



# ORANGE COUNTY FIRE AUTHORITY AGENDA

## Budget and Finance Committee Meeting

Wednesday, November 5, 2014

12:00 Noon

### Orange County Fire Authority Regional Fire Operations and Training Center

1 Fire Authority Road

Room AE117

Irvine, California 92602

Randal Bressette, Chair

Jerry McCloskey, Vice Chair

Sam Allevato Trish Kelley Al Murray Elizabeth Swift Steven Weinberg

Bruce Channing - Ex Officio

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

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



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

## CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director McCloskey

## 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.

## MINUTES

### 1. **Minutes for the October 8, 2014, Budget and Finance Committee Meeting**

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

## CONSENT CALENDAR

### 2. **Monthly Investment Reports**

Submitted by: Patricia 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 20, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

### 3. **First Quarter Financial Newsletter – July 2014 to September 2014**

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

Recommended Action:

Review the proposed agenda item and direct staff to place this item on the agenda for the Executive Committee meeting of November 20, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

### 4. **Annual Statement of Investment Policy and Investment Authorization**

Submitted by: Patricia Jakubiak, Treasurer

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 20, 2014, 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, 2015.
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, 2015.

**DISCUSSION CALENDAR****5. Audited Financial Reports for the Fiscal Year Ended June 30, 2014**

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

Recommended Actions:

1. 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*.
2. Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 20, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors receive and approve the reports.

**6. Updated Cost Reimbursement Rates and Methodologies**

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 20, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Adopt the updated Equipment Cost Reimbursement Rate schedule effective November 21, 2014.
2. Approve and adopt the proposed Resolution authorizing suppression (safety) personnel to be reimbursed portal to portal for time assigned on an in or out of county incident.

**7. FY 2013/14 Backfill/Overtime and Total Earnings/Compensation Analysis**

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 20, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Direct staff to pursue reductions in overtime by filling *permanent* vacancies (exceeding those required by MOU) as quickly as possible after the positions become vacant.
2. Direct staff to continue using overtime to fill *temporary* vacancies rather than hiring additional personnel, recognizing this as a cost-effective practice for temporary needs.
3. Direct staff to continue implementation of the overtime cap (recently approved as part of the Firefighter Unit MOU) to limit the number of overtime hours an employee can work per year.
4. Direct staff to report back to the Board in November 2015 on actual savings achieved by no longer including sick/vacation leave as hours worked for purposes of calculating overtime.

**REPORTS**

No items.

**COMMITTEE MEMBER COMMENTS**

**ADJOURNMENT** – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, January 14, 2015, at 12:00 noon.

**AFFIDAVIT OF POSTING**

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 30<sup>th</sup> day of October 2014.

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

**UPCOMING MEETINGS:**

Special Board of Directors Meeting	Thursday, November 13, 2014, 6:00 p.m.
Special Executive Committee Meeting	Thursday, November 20, 2014, 6:00 p.m.
Board of Directors Meeting	Thursday, November 20*, 2014, 6:00 p.m.
Board of Directors Meeting	Thursday, December 4, 2014, 6:00 p.m.

All other regular Board/Committee Meetings go dark in December; a special meeting may be called as needed.

Human Resources Committee Meeting	Tuesday, January 6, 2015, 12 noon
Budget and Finance Committee Meeting	Wednesday, January 14, 2015, 12 noon
Executive Committee Meeting	Thursday, January 15, 2015, 6:00 p.m.
Claims Settlement Committee Meeting	Thursday, January 22, 2015, 5:30 p.m.
Board of Directors Meeting	Thursday, January 22, 2015, 6:30 p.m.

\*=This meeting to be move forward by a week, due to the upcoming holiday.

# MINUTES

## ORANGE COUNTY FIRE AