)**	**322,635,594**
$ 64,004,219	**$ -**	**$ 101,527,051**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Final Budget
Year ended June 30, 2015

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Budgetary fund balance, July 1	**$ 53,798,143**	**$ -**	**$ 784,617**
Resources (inflows):			
Taxes	204,827,822	-	-
Intergovernmental	22,054,738	-	-
Charges for services	99,053,676	-	-
Use of money and property	389,728	-	2,326
Miscellaneous	1,145,842	-	-
Transfers in	2,710,702	1,133,712	-
Sale of capital and other assets	115,148	-	-
Insurance recoveries	5,135	-	-
Total resources (inflows)	**330,302,791**	**1,133,712**	**2,326**
Amounts available for appropriations	**384,100,934**	**1,133,712**	**786,943**
Charges to appropriations (outflows):			
Salaries and benefits	306,889,129	-	-
Services and supplies	36,499,106	1,269,013	216,213
Capital outlay	1,040,939	339,245	-
Interest and fiscal charges	329,083	-	-
Transfers out	3,000,906	-	-
Total charges to appropriations	**347,759,163**	**1,608,258**	**216,213**
Budgetary fund balance, June 30	**$ 36,341,771**	**$ (474,546)**	**$ 570,730**

Self Insurance	Eliminations	Total General Fund 2015
$ 60,921,529	**$ -**	**$ 115,504,289**
-	-	204,827,822
-	-	22,054,738
13,811,667	(13,811,667)	99,053,676
178,207	-	570,261
-	-	1,145,842
-	-	3,844,414
-	-	115,148
-	-	5,135
13,989,874	**(13,811,667)**	**331,617,036**
74,911,403	**(13,811,667)**	**447,121,325**
-	(13,811,667)	293,077,462
6,891,895	-	44,876,227
-	-	1,380,184
-	-	329,083
-	-	3,000,906
6,891,895	**(13,811,667)**	**342,663,862**
$ 68,019,508	**$ -**	**$ 104,457,463**

Orange County Fire Authority Safety Message

Wildfire Preparedness

Ready, Set, Go!
(Part 3 of 3)

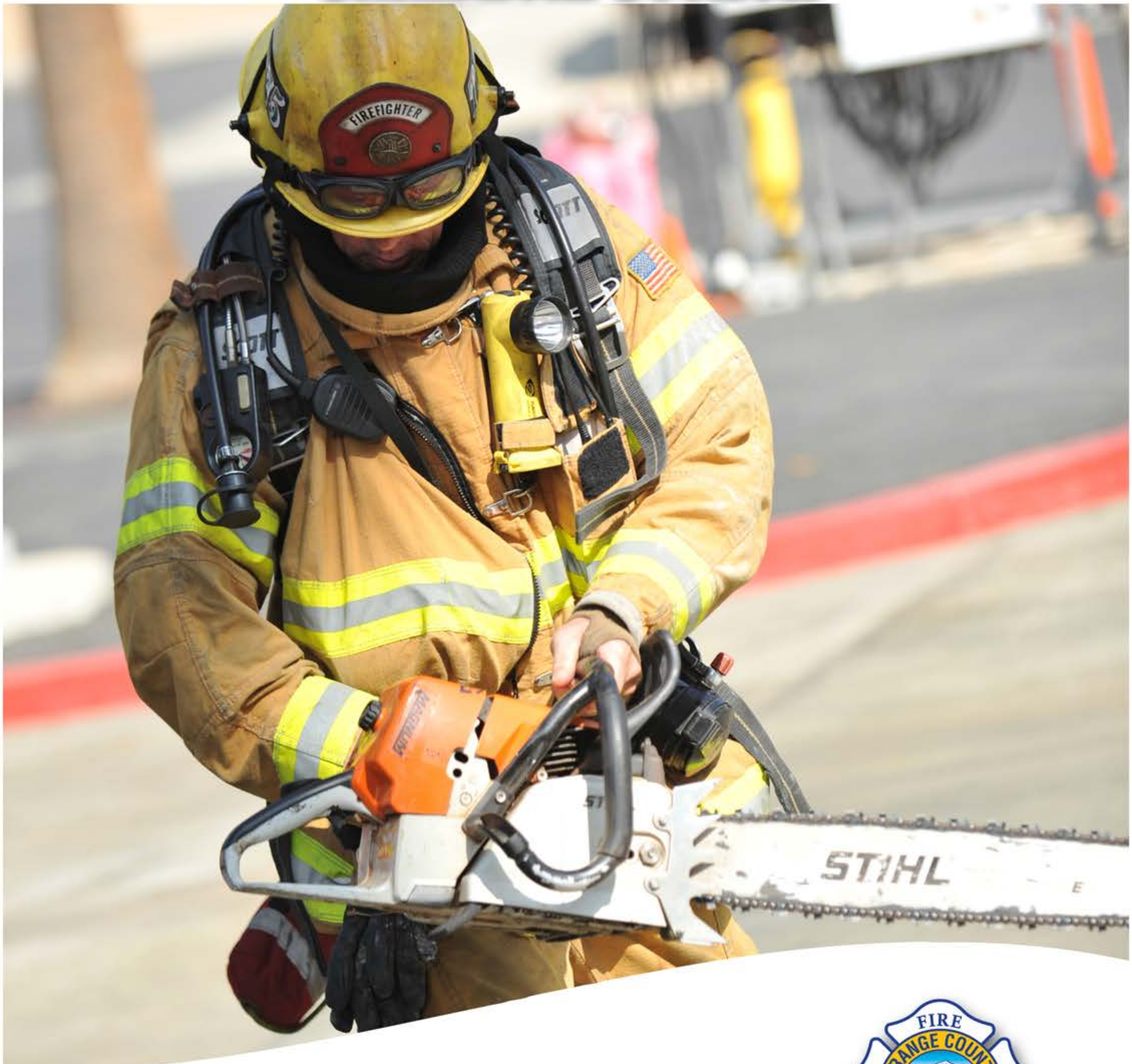
(Continued from Page 94)

Firefighters train hard to prepare for wildfires. Residents need to do the same!

Go!

- ✓ Leave early! Knowing when to leave, what to take, where to go, and how to get there will prevent you and your family from being caught in smoke, fire, or road congestion while evacuating during a wildfire.
- ✓ Following your Action Plan makes you prepared and firefighters able to best maneuver the wildfire, ensuring you and your family's safety.

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

Disaster Preparedness
(Part 1 of 3)

Disaster can force you to evacuate your neighborhood or confine you to your home. Roads, water, gas, electricity, and telephone service may be cut off.

If a disastrous event overwhelms or delays your community's first responders, are you prepared to go it alone for at least 72 hours?

Make a Kit

- ✓ Build a first aid and survival kit for your home, car, and workplace. For details on how to build your own kit, visit the Orange County American Red Cross website at http://www.redcross.org/ca/orange-county.

- ✓ Learn how to use a fire extinguisher.

(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			
	2006	2007	2008	2009
Governmental activities:				
Net investment in capital assets	$ 122,819,640	$ 138,152,825	$ 163,340,815	$ 172,293,178
Restricted	18,673,581	15,179,905	11,331,122	7,394,371
Unrestricted	74,568,019	93,182,195	120,539,628	129,119,689
Total governmental activities net position	$ 216,061,240	$ 246,514,925	$ 295,211,565	$ 308,807,238
				(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.

2010	2011	2012	2013	2014	2015
$ 183,717,406	$ 186,297,543	$ 183,584,385	$ 181,363,364	$ 180,917,654	$ 190,800,116
1,623,121	1,627,233	3,252,969	1,690,858	1,076,322	588,770
115,965,726	99,704,595	81,450,846	74,510,482	61,760,639	(360,513,259)
$ 301,306,253	$ 287,629,371	$ 268,288,200	$ 257,564,704	$ 243,754,615	$ (169,124,373)
		(2)			(3)

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

	Fiscal Year ended June 30			
Governmental Activities	2006	2007	2008	2009
Expenses - public safety:				
Salaries and benefits	$ 166,930,470	$ 187,129,443	$ 199,095,873	$ 209,092,693
Services and supplies	25,905,315	27,139,113	31,669,603	31,425,592
Depreciation and amortization	7,277,623	7,000,915	7,399,902	7,923,947
Interest on long-term debt	1,522,705	1,871,983	1,410,673	1,718,137
Total program expenses	201,636,113	223,141,454	239,576,051	250,160,369
Program revenues - public safety:				
Charges for services	56,509,909	61,130,982	69,187,051	67,305,621
Operating grants and contributions	6,650,839	5,537,722	6,835,746	5,981,800
Capital grants and contributions	2,730,652	4,172,358	22,092,218	140,903
Total program revenues	65,891,400	70,841,062	98,115,015	73,428,324
Net program revenues (expenses)	(135,744,713)	(152,300,392)	(141,461,036)	(176,732,045)
General revenues:				
Property taxes	152,747,044	166,639,162	182,536,717	184,696,756
Investment income	4,875,101	7,912,428	6,295,464	3,704,964
Gain on disposal of capital assets	-	-	-	-
Miscellaneous	573,389	903,992	730,733	1,925,998
Total general revenues	158,195,534	175,455,582	189,562,914	190,327,718
Changes in net assets	$ 22,450,821	$ 23,155,190	$ 48,101,878	$ 13,595,673
			(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.

2010	2011	2012	2013	2014	2015
$ 211,729,989	$ 221,031,439	$ 240,084,607	$ 264,067,489	$ 266,764,367	$ 335,419,737
24,318,065	30,736,034	37,069,099	45,879,501	47,912,808	46,073,201
8,432,793	8,970,508	9,300,853	9,793,491	9,612,453	9,050,195
855,577	677,910	494,014	367,701	311,327	582,565
245,336,424	261,415,891	286,948,573	320,108,182	324,600,955	391,125,698
63,743,942	61,975,963	76,347,126	102,875,410	106,874,513	113,150,325
5,784,969	5,963,648	6,580,681	19,523,853	10,339,966	11,410,019
1,415,618	395,180	3,926,275	2,811,180	1,462,540	9,182,195
70,944,529	68,334,791	86,854,082	125,210,443	118,677,019	133,742,539
(174,391,895)	(193,081,100)	(200,094,491)	(194,897,739)	(205,923,936)	(257,383,159)
179,001,919	177,181,086	177,728,290	181,720,253	190,873,689	205,141,237
1,006,128	611,408	524,602	(136,493)	823,010	839,864
-	39,803	79,705	11,924	21,834	63,953
890,127	835,021	2,420,723	4,329,603	1,200,195	1,235,004
180,898,174	178,667,318	180,753,320	185,925,287	192,918,728	207,280,058
$ 6,506,279	$ (14,413,782)	$ (19,341,171)	$ (8,972,452)	$ (13,005,208)	$ (50,103,101)
		(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			
	2006	2007	2008	2009
General Fund:				
Reserved	$ 2,392,327	$ 1,476,790	$ 1,519,961	$ 1,417,069
Unreserved	48,163,349	54,391,252	60,436,769	67,926,629
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	$ 50,555,676	$ 55,868,042	$ 61,956,730	$ 69,343,698
All other governmental funds:				
Reserved	$ 12,162,589	$ 14,066,095	$ 8,446,422	$ 14,752,366
Unreserved, reported in:				
Special revenue funds	32,488,801	46,998,762	62,633,870	75,515,265
Capital projects funds	8,875,958	5,602,562	16,718,235	13,344,809
Debt service funds	16,204,380	12,648,661	8,738,484	4,752,258
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	$ 69,731,728	$ 79,316,080	$ 96,537,011	$ 108,364,698

SOURCE: OCFA Comprehensive Annual Financial Reports

NOTES:
(1) OCFA implemented GASB Statement No. 54 during the fiscal year ended June 30, 2011. This statement eliminated the previous fund balance categories (reserved and unreserved), and replaced them with five new categories (nonspedable, restricted, committed, assigned, unassigned). Fund balance amounts as of June 30, 2010, and thereafter reflect the new categories; however, all previous fiscal years are presented using the old categories.

2010	2011	2012	2013	2014	2015
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
117,473	23,186,680	22,756,709	26,727,849	30,560,638	31,127,148
111,305	111,980	1,699,787	137,676	32,282	55,538
861,116	797,935	1,372,789	1,268,160	784,617	691,265
37,621,864	35,550,989	34,715,397	53,668,608	61,236,092	69,282,830
41,985,648	25,592,531	25,751,128	25,782,851	22,890,660	19,116,476
$ 80,697,406	$ 85,240,115	$ 86,295,810	$ 107,585,144	$ 115,504,289	$ 120,273,257
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
567,349	478,449	405,815	352,318	284,349	32,946
1,015,700	1,515,253	1,553,182	1,553,182	1,044,040	533,232
87,476,588	78,023,210	74,037,637	67,317,090	64,340,833	56,050,351
$ 89,059,637	$ 80,016,912	$ 75,996,634	$ 69,222,590	$ 65,669,222	$ 56,616,529
(1)					

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			
	2006	2007	2008	2009
Revenues:				
Taxes	$ 152,747,044	$ 166,639,162	$ 182,536,717	$ 184,696,756
Intergovernmental	12,737,022	15,643,174	24,168,953	18,898,459
Charges for services	50,431,293	53,191,997	53,510,278	54,125,964
Use of money and property	5,284,539	8,379,245	7,336,664	4,148,889
Miscellaneous	581,708	428,475	982,487	2,517,891
Developer contributions	2,730,652	1,096,262	1,744,392	-
Total revenues	224,512,258	245,378,315	270,279,491	264,387,959
Expenditures:				
Current - public safety:				
Salaries and benefits	166,670,733	186,074,623	195,481,030	203,790,256
Services and supplies	23,188,784	27,146,936	31,386,487	28,561,308
Capital outlay	10,838,654	9,714,765	13,323,621	32,624,294
Debt service:				
Principal retirement	5,033,119	5,186,766	4,867,453	5,933,911
Interest and fiscal charges	1,985,533	2,414,453	2,526,877	2,119,347
Issuance costs	-	-	-	-
Total expenditures	207,716,823	230,537,543	247,585,468	273,029,116
Excess (deficiency) of revenues over (under) expenditures	16,795,435	14,840,772	22,694,023	(8,641,157)
Other financing sources (uses):				
Transfers in	18,435,635	24,350,337	29,914,910	30,257,506
Transfers out	(18,435,635)	(24,350,337)	(29,914,910)	(30,257,506)
Issuance of long-term debt	5,841,858	-	-	21,515,238
Refinanced long-term debt	-	-	-	-
Sale of capital and other assets	92,824	55,946	93,807	93,480
Insurance recoveries	-	-	-	81,576
Total other financing sources (uses)	5,934,682	55,946	93,807	21,690,294
Net change in fund balances	$ 22,730,117	$ 14,896,718	$ 22,787,830	$ 13,049,137
Debt service as a percentage of noncapital expenditures	3.6%	3.4%	3.2%	3.3%

SOURCE: OCFA Comprehensive Annual Financial Reports

2010	2011	2012	2013	2014	2015
$ 179,001,919	$ 177,181,086	$ 177,728,290	$ 181,720,253	$ 190,873,689	$ 205,141,237
14,202,209	11,080,619	12,894,882	28,883,649	19,111,811	23,565,214
55,325,007	56,582,867	65,556,905	95,904,052	97,705,183	102,000,677
1,341,991	822,002	660,621	(20,556)	932,284	841,522
1,333,170	1,320,856	2,753,421	5,111,908	1,677,853	1,679,976
551,365	43,200	10,140	538,260	1,271,400	8,307,207
251,755,661	247,030,630	259,604,259	312,137,566	311,572,220	341,535,833
206,942,045	211,801,889	228,452,010	255,301,913	257,134,030	285,988,997
28,521,125	28,207,018	30,737,551	32,613,137	40,187,878	40,490,370
9,647,853	9,899,979	932,034	5,420,102	7,681,418	16,644,798
13,370,586	1,911,912	2,139,694	2,162,809	2,219,152	2,276,963
1,459,383	890,067	635,351	484,851	421,845	585,501
-	-	286,599	-	-	-
259,940,992	252,710,865	263,183,239	295,982,812	307,644,323	345,986,629
(8,185,331)	(5,680,235)	(3,578,980)	16,154,754	3,927,897	(4,450,796)
10,608,277	4,137,811	-	381,222	5,370,375	6,845,320
(10,608,277)	(4,137,811)	-	(381,222)	(5,370,375)	(6,845,320)
-	-	16,756,078	-	-	-
-	-	(16,377,093)	-	-	-
162,533	434,914	146,317	58,051	77,077	134,123
71,445	8,405	89,095	53,529	360,803	32,948
233,978	443,319	614,397	111,580	437,880	167,071
$ (7,951,353)	$ (5,236,916)	$ (2,964,583)	$ 16,266,334	$ 4,365,777	$ (4,283,725)
5.9%	1.2%	1.1%	0.9%	0.9%	0.9%

Orange County Fire Authority Safety Message

Disaster Preparedness
(Part 2 of 3)

(Continued from Page 118)

Make a Disaster Plan

- ✓ Meet with your family, neighbors, coworkers, and schools to create a plan, share responsibilities, and work together as a team.
- ✓ Pick two places to meet:
  - ❖ Outside your home, in case of a sudden emergency.
  - ❖ Outside your neighborhood, in case you can't return home.
- ✓ Have an "out-of-state contact" for family members to call. For a card, visit www.ocfa.org.
- ✓ Post emergency numbers and teach children how to call 9-1-1 for assistance.
- ✓ Conduct fire and emergency evacuation drills.
- ✓ Consider food and shelter for pets.

(Continued on Page 138)

ORANGE COUNTY FIRE AUTHORITY

Revenue Capacity Information

Assessed Value and Estimated Actual Value of Taxable Property **–** Presents information on the assessed property values of each city and the unincorporated area within the OCFA's jurisdiction for each of the last ten fiscal years.

Property Tax Rates of Direct and Overlapping Governments **–** Presents the County of Orange's direct property tax rate, as well as the rates of any overlapping governments that are applied to the same revenue base.

Principal Property Tax Payers **–** Presents information about the OCFA's ten largest property tax payers for the current fiscal year, as compared to nine fiscal years ago.

Property Tax Levies and Collections **–** Presents information on the levy and subsequent collection of OCFA's property taxes for each of the last ten fiscal years.

ORANGE COUNTY FIRE AUTHORITY
Assessed Value (1) and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(dollars in thousands)

Jurisdiction	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09
Buena Park	$ 6,112,028	$ 6,750,905	$ 7,351,653	$ 7,611,793
Placentia	4,189,586	4,628,986	4,991,175	5,070,123
San Clemente	9,999,404	11,366,168	12,486,976	12,855,038
Santa Ana (4)	n/a	n/a	n/a	n/a
Seal Beach	3,189,870	3,585,301	3,875,902	4,256,884
Stanton	1,774,670	1,972,744	2,184,177	2,195,788
Tustin	7,046,325	8,170,655	9,070,627	9,958,561
Westminster	5,589,577	6,215,306	6,640,057	6,775,451
Total cash contract cities (3)	37,901,460	42,690,065	46,600,567	48,723,638
Aliso Viejo	6,176,940	6,968,167	7,499,861	7,792,144
Cypress	4,704,566	5,085,127	5,421,886	5,604,677
Dana Point	6,998,388	7,693,012	8,532,709	8,879,909
Irvine	33,764,042	39,280,256	44,382,983	47,257,608
Laguna Hills	4,909,424	5,313,973	5,736,525	5,692,646
Laguna Niguel	10,355,469	11,347,524	12,073,542	12,227,117
Laguna Woods	1,963,825	2,118,937	2,262,295	2,295,254
Lake Forest	9,258,757	10,165,487	10,896,488	11,189,197
La Palma	1,397,213	1,509,520	1,636,875	1,685,812
Los Alamitos	1,333,656	1,416,837	1,515,499	1,582,738
Mission Viejo	11,473,222	12,449,764	13,246,125	13,357,566
Rancho Santa Margarita	5,989,888	6,575,282	6,977,082	6,921,865
San Juan Capistrano	4,780,297	5,260,585	5,794,133	5,961,050
Villa Park	1,148,109	1,234,034	1,311,588	1,355,557
Yorba Linda	8,865,186	9,969,593	10,909,311	11,165,576
Unincorporated	17,991,705	19,843,722	21,846,485	22,212,379
Total SFF jurisdictions (2)	131,110,687	146,231,820	160,043,387	165,181,095
Percentage change from prior year	10.95%	11.53%	9.44%	3.21%
Total assessed valuation	$169,012,147	$188,921,885	$206,643,954	$213,904,733
Total direct tax rate	0.12%	0.11%	0.11%	0.11%

SOURCE: County of Orange, Auditor-Controller, Assessed Valuations by Fiscal Year
http://acapps.ocgov.com/txfdr_eGov/av/default_egov.asp

NOTES:

(1) Assessed value is stated at taxable full cash value. These values may include an increased value over the base year for that portion of the city or district which lies within a redevelopment agency.

(2) Assessed value for these cities is part of the Structural Fire Fund (SFF).

(3) These cities pay for services on a cash contract basis. Assessed value is shown for comparison only.

(4) Santa Ana joined OCFA on April 20, 2012.

FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
$ 7,438,787	$ 7,478,553	$ 7,484,717	7,602,927	7,886,342	8,313,496
4,967,651	4,969,023	5,007,558	5,080,849	5,203,417	5,519,085
12,631,337	12,431,717	12,356,019	12,506,118	12,824,727	13,666,851
n/a	n/a	20,100,864	20,339,779	21,119,683	22,075,383
4,241,221	4,282,032	4,434,345	4,480,557	4,580,472	4,891,060
2,070,815	2,042,112	2,063,293	2,073,752	2,144,270	2,297,508
9,501,069	9,419,294	9,378,899	9,502,173	9,732,381	10,292,805
6,698,153	6,779,972	6,935,762	7,023,383	7,176,141	7,628,669
47,549,033	47,402,703	67,761,457	68,609,538	70,667,433	74,684,857
7,553,177	7,459,562	7,511,408	7,605,524	7,877,812	8,440,740
5,529,005	5,514,794	5,560,190	5,666,354	5,854,809	6,104,218
8,763,402	8,687,748	8,735,352	8,844,364	9,126,750	9,787,132
47,212,001	46,538,576	47,136,231	48,646,093	51,002,248	55,693,885
5,589,417	5,460,470	5,463,649	5,513,066	5,643,545	5,961,947
11,883,056	11,892,951	11,991,939	12,116,601	12,402,919	13,270,851
2,273,717	2,214,363	2,186,990	2,193,624	2,237,288	2,424,736
10,915,562	10,744,518	10,721,083	10,885,724	11,238,775	11,920,081
1,695,126	1,698,469	1,698,169	1,718,007	1,744,907	1,829,353
1,589,309	1,616,120	1,603,255	1,638,193	1,674,933	1,778,110
13,104,698	13,157,979	13,226,115	13,320,574	13,639,460	14,533,544
6,617,903	6,605,397	6,623,819	6,679,191	6,759,144	7,231,597
5,835,957	5,817,501	5,799,444	5,833,269	6,039,344	6,443,224
1,359,734	1,353,409	1,372,687	1,398,666	1,466,599	1,527,255
10,897,981	10,936,312	11,262,427	11,484,958	11,857,840	12,668,130
21,447,511	21,485,307	21,509,471	21,332,072	21,915,863	23,573,390
162,267,556	161,183,476	162,402,229	164,876,280	170,482,236	183,188,193
-1.76%	-0.67%	0.76%	1.52%	3.40%	7.45%
$209,816,589	$208,586,179	$230,163,686	$ 233,485,818	$ 241,149,669	$ 257,873,050
0.11%	0.11%	0.11%	0.11%	0.11%	0.10%

(5) In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1 % based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

ORANGE COUNTY FIRE AUTHORITY
Property Tax Rates of Direct and Overlapping Governments
Last Ten Fiscal Years

	County of Orange (B)			OCFA (B)
	Overlapping	Direct		Direct
	Basic Operating Levy	Debt Service	Total	Basic Operating Levy
2006	1.00000	0.00000	1.00000	0.0012
2007	1.00000	0.00000	1.00000	0.0011
2008	1.00000	0.00000	1.00000	0.0011
2009	1.00000	0.00000	1.00000	0.0011
2010	1.00000	0.00000	1.00000	0.0011
2011	1.00000	0.00000	1.00000	0.0011
2012	1.00000	0.00000	1.00000	0.0011
2013	1.00000	0.00000	1.00000	0.0011
2014	1.00000	0.00000	1.00000	0.0011
2015	1.00000	0.00000	1.00000	0.0010
	(A)	(A)		(C)

SOURCE:

(A) County of Orange, Auditor-Controller, Tax Rate Books by Fiscal Year
http://acapps.ocgov.com/txfdr_Civica/tr/index_egov.asp

(B) Data for the entire County of Orange is not limited to the cities/unincorporated areas served by the Orange County Fire Authority. Data for OCFA is limited to its member cities that are part of the Structural Fire Fund (SFF).

(C) Direct tax rate calculation per the "Assessed Value and Estimated Actual Value of Taxable Property" schedule included in this report.

NOTE: This schedule presents tax rates per $100 of assessed/full cash value.

ORANGE COUNTY FIRE AUTHORITY
Principal Property Tax Payers
Current and Nine Years Ago
(Dollars in Thousands)

	Fiscal Year 2005/06 (A)			Fiscal Year 2014/15 (B)		
Property Tax Payer	Actual Taxes Levied	Rank	Percent of Total Taxes Levied	Actual Taxes Levied	Rank	Percent of Total Taxes Levied
The Irvine Company	$ 48,788	1	1.28%	$ 106,692	1	1.97%
Walt Disney World Co.	$ 28,169	2	0.74%			
Walt Disney World	$ 7,644	6	0.20%			
Walt Disney Parks & Resorts US				$ 50,529	2	0.93%
	$ 35,813			$ 50,529		
Southern California Edison Company	$ 17,776	4	0.50%	$ 31,303	3	0.58%
Heritage Fields El Toro				$ 10,503	4	0.19%
United Laguna Hills Mutual	$ 6,792	7	0.18%	$ 7,825	5	0.14%
Pacific Bell Telephone Company (AT&T)				$ 7,672	6	0.14%
Oxy USA, Inc.				$ 6,977	7	0.13%
OC/SD Holdings, LLC				$ 5,091	8	0.09%
Southern California Gas Company				$ 4,727	9	0.09%
Linn Western Operating Inc.				$ 4,611	10	0.09%
Irvine Apartment Communities	$ 18,995	3	0.50%			
SBC Communications, California	$ 7,727	5	0.20%			
Irvine Co. of W. VA.	$ 5,309	8	0.14%			
Maguire Properties - Park Place	$ 4,318	9	0.11%			
Irvine Community Development	$ 4,127	10	0.11%			

SOURCES:
(A) OCFA Comprehensive Annual Financial Report for Fiscal Year 2005/06
(B) County of Orange, Treasurer-Tax Collector, Tax Collector Top 10 Taxpayer List for Fiscal Year 2014/15 (http://ttc.ocgov.com/proptax/toptaxpayers)

NOTE:
This schedule presents data for the entire County of Orange and is not limited to the cities/unincorporated areas served by the Orange County Fire Authority.

ORANGE COUNTY FIRE AUTHORITY
Property Tax Levies and Collections
Last Ten Fiscal Years
(dollars in thousands)

		Collected within the Fiscal Year of Levy		Collection of Prior Year Levies		Collection of Penalties and Interest		Total Collection to Date		Collection of Property Tax Increment (4) Pass-Through	
Fiscal Year ended June 30	Taxes Levied for the Fiscal Year	Amount	% of Levy	Teeter Plan	Delinquencies and Other	Delinquency Penalties	Interest	Total Amounts Collected	% of Levy	RDA	H&S
2006	$ 154,294	$ 149,252	96.7%	$ 2,104	$ 290	$ 42	$ 101	$ 151,789	98.4%	$ -	$ -
2007	$ 168,777	$ 160,990	95.4%	$ 4,023	$ 506	$ 74	$ 974	$ 166,567	98.7%	$ -	$ -
2008	$ 182,400	$ 174,208	95.5%	$ 6,157	$ 812	$ 125	$ 471	$ 181,773	99.7%	$ -	$ -
2009	$ 184,776	$ 176,080	95.3%	$ 5,985	$ 878	$ 157	$ 226	$ 183,326	99.2%	$ -	$ -
2010	$ 179,914	$ 158,509	88.1%	$ 3,683	$ 493	$ 110	$ 100	$ 162,895	90.5% (3)	$ -	$ -
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

SOURCE: County of Orange, Auditor-Controller, Tax Ledger Detail by Fiscal Year
http://tax.ocgov.com/acledger/choice_eGov.asp

NOTES:

(1) The Teeter Plan apportions delinquencies on a current year basis for Secured Property Taxes. Prior to Fiscal Year 2005/06, both interest earnings and the apportionment from the Teeter Plan were combined on this schedule with the amount collected within the fiscal year of levy.

(2) Prior to Fiscal Year 2005/06, collection of delinquent amounts and related penalties were combined for presentation on this schedule.

(3) 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).

(4) Upon dissolution of California redevelopment agencies during Fiscal Year 2011/12, property tax increment formerly remitted to OCFA by its member city redevelopment agencies was instead deposited into the newly formed Redevelopment Property Tax Trust Fund (RPTTF) from which the Auditor/Controller made disbursements on behalf of the successor agencies. There is no tax levy associated with these collections; thus, they have been excluded from the "% of levy collected" calculations.

ORANGE COUNTY FIRE AUTHORITY

Debt Capacity Information

***Ratios of Outstanding Debt by Type* –** Presents information on the OCFA's total outstanding debt for each of the last ten fiscal years, including the ratio of outstanding debt to median family income and the calculation of outstanding debt per capita.

***Ratios of General Bonded Debt Outstanding* –** Presents information on net bonded debt that will be repaid by general OCFA resources for each of the last ten fiscal years, including the ratio of outstanding debt to total assessed property value and the calculation of net bonded debt per capita.

The following schedules are not included in the OCFA's CAFR:

***Computation of Legal Debt Margin* –**OCFA is not subject to a legal debt margin.

***Pledged Revenue Coverage* –** Debt of the OCFA is not secured by a pledged revenue stream.

***Computation of Direct and Overlapping Bonded Debt* –** OCFA is not obligated for any direct, bonded debt.

ORANGE COUNTY FIRE AUTHORITY
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands)

	Governmental Activities (A)			(B)		(C)		
Fiscal Year ended June 30	Revenue Bonds	Capital Lease Purchase Agreements	Total Outstanding Debt	County of Orange Median Household Income	Debt as a Percentage of Household Income	Population (OCFA Jurisdiction Only)	Debt per Capita	
2006	$ 16,670	$ 9,952	$ 26,622	$78	34130.8%	1,346	$20	
2007	$ 13,570	$ 7,865	$ 21,435	$79	27132.9%	1,359	$16	
2008	$ 10,365	$ 6,203	$ 16,568	$84	19723.8%	1,376	$12	
2009	$ 7,040	$ 25,109	$ 32,149	$86	37382.6%	1,387	$23	
2010	$ -	$ 18,778	$ 18,778	$87	21583.9%	1,403	$13	
2011	$ -	$ 16,866	$ 16,866	$84	20078.6%	1,355	$12	
2012	$ -	$ 15,106	$ 15,106	$85	17771.8%	1,694	$9	(1)
2013	$ -	$ 12,943	$ 12,943	$84	15408.3%	1,712	$8	
2014	$ -	$ 10,724	$ 10,724	$85	12616.5%	1,734	$6	
2015	$ -	$ 8,447	$ 8,447	$86	9822.1%	1,755	$5	

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/research/demographic/reports/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)

	(A)	(B)	(C)	(D)				
Fiscal Year ended June 30	Population (OCFA Jurisdiction Only)	Assessed Value	Gross Bonded Debt	Amounts Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita	
2006	1,346	$ 169,012,147	$ 16,670	$ 2,806	$ 13,864	0.01%	$ 10	
2007	1,359	$ 188,921,885	$ 13,570	$ 2,806	$ 10,764	0.01%	$ 8	
2008	1,376	$ 206,643,954	$ 10,365	$ 2,806	$ 7,559	0.00%	$ 5	
2009	1,387	$ 213,904,733	$ 7,040	$ 2,806	$ 4,234	0.00%	$ 3	
2010	1,403	$ 209,816,589	$ -	$ -	$ -	0.00%	$ -	(1)
2011	1,355	$ 208,586,179	$ -	$ -	$ -	0.00%	$ -	
2012	1,694	$ 230,163,686	$ -	$ -	$ -	0.00%	$ -	
2013	1,712	$ 233,485,818	$ -	$ -	$ -	0.00%	$ -	
2014	1,734	$ 241,149,669	$ -	$ -	$ -	0.00%	$ -	
2015	1,755	$ 257,873,050	$ -	$ -	$ -	0.00%	$ -	

SOURCES:

(A) California Department of Finance, Population and Housing Estimates as of January 1
http://www.dof.ca.gov/research/demographic/reports/estimates

(B) County of Orange, Auditor-Controller, Assessed Valuations by Fiscal Year
http://acapps.ocgov.com/txfdr_eGov/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

Disaster Preparedness
(Part 3 of 3)

(Continued from Page 128)

<u>If Disaster Strikes</u>

- ✓ Work with your Community Emergency Response Teams (CERT), Community Emergency Preparedness Academy Teams (CEPA), and Business Emergency Response Teams (BERT).
- ✓ Check for injuries and give first-aid.
- ✓ Listen for news and information.
- ✓ Clean up spilled bleach, gasoline, medicine, and other hazardous materials.
- ✓ Shut off any damaged utilities.

ORANGE COUNTY FIRE AUTHORITY

Demographic and Economic Information

Demographic and Economic Indicators **–** Presents information regarding population, personal income, per capita income and the unemployment rate for the County of Orange for each of the last ten fiscal years.

Population and Housing Statistics – Presents information on population and housing units of each city and the unincorporated area within the OCFA's jurisdiction for the current fiscal year, as compared to nine fiscal years ago.

Principal Employers **–** Presents information about the ten largest employers within the OCFA's jurisdiction for the current fiscal year, as compared to nine fiscal years ago.

ORANGE COUNTY FIRE AUTHORITY
Demographic and Economic Indicators
Last Ten Fiscal Years
(amounts in thousands)

Calendar Year	(A) Population (Orange County)	(B) Total Personal Income	Per Capita Income	(C) Unemployment Rate
2006	3,062	$ 141,169,400	$ 46,104	6.0
2007	3,078	$ 153,446,600	$ 49,853	5.0
2008	3,104	$ 155,068,400	$ 49,958	4.4
2009	3,135	$ 145,247,400	$ 46,331	4.8
2010	3,166	$ 147,195,100	$ 46,492	6.9
2011	3,030	$ 155,259,400	$ 51,241	10.9
2012	3,056	$ 166,634,100	$ 54,527	11.8
2013	3,082	$ 169,792,800	$ 55,092	11.4
2014	3,114	$ 176,636,600	$ 56,723	10.1
2015	3,147	$ 182,720,200	$ 58,062	9.0

SOURCES:

(A) California Department of Finance, Population and Housing Estimates as of January 1
http://www.dof.ca.gov/research/demographic/reports/estimates

(B) Chapman University Economic & Business Review, Annual History and Forecasts
Years 2011-2014 updated as of June 30, 2015. Most recent year is an estimate.

(C) Bureau of Labor Statistics (www.bls.gov/lau), Local Area Unemployment Statistics, Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area (The 2007-2013 figures reflect revised inputs, reestimation, and new statewide control. The 2015 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 2006	Population 2015	Population % Change	Housing Units 2006	Housing Units 2015	Housing Units % Change
Aliso Viejo	44,807	50,204	12.0%	17,968	19,354	7.7%
Buena Park	81,082	82,767	2.1%	24,001	24,726	3.0%
Cypress	48,697	49,184	1.0%	16,477	16,155	-2.0%
Dana Point	36,549	34,208	-6.4%	15,900	15,972	0.5%
Irvine	192,167	250,384	30.3%	71,652	92,961	29.7%
Laguna Hills	33,115	30,994	-6.4%	11,152	10,996	-1.4%
Laguna Niguel	65,959	64,836	-1.7%	24,793	25,456	2.7%
Laguna Woods	18,272	16,652	-8.9%	13,629	13,079	-4.0%
Lake Forest	77,605	80,070	3.2%	26,384	27,454	4.1%
La Palma	16,028	15,965	-0.4%	5,131	5,234	2.0%
Los Alamitos	11,966	11,779	-1.6%	4,378	4,380	0.0%
Mission Viejo	99,291	96,652	-2.7%	34,276	34,619	1.0%
Placentia	50,966	52,427	2.9%	16,402	17,098	4.2%
Rancho Santa Margarita	48,969	49,125	0.3%	16,678	17,309	3.8%
San Clemente	66,077	65,399	-1.0%	26,648	26,116	-2.0%
San Juan Capistrano	35,954	36,223	0.7%	11,714	12,215	4.3%
Santa Ana (A)	350,167	335,264	-4.3%	75,292	77,477	2.9%
Seal Beach	25,388	24,684	-2.8%	14,490	14,535	0.3%
Stanton	38,635	39,219	1.5%	11,079	11,323	2.2%
Tustin	71,383	79,601	11.5%	25,281	27,262	7.8%
Villa Park	6,199	5,960	-3.9%	2,020	2,020	0.0%
Westminster	92,103	92,106	0.0%	27,397	27,738	1.2%
Yorba Linda	66,427	67,719	1.9%	21,534	22,974	6.7%
Unincorporated	118,774	124,014	4.4%	38,664	40,151	3.8%
Total OCFA, adjusted (A)	1,696,580	1,755,436	3.5%	552,940	586,604	6.1%
Total non-OCFA	1,364,955	1,392,219	2.0%	466,072	482,846	3.6%
Total Orange County	3,061,535	3,147,655	2.8%	1,019,012	1,069,450	4.9%
Total OCFA, adjusted	1,696,580			552,940		
Less: Santa Ana	(350,167)			(75,292)		
Total OCFA, actual	1,346,413	1,755,436	30.4%	477,648	586,604	22.8%

SOURCE: California Department of Finance, Population and Housing Estimates Table E-5
As of January 1, 2005 and 2014 (http://www.dof.ca.gov/research/demographic/reports/estimates)

NOTE:

(A) Before Santa Ana became on OCFA member city in April 2012, the city's data was included in the "non-OCFA" total. However, Santa Ana's 2005 data has been identified separately for comparison purposes.

ORANGE COUNTY FIRE AUTHORITY
Principal Employers
Current and Nine Years Ago

	Fiscal Year 2005/06			Fiscal Year 2014/15		
Employer	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Walt Disney Co.	21,000	1	1.38%	25,000	1	1.56%
University of California, Irvine	15,500	3	1.02%	22,253	2	1.39%
County of Orange	17,597	2	1.16%	18,035	3	1.12%
St. Joseph Health System	8,975	5	0.59%	12,062	4	0.75%
Boeing Co.	11,160	4	0.73%	6,890	5	0.43%
Kaiser Permanente				6,040	6	0.38%
Bank of America Corporation				6,000	7	0.37%
Walmart				6,000	8	0.37%
MemorialCare Health System				5,635	9	0.35%
Target Corporation	5,436	10	0.36%	5,400	10	0.34%
Albertson's Inc.	8,700	6	0.57%			
Tenet Healthcare Corp.	8,389	7	0.55%			
Yum! Brands Inc.	6,500	8	0.43%			
SBC Communications Inc.	5,658	9	0.37%			

SOURCE:
County of Orange Fiscal Year 2013/14 Comprehensive Annual Financial Report for 2005 and 2014

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 eight fiscal years.

Capital Vehicles by Category **–** Presents the historical cost and quantity of capital vehicles by category for each of the last eight 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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Funded positions:										
Executive Management	44	44	45	45	45	35	33	33	40	36 **(E,F)**
Operations	857	877	892	902	878	881	1,001 **(B)**	994	968 **(D)**	966 **(F)**
Community Risk Reduction	76	74	76	72	65	67	76	76	96 **(D)**	98
Business Services	74	77	77	77	73	48 **(A)**	47	47	48	53 **(E)**
Support Services	33	35	35	35	34	55 **(A)**	88 **(B)**	88	88	86 **(F)**
Organizational Planning	-	-	-	-	-	-	-	-	-	5 **(F)**
General Operating Fund	1,084	1,107	1,125	1,131	1,095	1,086	1,245	1,238	1,240	1,244
Facilities Replacement	1	1	1	1	1	-	-	-	-	-
RFOTC	-	-	-	-	-	-	-	-	-	-
Structural Fire Entitlement	2	2	-	-	-	-	-	-	-	-
Total funded positions	**1,087**	**1,110**	**1,126**	**1,132**	**1,096**	**1,086**	**1,245** (C)	**1,238**	**1,240**	**1,244**
Unfunded positions:										
Limited term and/or grant-funded positions	-	-	-	-	-	-	1	3	3	3
Frozen positions	4	1	1	50	86	95	93	102	100	97
Total unfunded positions	**4**	**1**	**1**	**50**	**86**	**95**	**94**	**105**	**103**	**100**
Total authorized positions	**1,091**	**1,111**	**1,127**	**1,182**	**1,182**	**1,181**	**1,339**	**1,343**	**1,343**	**1,344**

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

NOTE:

(A) During Fiscal Year 2010/11, Information Technology (23 positions) was transferred from Business Services to Support Services.

(B) During Fiscal Year 2011/12, the Emergency Command Center (32 positions) was transferred from Operations to Support Services.

(C) The net increase of 159 total funded employees during Fiscal Year 2011/12 included 163 authorized/funded positions for employees transitioning from the City of Santa Ana (151 Operations; 9 Community Risk Reduction; 3 Support Services).

(D) During Fiscal Year 2013/14, Crews & Equipment (26 positions) was transferred form Operations to Community Risk Reduction.

(E) During Fiscal Year 2014/15, the Clerk of the Authority (5 positions) was transferred form Executive Management to Business Services.

(F) During Fiscal Year 2014/15, the Organizational Planning Department was created by transferring positions from Executive Management (Human Resources - 1 position); Operations (Emergency Planning and Coordination - 1 position); and Support Services (Strategic Services - 3 positions).

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

	As of June 30									
Unit	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Firefighter	778	792	808	863	863	863	1,010	1,011	1,011	1,011
Fire Management	40	41	41	41	41	41	45	45	45	45
General	192	198	197	197	197	196	203	205	205	205
Supervisory Management	27	27	28	28	28	28	28	28	27	27
Supported Employment	4	4	4	4	4	4	4	4	4	4
Administrative Management	43	42	42	42	42	42	42	43	44	44
Executive Management	7	7	7	7	7	7	7	7	7	8
Total authorized positions	1,091	1,111	1,127	1,182	1,182	1,181	1,339	1,343	1,343	1,344
Increase (decrease) from prior fiscal year	1	20	16	55	-	(1)	158 **(A)**	4	-	1

SOURCE: OCFA Treasury & Financial Planning Division, Budget Section

(A) The net increase of total authorized positions during Fiscal Year 2011/12 included 163 authorized positions for employees transitioning from the City of Santa Ana (147 Firefighter Unit, 4 Fire Management Unit, 11 General Unit, and 1 Supervisory Management Unit).

ORANGE COUNTY FIRE AUTHORITY
Frozen Positions by Department
Last Ten Fiscal Years

	As of June 30									
Department	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Suppression:										
Operations:										
Firefighter	-	-	-	15	15	18	18	18	18	18
Fire Apparatus Engineer	-	-	-	3	13	18	18	24	24	24
Fire Captain	-	-	-	3	16	24	24	27	27	27
Battalion Chief (Staff Position)	-	-	-	-	2	2	2	2	2	2
Fire Pilot	-	-	-	-	-	-	-	-	1	1
Hand Crew Firefighter	-	-	-	22	22	-	-	-	-	-
Heavy Fire Equipment Operator	1	-	-	-	-	1	1	1	1	1
Subtotal Suppression	**1**	**-**	**-**	**43**	**68**	**63**	**63**	**72**	**73**	**73**
Non-Suppression:										
Executive Management:										
Executive Management	-	-	-	-	-	1	-	-	-	-
Human Resources	-	-	-	-	-	4	4	4	4	3
Corporate Communications/ Communications and Public Affairs	-	-	-	-	-	1	-	-	-	-
Subtotal Executive Management	-	-	-	-	-	6	4	4	4	3
Operations	-	-	-	-	-	-	1	2	1	1
Community Risk Reduction	1	1	1	6	12	16	15	15	14	12
Business Services	1	-	-	1	5	6	6	5	4	4
Support Services	1	-	-	-	1	4	4	4	4	4
Organizational Planning	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Suppression	**3**	**1**	**1**	**7**	**18**	**32**	**30**	**30**	**27**	**24**
Total frozen positions	**4**	**1**	**1**	**50**	**86**	**95**	**93**	**102**	**100**	**97**

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

ORANGE COUNTY FIRE AUTHORITY
Jurisdiction Information
Last Ten Fiscal Years

Fiscal Year Ended June 30	(A) Number of Member Agencies	(B) Square Mile Area Served	(C) Population Served	(A) Number of Stations	New and Closed Station(s) +/-	Description
2006	23	551	1,346,413	61	1	New Station 47 (Irvine/Shady Canyon)
2007	23	551	1,358,595	60	(1)	Closed Station 52 (Crews & Equipment)
2008	23	550	1,375,509	61	1	New Station 27 (Irvine/Portola Springs)
2009	23	550	1,387,171	62	1	New Station 20 (Irvine/Great Park)
2010	23	550	1,403,072	62	-	
2011	23	548	1,355,090	61	(1)	Closed Station 3 (County/Sunset Beach)
2012	24	576	1,694,010	71	10	New Stations 70 through 79 (Santa Ana)
2013	24	571	1,712,234	71	-	
2014	24	571	1,733,563	71	-	
2015	24	571	1,755,436	72	1	New Station 56 (County/Rancho Mission Viejo)

SOURCES:
(A) Orange County Fire Authority, Clerk of the Authority
(B) Orange County Fire Authority, Geographic Information Systems
(C) California Department of Finance, Population and Housing Estimates as of January 1
http://www.dof.ca.gov/research/demographic/reports/estimates

NOTE: The City of Santa Ana became an OCFA member city in Fiscal Year 2011/12.

ORANGE COUNTY FIRE AUTHORITY
Incidents by Type
Last Ten Fiscal Years

Fiscal Year ended June 30 (1)	Fire/ Explosion	Ruptures	Rescue/ EMS	Hazmat	Service Call	Good Intent	False Alarm	Natural Disaster	Other	Total	
2005	1,923	169	52,348	1,559	5,246	10,990	4,434	47	552	77,268	
2006	1,972	179	54,461	1,402	5,271	11,413	4,543	4	417	79,662	
2007	2,155	179	55,863	1,465	5,475	10,636	4,734	5	209	80,721	
2008	1,946	178	57,871	1,353	5,257	10,933	4,835	10	547	82,930	
2009	1,795	169	58,358	1,080	5,508	10,839	4,503	3	294	82,549	
2010	1,464	164	59,408	1,049	5,703	10,979	4,300	25	349	83,441	
2011	1,541	158	61,870	1,011	6,157	12,897	4,293	51	249	88,227	(2)
2012	1,635	157	66,383	965	6,457	12,802	4,065	4	192	92,660	(3)
2013	2,004	219	80,167	1,100	7,753	14,786	5,710	1	149	111,889	(3)
2014	1,936	220	83,762	1,254	6,978	12,411	6,238	6	220	113,025	
2015	1,898	229	94,740	1,220	6,996	12,046	6,515	5	345	123,994	

SOURCE: Orange County Fire Authority, Organizational Planning Department, Strategic Services

NOTES:

(1) Response statistics are normally reported on a calendar year basis in other reports. These statistics have been reported on the fiscal year basis, July through June.

(2) Beginning in Fiscal Year 2010/11, totals were revised to include incidents outside of OCFA jurisdiction that involved OCFA units and personnel (Auto/Mutual Aid Given).

(3) The City of Santa Ana joined the OCFA effective April 20, 2012. Fiscal Year 2011/12 data includes the portion of the fiscal year during which the city was a member of OCFA. Fiscal Year 2012/13 data includes the first full year of Santa Ana activity.

ORANGE COUNTY FIRE AUTHORITY
Incidents by Member Agency
Last Ten Fiscal Years

	Fiscal Year ended June 30 (1)									
Member Agency	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Aliso Viejo	1,993	1,939	2,060	1,998	2,005	2,094	2,071	2,226	2,194	2,420
Buena Park	5,368	5,431	5,528	5,668	5,676	5,652	5,836	5,849	6,057	6,569
Cypress	2,489	2,518	2,552	2,504	2,600	2,490	2,556	2,699	2,633	2,833
Dana Point	2,490	2,660	2,700	2,650	2,787	2,870	2,772	2,950	2,925	3,297
Irvine	10,797	11,216	11,632	11,385	11,981	12,214	11,969	12,485	12,896	13,875
La Palma	772	798	760	760	754	778	750	808	925	1,036
Laguna Hills	2,373	2,494	2,434	2,421	2,558	2,614	2,542	2,579	2,584	2,675
Laguna Niguel	2,944	3,017	3,101	3,079	3,094	3,255	3,358	3,476	3,685	3,584
Laguna Woods	4,300	4,275	4,349	4,350	4,399	4,560	4,717	4,748	4,306	4,847
Lake Forest	4,103	4,289	4,170	4,272	4,320	4,334	4,230	4,459	4,297	4,651
Los Alamitos	1,012	1,033	1,032	1,083	1,080	1,055	1,101	1,199	1,123	1,254
Mission Viejo	5,809	5,794	6,139	6,424	6,363	6,379	6,355	6,760	6,791	7,072
Placentia	2,797	2,678	2,829	2,699	2,696	2,837	2,714	2,846	2,806	2,981
Rancho Santa Margarita	1,946	1,879	2,002	1,965	2,009	2,015	2,105	1,983	2,111	2,254
San Clemente	3,619	3,684	3,863	3,678	3,961	3,813	3,999	4,187	4,334	4,668
San Juan Capistrano	2,452	2,554	2,569	2,526	2,429	2,580	2,617	2,701	2,934	3,164
Santa Ana (3)	n/a	n/a	n/a	n/a	n/a	n/a	3,654	18,915	19,303	21,465
Seal Beach	3,257	3,283	3,453	3,388	3,503	3,375	3,617	3,571	3,343	3,783
Stanton	2,368	2,343	2,438	2,420	2,401	2,597	2,660	2,878	2,879	3,113
Tustin	3,608	3,845	3,865	3,761	3,744	4,055	4,196	4,582	4,614	5,205
Villa Park	309	319	324	329	336	388	363	392	338	378
Westminster	5,950	5,684	5,795	5,835	5,724	5,882	6,012	6,486	6,201	6,880
Yorba Linda	2,814	2,991	3,100	3,134	2,937	2,928	3,125	3,277	3,185	3,547
Unincorporated	6,092	5,997	6,235	6,220	6,084	6,087	5,991	6,312	6,073	6,496
	79,662	80,721	82,930	82,549	83,441	84,852	89,310	108,368	108,537	118,047
Auto/Mutual Aid Given (2)	n/a	n/a	n/a	n/a	n/a	3,375	3,350	3,521	4,488	5,947
Total	79,662	80,721	82,930	82,549	83,441	88,227	92,660	111,889	113,025	123,994

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
Capital Equipment by Category
Last Eight Fiscal Years

Category	June 30, 2008 Historical Cost	June 30, 2008 Quantity	June 30, 2009 Historical Cost	June 30, 2009 Quantity
Air fill station	$ 53,179	2	$ 53,179	2
Aboveground storage tank	678,014	8	678,014	8
Audio visual equipment	784,559	25	784,559	25
Boat	36,504	4	36,504	4
Camera, thermal imaging	1,205,722	89	1,205,722	89
Camera, other	47,387	4	47,387	4
Communications equipment	1,456,590	37	1,465,264	38
Computer	85,459	5	91,328	6
Defibrillator	1,324,920	74	1,341,790	75
Exercise equipment	34,177	5	44,260	6
Fleet equipment	162,771	16	162,771	16
Forklift	102,994	3	102,994	3
Generator	564,051	25	553,049	24
GPS equipment (AVL regional interoperability projects)	1,391,000	2	1,391,000	2
Hazmat equipment	248,782	20	248,782	20
Helicopters and improvements:				
Helicopter	7,294,218	2	28,854,977	4
Helicopter, rotor blades	-	-	151,573	2
Helicopter, fast fin kits	-	-	-	-
Helicopter equipment	421,615	16	670,576	37
Hydraulic tool	97,746	18	97,746	18
Kitchen equipment	33,403	4	33,403	4
Laptop	53,782	9	53,782	9
Manikin	73,144	12	73,144	12
Miscellaneous equipment	385,042	27	447,889	29
Mobile radio project (FY 2003/04 - FY 2004/05)	2,424,594	1	2,424,594	1
Mobile radio	110,199	17	116,008	18
Network equipment	976,386	29	976,386	29
Office equipment	500,659	7	635,138	8
Portable building	179,863	9	219,564	12
Portable radio	-	-	25,640	5
Printer	99,499	9	99,499	9
Projector	34,565	5	34,565	5
Router	25,980	2	37,405	4
Scanner	-	-	-	-
Search equipment	192,378	13	192,377	13
Server	1,224,377	72	1,090,643	80
Software	6,636,035	47	6,709,908	52
Switch	232,515	11	232,515	11
Tablet	-	-	-	-
Tent	122,237	12	122,237	12
Trailer	419,725	16	433,283	17
Workstation	1,634,122	24	1,641,243	25
	$ 31,348,193	681	$ 53,580,698	738

SOURCE: Orange County Fire Authority, Finance Division, Accounting Section
NOTE: Previous CAFR's presented quantities of select front-line equipment. Beginning in FY 2010/11, historical cost and quantities of all capital equipment are presented. Data is available in this format beginning in Fiscal Year 2007/08. More years will be added as they become available.

(Continued on next page)

ORANGE COUNTY FIRE AUTHORITY
Capital Equipment by Category
(Continued)

Category	June 30, 2010 Historical Cost	June 30, 2010 Quantity	June 30, 2011 Historical Cost	June 30, 2011 Quantity
Air fill station	$ 53,179	2	$ 53,179	2
Aboveground storage tank	678,014	8	678,014	8
Audio visual equipment	768,132	23	754,726	23
Boat	23,412	2	23,412	2
Camera, thermal imaging	1,205,722	89	1,223,802	91
Camera, other	41,577	3	41,577	3
Communications equipment	1,465,264	38	1,488,213	41
Computer	82,126	5	82,126	5
Defibrillator	1,149,858	90	1,149,858	90
Exercise equipment	35,622	5	35,622	5
Fleet equipment	162,771	16	170,441	16
Forklift	102,994	3	88,098	2
Generator	553,049	24	510,078	23
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	28,854,977	4	28,854,977	4
Helicopter, rotor blades	319,149	4	319,149	4
Helicopter, fast fin kits	-	-	-	-
Helicopter equipment	747,865	40	770,085	42
Hydraulic tool	97,746	18	195,119	31
Kitchen equipment	33,403	4	33,403	4
Laptop	62,732	10	56,632	9
Manikin	73,144	12	67,452	11
Miscellaneous equipment	495,934	31	559,561	35
Mobile radio project (FY 2003/04 - FY 2004/05)	2,424,594	1	2,424,594	1
Mobile radio	116,008	18	116,008	18
Network equipment	967,465	28	967,465	28
Office equipment	648,440	8	648,440	8
Portable building	226,348	13	226,348	13
Portable radio	25,640	5	25,640	5
Printer	77,218	7	77,218	7
Projector	25,838	4	25,838	4
Router	37,405	4	37,405	4
Scanner	-	-	-	-
Search equipment	211,366	15	204,105	14
Server	1,148,057	88	1,049,533	82
Software	7,068,488	55	7,068,488	55
Switch	264,893	14	282,393	16
Tablet	-	-	-	-
Tent	122,237	12	122,237	12
Trailer	423,376	16	423,376	16
Workstation	1,641,243	25	1,641,243	25
	$ 54,075,068	766	$ 54,135,637	781

June 30, 2012		June 30, 2013		June 30, 2014		June 30, 2015	
Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity
$ 53,179	2	$ 53,179	2	53,179	2	$ 53,179	2
678,014	8	678,014	8	678,014	8	678,014	8
716,800	18	716,800	18	716,800	18	734,581	20
31,515	4	31,515	4	31,515	4	31,515	4
1,251,757	104	1,117,422	97	1,214,725	113	1,167,318	107
11,171	1	11,171	1	11,171	1	33,713	4
1,512,740	42	1,533,009	44	1,458,744	39	1,458,744	39
82,126	5	82,126	5	82,126	5	90,386	6
1,528,398	105	1,528,398	105	1,526,069	105	1,526,069	105
35,622	5	35,622	5	35,622	5	35,622	5
172,042	16	172,042	16	172,042	16	189,888	17
93,177	3	93,177	3	93,177	3	93,177	3
504,562	22	504,562	22	504,562	22	504,562	22
1,391,000	2	1,391,000	2	1,391,000	2	1,391,000	2
337,453	24	336,275	23	432,282	23	479,786	26
28,854,977	4	28,854,977	4	28,854,977	4	28,854,977	4
319,149	4	319,149	4	319,149	4	319,149	4
-	-	-	-	148,104	2	148,104	2
778,885	42	787,062	43	780,245	42	942,245	43
368,216	55	377,287	56	401,133	60	468,400	67
33,403	4	33,403	4	33,403	4	33,403	4
44,108	7	29,058	5	29,058	5	29,058	5
67,452	11	67,452	11	67,452	11	67,452	11
597,167	40	643,040	46	660,496	49	702,500	52
2,424,594	1	2,424,594	1	2,424,594	1	2,424,594	1
107,671	17	107,671	17	107,671	17	82,659	14
804,981	27	952,374	30	1,321,172	31	1,288,223	29
648,440	8	638,472	7	632,865	6	632,865	6
226,348	13	236,843	14	274,656	14	352,872	17
25,640	5	79,452	15	79,452	15	143,605	27
72,039	7	72,039	6	72,039	6	72,039	6
10,372	2	10,372	2	10,372	2	10,372	2
37,405	4	37,405	4	37,405	4	37,405	4
-	-	-	-	-	-	5,489	1
163,944	11	163,944	11	196,302	13	210,657	14
1,027,950	81	1,022,818	81	997,288	79	1,000,858	69
7,074,050	55	7,117,506	56	7,117,506	56	9,176,979	50
282,393	16	282,393	16	312,760	17	312,760	17
-	-	-	-	-	-	5,455	1
122,237	12	122,237	12	122,237	12	122,237	12
437,742	16	527,629	18	512,761	18	523,455	18
1,641,243	25	1,641,243	25	1,641,243	25	1,641,243	25
$ 54,569,962	828	$ 54,832,732	843	55,555,368	863	$ 58,076,609	875

ORANGE COUNTY FIRE AUTHORITY
Capital Vehicles by Category
Last Eight Fiscal Years

	June 30, 2008		June 30, 2009	
Category	Historical Cost	Quantity	Historical Cost	Quantity
Air Utility	$ 629,011	3	$ 629,011	3
Ambulance	464,082	5	464,082	5
Battalion Chief Vehicle	1,203,251	25	1,300,458	26
Brush Chipper	34,289	2	34,289	2
Crew Cab	176,403	4	176,403	4
Crew-Carrying Vehicle	297,336	4	297,336	4
Dump Truck	66,366	1	66,366	1
Fire Command	402,755	2	402,755	2
Fire Dozer	445,205	4	723,403	4
Foam Tender	152,245	1	152,245	1
Fuel Tender	226,392	2	226,392	2
Hazmat Unit	674,962	2	674,962	2
Heavy Rescue Unit	-	-	649,343	1
Hose Tender	103,189	1	103,189	1
Lift Truck	-	-	-	-
Loader	-	-	-	-
Paramedic Van	1,449,569	22	1,449,569	22
Parade Engine	35,000	2	35,000	2
Patrol	1,539,901	19	1,539,901	19
Patrol, Compressed Air Foam System (CAFS)	-	-	488,603	7
Pickup Truck	1,352,388	42	1,562,434	41
Road Grader	102,396	1	102,396	1
Sedan	123,991	7	123,991	7
Squad	578,998	7	578,998	7
Stakeside	34,289	1	34,289	1
Sport Utility Vehicle (SUV)	2,849,285	104	2,809,830	103
Telesquirt	2,617,035	8	2,617,035	8
Transport Tractor	399,409	5	506,673	5
Truck, 90', 100' and 110' Tractor Drawn Aerials	1,737,166	3	4,428,314	5
Truck, 75' Quint	2,717,185	6	2,717,185	6
Truck, 90' Quint	4,827,476	10	4,429,851	9
Truck, 100' Quint	-	-	-	-
Truck, Other	427,613	5	427,613	5
Truck, Compressed Air Foam System (CAFS)	-	-	-	-
Type 1 Engine	22,538,064	87	21,865,361	82
Type 1 Wildland Urban Interface Engine	-	-	-	-
Type 2 Engine	1,862,087	13	1,752,417	12
Type 3 Engine	914,455	8	4,673,626	18
Utility	176,422	5	176,422	5
Van	681,041	29	648,591	27
Water Tender	753,535	5	753,535	5
	$ 52,592,791	445	$ 59,621,868	455

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

NOTE: Previous CAFR's presented quantities of select front-line vehicles. Beginning in FY 2010/11, historical cost and quantities of all capital vehicles are presented. Data is available in this format beginning in Fiscal Year 2007/08. More years will be added as they become available.

June 30, 2010		June 30, 2011		June 30, 2012		June 30, 2013	
Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity
$ 629,011	3	$ 629,011	3	$ 820,733	4	$ 820,733	4
935,731	8	776,283	6	776,283	6	776,283	6
1,300,458	26	1,488,518	28	1,518,914	29	1,518,914	29
34,289	2	34,289	2	34,289	2	34,289	2
139,057	3	139,057	3	69,009	2	69,009	2
297,336	4	297,336	4	452,373	4	452,373	4
66,366	1	66,366	1	66,366	1	66,366	1
402,755	2	402,755	2	402,755	2	402,755	2
723,403	4	723,403	4	723,403	4	723,403	4
152,245	1	152,245	1	152,245	1	152,245	1
226,392	2	226,392	2	376,164	3	376,164	3
674,962	2	674,962	2	1,077,646	3	1,077,646	3
658,107	1	658,107	1	658,107	1	658,107	1
103,189	1	103,189	1	103,189	1	103,189	1
71,780	1	71,780	1	71,780	1	71,780	1
-	-	-	-	-	-	-	-
1,393,496	21	1,860,604	22	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	1,539,901	19
858,456	12	858,456	12	858,456	12	858,456	12
1,590,978	41	1,590,978	41	1,796,208	49	1,943,905	51
102,396	1	102,396	1	102,396	1	102,396	1
83,753	4	61,256	3	61,256	3	61,256	3
578,998	7	578,998	7	578,998	7	578,998	7
34,289	1	34,289	1	34,289	1	34,289	1
2,866,442	107	2,820,880	104	2,658,508	98	2,637,875	97
2,358,138	7	2,099,242	6	2,344,077	7	1,995,305	6
506,673	5	506,673	5	506,673	5	506,673	5
4,428,314	5	4,428,314	5	4,943,110	8	4,938,110	7
2,717,185	6	3,536,736	7	3,124,257	6	3,124,257	6
4,429,851	9	4,429,851	9	3,562,035	7	3,562,035	7
-	-	-	-	2,354,146	2	2,354,146	2
427,613	5	427,613	5	427,538	5	427,538	5
-	-	-	-	21,649	1	44,058	2
26,065,677	91	25,031,630	84	26,638,285	90	26,638,285	90
1,702,359	4	2,127,949	5	2,127,949	5	3,451,627	8
1,020,651	7	305,219	2	152,610	1	152,610	1
4,105,746	13	4,105,746	13	4,105,746	13	3,871,874	11
161,801	4	161,801	4	145,169	3	145,169	3
639,778	25	623,608	24	623,608	24	623,608	24
753,535	5	753,535	5	753,535	5	753,535	5
$ 64,816,111	462	$ 64,464,368	447	$ 68,624,259	458	$ 69,509,766	459

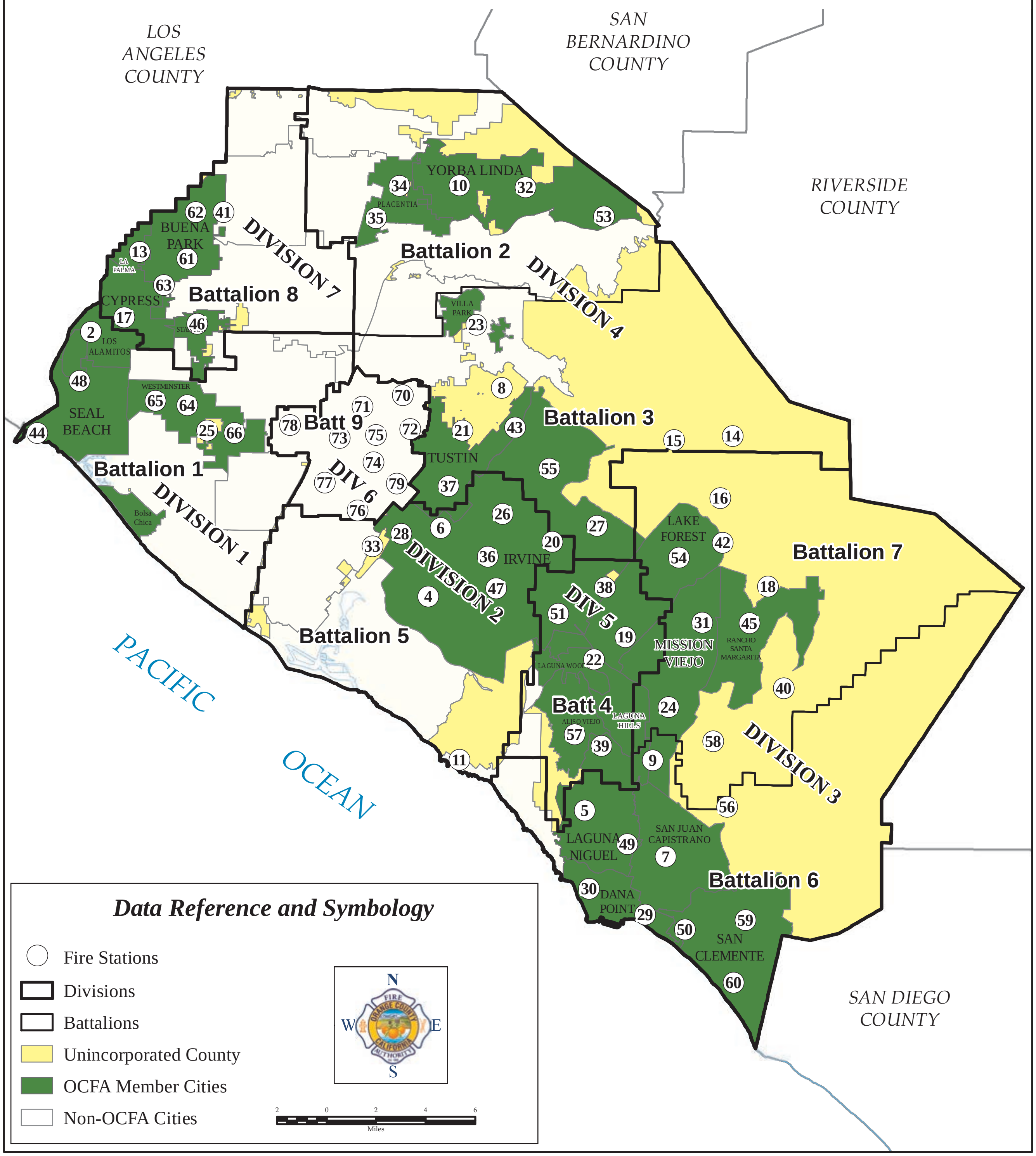
(Continued on next page)

ORANGE COUNTY FIRE AUTHORITY
Capital Vehicles by Category
(Continued)

Category	June 30, 2014 Historical Cost	June 30, 2014 Quantity	June 30, 2015 Historical Cost	June 30, 2015 Quantity
Air Utility	$ 820,733	4	$ 820,733	4
Ambulance	674,739	5	573,194	4
Battalion Chief Vehicle	1,518,914	29	1,518,914	29
Brush Chipper	34,289	2	34,289	2
Crew Cab	-	-	-	-
Crew-Carrying Vehicle	452,373	4	452,373	4
Dump Truck	66,366	1	66,366	1
Fire Command	820,829	4	674,655	3
Fire Dozer	723,403	4	550,978	2
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	-	-	81,996	1
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	2,081,006	53	2,081,006	53
Road Grader	102,396	1	102,396	1
Sedan	44,994	2	44,994	2
Squad	578,998	7	578,998	7
Stakeside	34,289	1	34,289	1
Sport Utility Vehicle (SUV)	2,560,913	94	2,505,906	92
Telesquirt	1,736,407	5	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	3,062,553	6
Truck, 100' Quint	2,354,146	2	2,354,146	2
Truck, Other	592,188	7	768,076	11
Truck, Compressed Air Foam System (CAFS)	44,058	2	44,058	2
Type 1 Engine	28,363,285	92	28,442,065	90
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	4,653,221	13	4,653,221	13
Utility	145,169	3	145,169	3
Van	623,608	24	451,395	19
Water Tender	753,535	5	753,535	5
	$ 72,213,263	461	$ 71,403,081	452

ORANGE COUNTY FIRE AUTHORITY

Division and Battalion Boundaries and Station Locations



SOURCE: Information Technology Division, Geographic Information Systems

ORANGE COUNTY FIRE AUTHORITY
List of Stations by Member Agency

City of Aliso Viejo
#57, 57 Journey, 92656

City of Buena Park
#61, 8081 Western Ave. 90620
#62, 7780 Artesia Blvd. 90621
#63, 9120 Holder St. 90620

City of Cypress
#17, 4991 Cerritos Ave. 90630

City of Dana Point
#29, 26111 Victoria Blvd. 92624
#30, 23831 Stonehill Dr. 92629

City of Irvine
#4, 2 California Ave. 92612
#6, 3180 Barranca Pkwy. 92606
#20, 6933 Trabuco Rd., 92618
#26, 4691 Walnut Ave. 92604
#27, 12400 Portola Springs 92618
#28, 17862 Gillette Ave. 92614
#36, 301 E. Yale Loop 92604
#38, 26 Parker 92618
#47, 47 Fossil 92603
#51, 18 Cushing 92618
#55, 4955 Portola Pkwy. 92620

City of La Palma
#13, 7822 Walker St. 90623

Cities of Laguna Hills / Laguna Woods
#22, 24001 Paseo de Valencia,
Laguna Hills 92653

City of Laguna Niguel
#5, 23600 Pacific Island Dr. 92677
#39, 24241 Avila Rd. 92677
#49, 31461 St. of the Golden Lantern 92677

City of Lake Forest
#19, 23022 El Toro Rd. 92630
#42, 19150 Ridgeline Rd., 92679
#54, 19811 Pauling Ave., 92610

City of Los Alamitos
#2, 3642 Green Ave. 90720

City of Mission Viejo
#9, #9 Shops at Mission Viejo 92691
#24, 25862 Marguerite Pkwy. 92692
#31, 22426 Olympiad Rd. 92692

City of Placentia
#34, 1530 N. Valencia 92870
#35, 110 S. Bradford 92870

City of Rancho Santa Margarita
#45, 30131 Aventura 92688

City of San Clemente
#50, 670 Camino de Los Mares 92672
#59, 48 Avenida La Pata 92673
#60, 100 Avenida Victoria 92672

City of San Juan Capistrano
#7, 31865 Del Obispo 92675

City of Santa Ana
#70, 2301 Old Grand 92701
#71, 1029 West 17th St. 92706
#72, 1668 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, 2015

EXECUTIVE MANAGEMENT

Orange County Fire Authority (OCFA) is managed by an appointed Fire Chief and five Assistant Chiefs. Service activities are organized into five departments – Operations, Community Risk Reduction, Business Services, Support Services, and Organizational Planning.

Executive Management is responsible for planning, organizing, evaluating fire and emergency services, and providing direction to all departments within the organization. Executive Management also ensures that the types and levels of services provided are consistent with Board policy and the adopted budget. The following divisions report directly to the Fire Chief and are not included in one of the five departments:

Communications and Public Affairs facilitates many of the traditional organizational communications functions that include public information and media relations, public education and community outreach, legislative affairs, and multi-media services.

The **Human Resources Division** provides programs and services designed to support the OCFA and its employees in the achievement of its mission and objectives.

- Employee Benefits is responsible for the administration of employee benefit programs, including health, accidental death and dismemberment, dental, vision, life, disability and optional benefit plans. This section is also responsible for administrative duties and services to employees covering most areas of the Human Resources Division.

- Employee Relations oversees classification and compensation studies, recruitment and selection, labor negations, and Memorandum of Understanding (MOU) administration.

- Risk Management administers OCFA's general liability insurance, workers' compensation self-insurance program, and occupational safety and health programs.

General Counsel – The OCFA contracts with the firm of Woodruff, Spradlin, & Smart located in Costa Mesa, California for its legal services. General Counsel reports directly to the Board of Directors.

OPERATIONS DEPARTMENT

The Operations Department is responsible for providing command and control direction regarding daily operations and all fire suppression activities, including resource utilization, deployment and staffing during major emergencies and disaster or extreme weather staffing conditions. Also included are other fire services such as community volunteer services, emergency medical services, training and safety, and air operations.

Operations Training and Safety (Training) **–** Training delivers and facilitates all operations personnel training activities. This includes research, development and implementation of a variety of training courses, including basic and advanced firefighter techniques and administrative and supervisory training. Training coordinates and administers recruit and promotional training academies including reserve firefighters, firefighters, lateral paramedics, engineers and officer academies. Training also maintains a strong working relationship with Santa Ana College and the California Joint Apprentice Commission (CFFJAC) and is a leader in training research and development of the Orange County Training Officers Board locally, and the Training Resources and Data Exchange (TRADE) nationally. This section also serves in a lead capacity on issues of employee and incident safety, with training officers doubling as incident safety officers.

Divisions I through VII – There are seven operational divisions, each under the command of a Division Chief, encompassing geographical areas throughout the OCFA's jurisdiction. Divisions are divided into field battalions, which are under the command of Battalion Chiefs. Within these field battalions are 72 fire stations that provide for regional emergency response to all structure fires, medical aids, rescues, hazardous materials incidents and wildland fires. Battalion Chiefs also oversee various support activities and specialty resources, which are described in more detail below.

Division I	• **Battalion 1** primarily serves the cities of Los Alamitos, Seal Beach, and Westminster, as well as the unincorporated communities of Midway City and Rossmoor. • Division I also assists with the provision of emergency services to Seal Beach Naval Weapons Station and the Joint Forces Training Base in Los Alamitos.
Division II	• **Battalion 5** primarily serves the city of Irvine and the unincorporated community of Emerald Bay. • Division II provides emergency services to the University of California, Irvine (UCI), John Wayne Airport (JWA), and the Orange County Great Park. The division also provides administration, oversight, and training for the Airport Rescue Fire Fighting (ARFF) services and the Fire Exploring Program.
Division III	• **Battalion 6** primarily serves the cities of Dana Point, San Clemente, and San Juan Capistrano, as well as other unincorporated areas of southern Orange County. • **Battalion 7** primarily serves the cities of Mission Viejo and Rancho Santa Margarita, as well as the unincorporated communities of Coto de Caza, Trabuco Canyon, Modjeska Canyon, Ladera Ranch, and other unincorporated areas of southern Orange County. • Division III is also responsible for the ongoing oversight and management of the Staffing Program, which ensures correct, 24/7 staffing levels at all stations; the Staffing Committee; and the employee transfer process within the Operations Department.

Division IV	• **Battalion 2** primarily serves the cities of Placentia and Yorba Linda, as well as the unincorporated communities of Tonner Canyon, Carbon Canyon, and Chino Hills State Park. • **Battalion 3** primarily serves the cities Tustin and Villa Park; a portion of northern Irvine; and the unincorporated communities of Cowan Heights, Lemon Heights, Orange Park Acres, Irvine Lake, and Silverado Canyon. • **Community Volunteer Services (CVS)** is responsible for the coordination of Reserve Firefighters (RFF) who provide emergency medical aid, fire suppression and support services responding out of three stand-alone fire stations, five combination fire stations (both RFF and career personnel assigned), one RFF Fire Crew location, and one RFF Helicopter Crew location. CVS also administers and coordinates the OCFA Chaplain Program.
Division V	• **Battalion 4** primarily serves the cities of Aliso Viejo, Laguna Hills, Laguna Niguel, Laguna Woods, and Lake Forest, as well as portions of Irvine. • Division V oversees specialized emergency response capabilities and equipment for the **Urban Search and Rescue** task force, which includes the Swift Water Rescue program and the Mass Casualty Unit.
Division VI	• **Battalion 9** primarily serves the city of Santa Ana. • **Emergency Medical Services** (EMS) manages the delivery of medical services by OCFA's emergency medical technicians (EMT) and paramedics. This includes the implementation of the continuing quality improvement program; continuing education for both career and reserve personnel; ongoing review of patient care; supply and equipment evaluation and purchasing; monitoring and tracking of paramedic licensure and EMT certifications; ambulance contract administration oversight; and paramedic recruitment, selection, evaluation, and accreditation. In addition, EMS serves as a liaison to county and state regulatory agencies, hospitals, ambulance providers, and other EMS groups. o The **Wellness and Fitness (WEFIT)** program reports to EMS. Responsibilities include scheduling wellness exams; coordinating peer fitness trainers; providing employee health education and fitness programs; and providing physical training for academy recruits. • The division also provides administration, oversight, and training for the Hazardous Materials Response Team (HMRT) and the Fire and Law Enforcement Joint Hazard Assessment Team (JHAT).
Division VII	• **Battalion 8** primarily serves the cities of Buena Park, Cypress, La Palma, and Stanton. • **Air Operations** is responsible for coordination of the OCFA's helicopters. OCFA currently maintains firefighting helicopters used for emergency responses throughout the year for wildland and wildland urban interface fires and special rescues such as swift and still water rescues, medical rescue support and disaster mitigation. • Division VII also provides oversight for the OCFA Equipment Committee.

COMMUNITY RISK REDUCTION DEPARTMENT

The Community Risk Reduction Department contributes to community safety and prosperity through the systematic mitigation of risk. Staff work with the development community and partner agencies to help build safe communities; with community stakeholders and residents to maintain and enhance safety at the neighborhood level; and with other agencies and stakeholders to evaluate losses and improve mitigation through engineering, education and enforcement.

Investigation Services – The Investigation Services Division is responsible for investigating or reviewing fires to determine definitive causes for use in developing intervention strategies. After the initial origin and cause investigation is complete, follow-up investigations on criminal fires are conducted in cooperation with local, state and federal law enforcement agencies. Criminal cases are filed with the District Attorney's Office, while juvenile-related fires may be handled through the Fire F.R.I.E.N.D.S. diversion program. The follow-up of non-criminal fire is conducted with the cooperation of local building officials and technical experts, with the intended result to reduce the reoccurrence of fires by accurately determining the root cause of all fires.

Planning and Development – The Planning and Development Division ensures that new developments meet state and local fire and life safety requirements.

- **Plan Review** serves as the entry point into OCFA's planning and development process. Front counter and plan review staff work closely with the development community, as well as partner agency planning and building staff, to facilitate development and construction consistent with accepted safety practices and adopted standards. Responsibilities including reviewing conceptual community design proposals and building fire protection systems, as well as specific hazardous processes to ensure that appropriate design features have been integrated into each project. Staff also facilitate the adoption and implementation of the latest fire code every three years, and develop local amendments to address risks unique to Orange County.

- **New Construction Inspections** is the second major component of OCFA's planning and development process. Staff assume responsibility for each project once actual construction commences, and work with contractors to ensure that projects are constructed in a manner consistent with adopted fire and life safety standards.

- Planning and Development also administers the **Smoke Alarm Program**, an educational vehicle to deliver the message that working smoke alarms save lives. The program incorporates the United States Fire Administration's campaign line of "*Install, Inspect, Protect*" as the precursor to the overall educational message, and uses it to explain the process of installing, inspecting, and protecting your home.

Pre-Fire Management – The Pre-Fire Management Division focuses on the systematic reduction and mitigation of risk in the community.

- The **Community Wildfire Mitigation** program coordinates all efforts within OCFA specific to wildland fire prevention. The focus is to eliminate the loss of life; reduce the risk of wildfire to the communities and the environment; and reduce loss of property from wildfire.

- The **Fuel Modification** program complements both the Plan Review and New Construction Inspection programs for projects located in areas where vegetation poses a hazard to buildings and occupants. Staff assesses hazards and works with developers to apply special vegetation treatments and building construction features designed to reduce wildfire risk.

- **Crews and Equipment** is responsible for coordinating firefighting hand crews and heavy fire equipment. In addition to training and emergency response, responsibilities include preventative mitigation projects such as fire road and fuel break construction maintenance and projects at OCFA facilities.

Safety and Environmental Services (S&ES) – The Safety and Environmental Services Division works with business and building owners and managers to ensure they understand the need and process for maintaining facilities and fire/life safety systems that are safe for occupants. The program consists of annual maintenance inspections based on the occupancy classifications and associated risks. Additionally, program staff issue permits for hazardous processes and special activities.

BUSINESS SERVICES DEPARTMENT

The Business Services Department provides public records oversight; all financial functions; purchasing, receiving, shipping, warehousing and mail operations; and treasury and financial planning services.

Clerk of the Authority – The Clerk of the Authority (COA) facilitates the Board's policy-making process; records and validates the proceedings of the Board and Committees; and provides timely and thorough access to public records. The COA ensures the legislative process is open and public by publishing and posting notices as required by law. It administers the activities pertaining to Board legislation, processes Board/Committee-approved agenda items, manages public records requests, and researches and disseminates information concerning Board/Committee actions to both OCFA staff and the public. The COA is the Fair Practice Commission's filing official for the OCFA. The office is responsible for processing all subpoenas for business records and witnesses.

Finance Division – The Finance Division provides all financial functions, as well as treasury support services. The Finance Division oversees the accounting, reporting, planning and auditing of all OCFA financial records. It is also responsible for developing policies and procedures designed to protect and safeguard OCFA's financial assets. Specific functions and responsibilities include accounts receivable; general accounting (including financial reporting and the monitoring and inventorying of OCFA's fixed and controlled assets); cost accounting (including grants and incident restitutions); accounts payable (including procurement cards and travel-related disbursements); payroll; and timekeeping.

Purchasing and Materiel Management – The Purchasing Division administers the centralized procurement of all supplies, services, equipment, and construction services through competitive solicitations. Through centralized procurement, OCFA achieves standardized bidding and evaluation procedures; economies of scale on agency purchases; and an open, fair and competitive procurement process. The Purchasing Division is also responsible for developing and administering procurement policies and procedures and the procurement card program.

- The Materiel Management (Service Center) section provides shipping, receiving, and warehousing services for the OCFA; performs mail processing and delivery services; certifies and maintains breathing apparatus;

provides repair and fabrication services on equipment, woodworking, safety garments, and tools; manages the acquisition and distribution of bulk supplies and equipment; provides logistical support for both minor and major emergencies; and administers surplus disposition.

Treasury and Financial Planning – The Treasury and Financial Planning Division is responsible for providing cash management, budget development, and administrative support to the OCFA. Treasury services include monitoring cash balances, managing the investment portfolio in compliance with OCFA's investment policy, issuing and administering long and short-term debt, providing oversight for the deferred compensation program, and providing analytical support for the Employee Benefits section. Financial planning services include preparation of the budget, monthly analysis and reporting of revenue and expenditure activities, annual reviews of OCFA's financial health, financial forecasting, and special financial studies. Additional responsibilities include maintenance of lease-purchase agreements and various administrative support functions.

SUPPORT SERVICES DEPARTMENT

The Support Services Department provides support to all departments of the OCFA. Responsibilities include emergency command; preventative maintenance, repair, acquisition, outfitting and disposal of vehicles and apparatus; system development, acquisition, installation and repair of communication and information systems hardware and software; and facility design, construction, repair and maintenance.

Emergency Command Center – The Emergency Command Center (ECC) is responsible for the dispatching function, which includes receiving emergency calls via 911, radio and other telecommunication links; assigning and controlling appropriate emergency response resources; managing unassigned resources to ensure adequate coverage; and providing a communication link for ambulances, law enforcement and other response agencies to fire emergencies. The ECC continues to maintain the Fire Station Order File, an essential component for Computer Aided Dispatch (CAD) operations.

Fleet Services – The Fleet Services Division provides a full line of services to meet the needs of all vehicle and fire apparatus operated by the OCFA. Fleet Services is responsible for all scheduled preventative maintenance; major repairs on all vehicles and fire apparatus in the fleet; twenty-four hour field repair service and tire repair; renovations and upgrades needed to meet changing equipment outfitting needs; recommending apparatus rotations in the attempt to meet mileage and life goals; and testing/certifying specialty equipment. It also develops vehicle/apparatus specifications and oversees the procurement, safety, manufacturing, and quality assurance of all vehicles/apparatus. Fleet Services is responsible for all bulk fuel ordering and administration of the Voyager fuel card accounts.

Information Technology Division – The Information Technology Division is responsible for the development, operation, maintenance and security of OCFA's computers, network and overall technical infrastructure; the development and support of information systems applications and databases; maintenance of centralized enterprise Geographic Information System (GIS) and mapping capabilities; and the acquisition and maintenance of emergency communications equipment. Activities include development and monitoring of IT standards and guidelines; internal and external network development and coordination; and evaluation, selection and deployment for all computers, printers and automation software and hardware purchases, upgrades and replacements. Additional activities include the analysis, design, programming, implementation, maintenance and security for existing and future computer systems; oversight or the installation of radios and Mobile Data Computers (MDC’s) in emergency apparatus; and oversight for fire station alarm systems.

Property Management – The Property Management Division builds, manages and maintains the real property and durable infrastructure of the OCFA. Construction management responsibilities include design, planning and construction of stations built by OCFA, and planning assistance and construction consultation for developer and city built fire stations. Facilities management oversees preventative maintenance, repairs, alterations and improvements of the Regional Fire Operations and Training Center (RFOTC) and fire stations. Property Management also oversees utility usage, energy conservation and regulatory compliance.

ORGANIZATIONAL PLANNING DEPARTMENT

The Organizational Planning Department oversees emergency management planning, performance improvement, and organization-wide strategic and advanced planning.

Emergency Planning and Coordination (EPAC) coordinates OCFA's emergency planning with federal, state and local jurisdictions and agencies; manages the Department Operations Center (DOC) during major emergencies; serves as the OCFA liaison to any agency requiring information on emergency response or planning; and represents the OCFA on working task forces such as the State and Federal Terrorism Task Force, Orange County Intelligence Assessment Center, Nuclear Power Authority, and Marine Disaster. This section coordinates all United States Forest Service (USFS), California Department of Forestry (CDF) and Fire Protection (CALFIRE) contract issues, contract counties review and automatic aid issues. EPAC also maintains and updates all city and county emergency plans, the Multi-Agency Mutual Aid Plan, California Emergency Management Agency (CALEMA) Mutual Aid Plan, Orange County Fire Service Operations Area Annex and Mutual Aid Plan, and the OCFA Supplement Response Guidebook.

Organizational Training & Development facilitates progress and processes that foster learning and development opportunities.

Strategic Services provides strategic and advanced planning functions for OCFA. Areas of responsibility include analyzing and monitoring impacts of development, annexation and incorporations; initiating agreements with developers for acquisition of new facilities; and researching demographic issues in order to determine appropriate service levels and benchmarks. Strategic Services also coordinates the OCFA Strategic Plan; responds to requests for parcel information, station location, Insurance Services Office (ISO) ratings and demographic information; and prepares proposals for fire services, accreditation and special reports as required.

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• David S. Myers, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority (OCFA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise OCFA's basic financial statements, and have issued our report thereon dated October 7, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCFA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCFA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCFA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

To the Board of Directors
Orange County Fire Authority

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.

Lance, Soll & Lunghard, LLP

Brea, California
October 7, 2015

ORANGE COUNTY FIRE AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2015

ORANGE COUNTY FIRE AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2015

ORANGE COUNTY FIRE AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority (OCFA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise OCFA's basic financial statements, and have issued our report thereon dated October 7, 2015.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

OCFA's response to prior year's finding 2014-001 presented in the Schedule of Prior Year Findings and Questioned Costs was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Lance, Soll & Lunghard, LLP

Brea, California
October 7, 2015

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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 (OCFA)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of OCFA's major federal programs for the year ended June 30, 2015. OCFA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of OCFA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 OCFA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of OCFA's compliance.

Opinion on Each Major Federal Program

In our opinion, OCFA 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, 2015.

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Orange County Temecula Valley Silicon Valley

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

Report on Internal Control over Compliance

Management of OCFA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered OCFA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OCFA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise OCFA's basic financial statements. We issued our report thereon dated October 7, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 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.

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

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lance, Soll & Lunghard, LLP

Brea, California
October 7, 2015

ORANGE COUNTY FIRE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through the California Fire Safe Council			
Cooperative Forestry Assistance			
2013 CFA - Peters Canyon Fuel Reduction/Education	10.664	13SFA0017	$ 13,569
Total U.S. Department of Agriculture			**13,569**
U.S. Department of Housing and Urban Development			
Passed through the City of Santa Ana			
Community Development Block Grants/Entitlement Grants			
CDBG - Public Facilities Improvement *	14.218	A-2013-173	826,075
Total U.S. Department of Housing and Urban Development			**826,075**
U.S. Department of Homeland Security			
Direct Programs			
via the Federal Emergency Management Agency			
National Urban Search and Rescue Response System			
2013 Cooperative Agreement *	97.025	EMW-2013-CA-K00001	467,583
2014 Cooperative Agreement *	97.025	EMW-2014-CA-K00032	656,652
Subtotal National Urban Search and Rescue Response System			1,124,235
Passed through the City of Santa Ana			
Homeland Security Grant Program			
2013 Urban Area Security Initiative - Regional Training	97.067	DHS 2013-SS-00110	3,849
Passed through the City of Anaheim			
Homeland Security Grant Program			
2014 Urban Area Security Initiative - Regional Training	97.067	DHS 2014-SS-00093	4,935
Passed through the County of Orange, Sheriff's Department			
Homeland Security Grant Program			
2012 Orange County Intelligence Assessment Center	97.067	DHS 2012-SS-00123	5,172
2013 Orange County Intelligence Assessment Center	97.067	DHS 2013-SS-00110	98,822
2013 Gas Monitors	97.067	DHS 2013-SS-00110	11,177
2014 Orange County Intelligence Assessment Center	97.067	DHS 2014-SS-00093	17,032
Subtotal Homeland Security Grant Program			140,987
Total U.S. Department of Homeland Security			**1,265,222**
Total Federal Expenditures			**$ 2,104,866**

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to sub-recipients during the year was $0.

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Orange County Fire Authority (the Authority), that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the Authority from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the Authority becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

ORANGE COUNTY FIRE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

• Significant deficiencies identified?	____yes	X no
• Material weaknesses identified?	____yes	X none reported
Noncompliance material to financial statements noted?	____yes	X no

Federal Awards

Internal control over major programs:

• Significant deficiencies identified?	____yes	X no
• Material weaknesses identified?	____yes	X none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	____yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
97.025	National Urban Search and Rescue Response System

Dollar threshold used to distinguish between type A and type B program $300,000

Auditee qualified as low-risk auditee?	____yes	X no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - FINANCIAL STATEMENT FINDINGS

2014-001: Net Position Restatement

Material Weakness

Condition and Criteria
Certain adjustments were made by the Authority to correctly restate the beginning balances for capital assets relating to land and accumulated depreciation.

Cause
Depreciation expense was not properly calculated over a period of time. In addition, land owned by the Authority was not reflected on the government-wide statements.

Effect
The net effect of these restatements was $804,881 and was detected by management of the Authority. This adjustment only effects the government-wide financial statements because they are reported under the full accrual basis.

Recommendation
Due to the diverse operations of the Authority, there is a need to perform a high level analytical review of depreciation expense in comparison to the Authority's capitalization policy. Such review will identify any irregularities relating to depreciation expense, which then can be investigated by the Authority in a timely manner.

Views of Responsible Officials
Land contributed to the Authority by a developer in Fiscal Year 2012/13 was not reported as a capital asset addition, because ownership and title to the land could not be sufficiently verified at year-end. Through subsequent discussions with legal counsel, it was determined that legal ownership was, in fact, obtained and in place at the time of the donation.

When the Authority acquired a new capital asset financial reporting module in Fiscal Year 2002/03, fifty-three capital assets with multiple components were entered incorrectly into the new system. As a result, depreciation expense for these assets was not properly calculated using the straight-line method during the subsequent years. The Authority does perform a high level analytical review of depreciation expense each year; however, the miscalculations for these fifty-three items remained undetected since they represent a small portion of the Authority's total depreciable capital assets (3.7% of the 1,443 items held as of June 30, 2014). Also, since the miscalculations were caused by a system conversion that occurred over ten years ago, it is unlikely that a similar error is likely to occur in the future.

Corrective Action Plan
The following corrective actions have been taken:

- The land addition was reported in the Authority's Fiscal Year 2013/14 financial statements as a prior period adjustment. The Authority's staff will consult with legal counsel prior to the year-end close for any future contributions of real property.

- During Fiscal Year 2013/14, the Authority's staff completed a comprehensive review of its depreciable capital assets and depreciation calculations. This review enabled staff to identify the assets that were miscalculated, as well as the root cause of the error, and report a prior period adjustment in the Fiscal Year 2013/14 financial statements. Staff will continue to perform these types of high level analytical reviews as part of the year-end closing process.

SECTION IV - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014-001: Net Position Restatement (Continued)

Estimated Completion Date
The corrective actions have been completed.

Contact Person
Jim Ruane, Finance Manager/Auditor

SECTION V - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

LSL CERTIFIED PUBLIC ACCOUNTANTS

- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA
- Gary A. Cates, CPA
- Michael D. Mangold, CPA
- David S. Myers, CPA

October 7, 2015

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 (OCFA) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, 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 June 15, 2015. 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 OCFA are described in the notes to the financial statements.

As described in Note 3, the OCFA changed accounting policies related to pensions reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 in fiscal year 2014-2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide statement of activities and fiduciary fund statement of change in net position.

We noted no transactions entered into by the OCFA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosure of the Implementation of New Accounting Standards in Note 3 to the financial statements identifies the new accounting standards followed by the OCFA as required by the Governmental Accounting Standards Board (GASB). These standards affect how governments report their pension information in the financial statements.

To the Board of Directors
Orange County Fire Authority

> The disclosures of the Retirement Plan for Full-Time Employees in Note 22 and the Retirement Plan for Part-Time Employees in Note 23 describe the backgrounds and the financial situations of the employee pension plans participated in by the OCFA. These disclosures have changed from the prior year due to the implementation of GASB Statement No. 68 and 71.

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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were found.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 2015.

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 OCFA'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 OCFA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Directors
Orange County Fire Authority

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedule for the general fund, required funding information on the Extra-Help Pension, required funding information on the OCERS Defined Benefit Pension Plan, and Defined Benefit Retiree Medical Plans which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements and schedules and budget comparison schedules, 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. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2014-2015 audit:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.*

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations.*

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68.*

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal years' audits and should be reviewed for proper implementation by management:

Fiscal year 2015-2016

GASB Statement No. 72, *Fair Value Measurement and Application.*

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68.*

GASB Statement No. 76, *The Hierarchy of Generally accepted Accounting Principles for State and Local Governments.*

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Orange County Fire Authority

Fiscal year 2016-2017

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

Fiscal year 2017-2018

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Orange County Fire Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Soll & Lunghard, LLP

Brea, California

ASSIGNED FUND BALANCE POLICY

1. PURPOSE

The purpose of the Assigned Fund Balance Policy is to establish the authority by which OCFA may set aside cumulative resources in fund balance for an intended future use.

2. ADOPTION AND REVIEW

2.1. This policy shall be reviewed periodically for recommended revisions in order to maintain the policy in a manner that reflects the ongoing financial goals of the OCFA. Staff shall revise the policy upon approval by the Board of Directors.

2.2. Each year at the time the audited financial statements are approved, the Budget and Finance Committee shall review the calculations used to determine the amounts assigned to workers' compensation and the capital improvement program, and shall confirm the calculations' consistency with the Assigned Fund Balance Policy.

3. POLICY

3.1. In accordance with Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance amounts intended to be used by a government for a specific purpose should be presented in the financial statements as "assigned" fund balance. Assigned balance includes resources that are set aside for an intended use and represents current intentions (subject to change) as to how the resources will be expended.

3.2. The Board of Directors has the authority to assign fund balance. The Board of Directors shall delegate its authority to assign amounts for *workers' compensation* and the *capital improvement program* to the Assistant Chief of Business Services, or her designee.

3.3. The Assistant Chief of Business Services, or her designee, shall assign and un-assign fund balance for the specific purposes of *workers' compensation* and the *capital improvement program*, in accordance with the guidelines described in this policy. The authority to assign and un-assign fund balance for any other specific purposes shall be retained by the Board of Directors.

3.4. The assignment for *workers' compensation* will reflect the cumulative difference between actual workers' compensation expenditures incurred (cash-flow basis) and budgeted costs, which are based on an annual actuarial valuation prepared by an external actuary and a confidence level set by the Board of Directors.

3.4.1 The amount of the assignment will be calculated annually in conjunction with the fiscal year-end closing process.

3.5. The assignment for the *capital improvement program* will reflect cumulative amounts transferred from the General Fund to the OCFA's capital projects funds in accordance with the *Financial Stability Budget Policy*, net of actual cumulative project expenditures and other revenue sources accounted for in those funds. The assignment for the *capital improvement program* may also include net resources accumulated within the General Fund itself in order to fund purchases and projects that are capital in nature but do not necessarily meet the criteria to be reported in one of OCFA's three capital projects funds.

3.5.1 The amount of the assignment will be calculated annually in conjunction with the fiscal year-end closing process.

3.5.2 The amount of the assignment will not exceed projects currently identified in the OCFA's five-year capital improvement program, including projects that have been identified as deferred pending improved financial conditions.

3.6. Assigned funds must be expended in conjunction with the spending authority provided by the annual budget and any subsequent amendments.

ORANGE COUNTY FIRE AUTHORITY
Fund Balance Assigned for Capital Improvement Program
Final Calculation
As of June 30, 2015

Attachment 7A

	Source	General Fund CIP Fund 12110	Communications and Information Systems Fund 124	Fire Apparatus Fund 133	Fire Stations and Facilities Fund 123	Total
Actual Fund Balance Available for CIP Assignment						
Total actual fund balance @ 6/30/2015	FYE 6/30/2015 CAFR, pages 34-35, 108	398,394	18,655,855	25,440,432	12,520,242	57,014,923
Less nonspendable fund balance - prepaid items	FYE 6/30/2015 CAFR, pages 34-35, 108	(116,686)	(32,946)	-	-	(149,632)
Less restricted fund balance - CALFIRE station(s)	FYE 6/30/2015 CAFR, pages 34-35, 108	-	-	-	(533,232)	(533,232)
Less outstanding encumbrances:						
Pertaining to assigned resources	FYE 6/30/2015 CAFR, pages 34-35, 108	(48,528)	(94,533)	(8,030,783)	-	(8,173,844)
Actual fund balance available for CIP assignment @ 6/30/2015 (A)		**233,180**	**18,528,376**	**17,409,649**	**11,987,010**	**48,158,215**
Possible CIP Expenditures, Net of Offsetting Revenues and Funding Sources						
Possible CIP Expenditures						
Re-budgeted appropriations	Board of Directors approval 9/24/2015, Item #3A	822,032	-	1,894,965	-	2,716,997
Subtotal		822,032	-	1,894,965	-	2,716,997
Planned project expenditures:						
Projects in five-year CIP plan	FY 2015/16 Draft/Adopted Budget, page 33	10,505,050	22,720,546	37,619,201	854,248	71,699,045
Projects beyond five-year plan - helicopter lease debt service	FYE 6/30/2015 CAFR, page 70	-	-	-	-	-
Subtotal		10,505,050	22,720,546	37,619,201	854,248	71,699,045
Deferred project expenditures:						
Deferred five-year CIP plan	FY 2015/16 Draft/Adopted Budget, page 38	-	1,527,500	4,152,013	26,000,000	31,679,513
Subtotal		-	1,527,500	4,152,013	26,000,000	31,679,513
Possible CIP expenditures		**11,327,082**	**24,248,046**	**43,666,179**	**26,854,248**	**106,095,555**
Offsetting Revenues and Funding Sources						
Re-budgeted revenues	Board of Directors approval 9/24/2015, Item #3A	-	-	-	-	-
Subtotal		-	-	-	-	-
Restricted fund balance for projects in 5-year CIP and deferred plans:						
CALFIRE station(s)	FYE 6/30/2015 CAFR, pages 34-35, 108	-	-	-	(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 GA Unit	-	-	(7,290,769)	-	(7,290,769)
Subtotal		-	-	(7,290,769)	-	(7,290,769)
Other budgeted developer/grant/CALFIRE funding:						
Station 20 - developer funded vehicle	Cost-reimbursable budgeted costs	-	-	(1,576,744)	-	(1,576,744)
Station 67 - developer funded vehicles	Cost-reimbursable budgeted costs	-	-	(1,774,683)	-	(1,774,683)
Subtotal		-	-	(3,351,427)	-	(3,351,427)
Possible offsetting revenues		**-**	**-**	**(10,642,196)**	**(533,232)**	**(11,175,428)**
Possible CIP expenditures, net of offsetting revenues (B)		**11,327,082**	**24,248,046**	**33,023,983**	**26,321,016**	**94,920,127**
Over (under) funded as of 6/30/2015 (A-B)		**(11,093,902)**	**(5,719,670)**	**(15,614,334)**	**(14,334,006)**	**(46,761,912)**
Final Fund Balance Assignment						
Actual fund balance available for CIP assignment @ 6/30/2015		233,180	18,528,376	17,409,649	11,987,010	48,158,215
Less: Over funded amount to be transferred back to the General Fund		-	-	-	-	-
Final fund balance assignment @ 6/30/2015		**233,180**	**18,528,376**	**17,409,649**	**11,987,010**	**48,158,215**

ORANGE COUNTY FIRE AUTHORITY **Attachment 7B**

Fund Balance Assigned for Workers Compensation

Final Calculation

As of June 30, 2015

		Self Insurance Fund		
Description	Source	Final Budget	Positive (Negative) Variance	Actual
Revenues:				
Interest	FYE 6/30/2015 CAFR, pages 111,115	$ 178,207	26,644	$ 204,851
Workers' compensation charges	FYE 6/30/2015 CAFR, pages 111,115	13,811,667	-	13,811,667
Subtotal - revenues		13,989,874	26,644	14,016,518
Expenditures:				
Workers' compensation claims paid	FYE 6/30/2015 CAFR, pages 111,115	(6,891,895)	448,644	(6,443,251)
Subtotal - expenditures		(6,891,895)	448,644	(6,443,251)
Total change in fund balance		**$ 7,097,979**	**$ 475,288**	**$ 7,573,267**
		(A)	(B)	
Assignment for Workers' Compensation:				
Actual assignment @ 6/30/2014	FYE 6/30/2014 CAFR, page 28		$ 60,921,529	
Budgeted change in fund balance	(A)		7,097,979	
Budgeted assignment @ 6/30/2015			68,019,508	
Variance between final budget and actual amounts	(B)		475,288	
Actual assignment @ 6/30/2015	FYE 6/30/2015 CAFR, page 34		**$ 68,494,796**	

LSL CERTIFIED PUBLIC ACCOUNTANTS

ORANGE COUNTY FIRE AUTHORITY
YEAR END EXIT NOTES
6/30/2015

DATE: October 22, 2015

RESULTS OF FINANCIAL AUDIT TESTWORK:

Transaction Class	Findings	Recommendations
Cash & Investments	None	None
Revenue & Receivables	None	None
Expenditures & Payables	None	None
Payroll & Related Liabilities	None	None
Capital Assets	None	None
Long-term Debt	None	None
Net Position	None	None
Insurance	None	None
Grants	None	None
OCFA Foundation	None	None

RESULTS OF SINGLE AUDIT TESTWORK:

Major Program	Findings	Recommendations
CDBG (14.218)	None	None
National Urban Search and Rescue Response System (97.025)	None	None

Audit Adjustments:
No audit adjustments were required.

New and adopted accounting principles:
GASB 67/68/71 – Surrounded the recognition of a liability on the Authority's Statement of Net Position as of June 30, 2015. The adoption of this standard must be applied retroactively, in which, the Authority restated its net position to recognize the liability as of June 30, 2014.

Upcoming accounting principles that will affect the Authority:
GASB 72 – Fair Value Measurement FYE 2016
GASB 74/75 – Accounting and Financial Reporting for OPEB FYE 2017 and 2018

ISSUANCE OF AUDITORS OPINIONS:

Deliverable	Opinion Date	Opinion
CAFR Opinion	October 7, 2015	Unmodified "clean"
Federal Compliance	October 7, 2015	Unmodified "clean"

Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting
November 4, 2015

Agenda Item No. 4C
Discussion Calendar

Capital Improvement Program Budget for Fire Station 10

Contact(s) for Further Information

Lori Zeller, Assistant Chief Business Services Department	lorizeller@ocfa.org	714.573.6020
Mike Schroeder, Assistant Chief Support Services Department	michaelschroeder@ocfa.org	714.573.6008
Randy Black, Division Chief Operations Department/Division 4	randyblack@ocfa.org	714.573.6056

Prior Board/Committee Action

Not Applicable.

Summary

This agenda item is submitted for approval to move the project budget for construction of a replacement Fire Station 10 (Yorba Linda) from deferred status to an active and funded project in the Five-Year Capital Improvement Program (CIP) budget.

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 19, 2015, with the Budget and Finance Committee's recommendations that the Board of Directors:

1. Approve an update to the FY 2015 – FY 2020 Five-Year Capital Improvement Program (CIP) activating the replacement Fire Station 10 (Yorba Linda) from deferred status.
2. Direct staff to evaluate the timing for the Fire Station 10 construction contract award and if timing is appropriate, include the necessary expenditure budget changes of approximately $6.5 million in the FY 2015/16 Mid-Year Budget Adjustments that will be reviewed with the Board in January 2016.

Impact to Cities/County

Construction of a replacement Fire Station 10 will improve the critical infrastructure needed to continue serving the city and surrounding region. In addition, a replacement station with increased space will provide future opportunities to change the service configurations for the units assigned to Station 10 and the surrounding stations for improved regional service delivery.

Fiscal Impact

The cost for construction of replacement Fire Station 10 (Yorba Linda) was initially estimated at $6.5 million. This estimate will be refined as the station size, precise location, and any need for temporary station facilities are better defined. The cost of the new station will be partially funded by $1.3 million in developer fees received for this purpose, with the remainder funded by OCFA capital reserves.

Background
When the FY 2015/16 budget was presented to the CIP Ad Hoc Committee and Board of Directors, staff indicated that replacement of four fire stations continued to be reflected in deferred status, due to limitations from prior years in which replacement station locations were yet to be identified and/or CIP funding was limited. The four deferred replacement stations included Fire Station 18 (Trabuco Canyon), Fire Station 9 (Mission Viejo), Fire Station 10 (Yorba Linda), and Fire Station 25 (Midway City). We further informed the Board during the FY 2015/16 budget presentation that we may recommend restoration of these deferred station replacement projects to active status within the next year, as location and/or funding factors improved.

At this time, staff is recommending restoration of the deferred project budget for replacement Fire Station 10 (Yorba Linda) to active status, with an initial project budget estimated at $6.5 million. The City of Yorba Linda has major development projects that are just beginning, and the timing is appropriate for OCFA to begin formally coordinating with the City on construction plans for the new/replacement Station 10.

To facilitate our planning efforts, staff is seeking Board approval to proceed with this project. Staff is still evaluating the time required for project planning, bidding, and award of a construction contract; therefore, with Board approval to proceed with the project, staff will continue working with the City of Yorba Linda, refine the project plans, and include update to the FY 2015 – FY 2020 Five-Year CIP when the Mid-year Budget Adjustments are reviewed with the Board in January 2016.

Attachment(s)
None

Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting | **Agenda Item No. 4D**
November 4, 2015 | **Discussion Calendar**

Service Delivery Enhancements – Phase Two

Contact(s) for Further Information

Brian Young, Assistant Chief Organizational Planning Department	brianyoung@ocfa.org	714.573.6014
Dave Thomas, Assistant Chief Operations Department	davidthomas@ocfa.org	714.573.6012

Summary

This agenda item is submitted to provide an overview of the second-phase of "Proposed Emergency Medical Services (EMS) Service Delivery Enhancements" (as identified in the 180-Day Plan and FY 2015/16 Domain Objectives) targeted for implementation in FY 2015/16.

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 19, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Direct staff to include funding for the Phase-Two enhancements in the proposed Mid-Year FY 2015/16 Budget Adjustments.
2. Direct staff to continue to evaluate and recommend the phase-in of service enhancements, as feasible, at six month intervals.

Impact to Cities/County

These enhancements will improve service delivery and enhance firefighter safety. Advanced Life Support (ALS) response times and the number of responding units will be reduced. Additionally, the need for automatic aid support from neighboring agencies will be reduced.

Fiscal Impact

Upon Board approval, the forthcoming proposed Mid-Year FY 2015/16 Budget Adjustments will include the conversion of six paramedic vans to twelve paramedic engines and the conversion of one paramedic assessment truck to a paramedic truck. These enhancements will take place in the cities of Irvine, Lake Forest, Mission Viejo, and Santa Ana. No additional personnel are being added in phase-two. The fiscal impact is solely related to additional paramedic specialty skill compensation. The total cost for all recommended enhancements is $375,865.

Background

Conducting a preliminary analysis of field operations is a key goal that was identified by Fire Chief Bowman in his 180-Day Plan and reinforced in the current Domain Objectives. Several joint labor/management work groups were created to evaluate field operations. These work groups are evaluating emergency service delivery, as well as specialty services, such as hazardous materials response and urban search and rescue. The emergency service deployment work group brought forth these recommended enhancements.

One of the primary objectives identified by the work group was to reduce the number of units that respond to emergency incidents. The current service delivery model of the OCFA occurs in a variety of models. 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. If one of the units is a Basic Life Support Unit (BLS) or a Paramedic Assessment Unit (PAU), then a second paramedic unit is required to respond, thereby creating a two unit response. 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 automatic aid agencies.

Irvine, Lake Forest, Mission Viejo, and Santa Ana enhancements are the cities where reconfigurations are proposed to be implemented in Phase-Two. Based on statistical data, these jurisdictions were recognized as target areas where service delivery could be improved with minor alterations. The proposed service delivery enhancements come in two models. The first is the conversion of a truck from a four-firefighter paramedic assessment truck (one of whom is a paramedic) to a four-firefighter paramedic truck (two of whom are paramedics). The second is the conversion of six paramedic vans currently staffed with two-firefighter paramedics. This conversion will take the staffing from the six paramedic vans and equally distribute them to create twelve paramedic engines. These twelve paramedic engines will be staffed with four-firefighters. This staffing configuration with allow for a single unit response.

The desired outcome of these changes will be measured by response data during the first six months of the phase-two enhancements. The intent is to decrease the number of responding units, improve ALS response times, improve unit availability for simultaneous emergencies, and decrease the impact on neighboring jurisdictions.

We will return to the Board in six months with the results of these improvements. At that time, we will also propose the next series of enhancements based upon achieving positive outcomes in phase-two and our ability to maintain fiscal accountability moving forward.

Attachment(s)

1. Action Plan FY 2015/16 Phase-Two Proposed Service Enhancements
2. Phase Two Unit Configuration

ACTION PLAN
FY 2015/16 Proposed Service Enhancements
Phase-Two

Deadline:	**Project:**
1/8/16 **	Obtain City Manager (CM) support and Board of Directors (BoD) approval to implement service enhancements in the cities of Irvine, Santa Ana (SA), Lake Forest (LF), and Mission Viejo (MV).

Action Steps	Primary	Secondary	Due
Finalize those service changes which are to be proposed with the first phase of enhancements	Young & Schroeder		10/2/15
Meet w/Irvine Public Safety Chief to explain proposed enhancements	Young & McKeown	Bowman, Schroeder, Thomas, Zeller	10/13/15
Meet w/LF CM & BoD Rep to explain proposed regional enhancement	Young & Brice	Schroeder, Thomas, Zeller	10/13/15
Meet w/MV CM & BoD Rep to explain proposed regional enhancement	Young & Abel	Schroeder, Thomas	10/14/15
All-hands meeting to discuss deployment changes	Young & Schroeder	DCs, EMS, ECC, COA, OCPFA	10/15/15
Meet w/SA CM & BoD Rep to explain proposed enhancements & impact to service charge	Young & Anderson	Bowman, Schroeder, Thomas, Zeller	10/15/15
Review enhancements w/ JLM Leadership Team	Young & Schroeder	Executive Team	10/20/15
Prepare staff report for Nov B&FC/Board meetings	Young	Zeller	10/22/15
Practice presentation for Nov B&FC/Board meetings	Young	Exec Team	10/2815
Present enhancements to B&FC	Young	Zeller	11/4/15
Present enhancements to BoD	Young	Zeller	11/19/15
Obtain County EMS approval for added PMs	Lockhart	Schroeder & Young	12/15/15
Provide necessary medic equipment/supplies for enhanced PM engines (E54 & E31)	Lockhart	Black	12/15/15
Review changes with Ambulance providers to ensure return of our PMs to stations, as needed (E54 & E31)	Lockhart	Black	12/15/15
Coordinate preferential bid process to fill new or modified positions	Thomas	Staffing	12/15/15
Review/update metrics to monitor response time changes from enhancements	Young	Phoenix	12/30/15
Go-Live with enhancements			1/8/16**

** Start of the pay period which also matches the transfer cycle. May be deferred up to one month based on logistic and administrative needs.

Green Shading = Task Completed

Attachment 2

ACTION PLAN
FY 2015/16 Proposed Service Enhancements
Phase 2

Station	Deletion	Addition
IRVINE		
4	E-4, M-4	PME-4
26	E-26 , M-26	PME-26
28	PAU-28	PME-28
38	E-38, M-38	PME-38
47	PAU-47	PME-47
55	PAU-55	PME-55
MISSION VIEJO		
31	E-31, M-31	PME-31
LAKE FOREST		
54	PAU-54	PME-54
SANTA ANA		
70	PAU-70	PME-70
76	PAU-T-76	PMT-76
77	PAU-77, M-77	PME-77
78	PAU-78, M-78	PME-78
79	PAU-79	PME-79
Total paramedic units deleted	6 paramedic vans	
Total paramedic units added		13 paramedic engines
Net gain		**7 paramedic units**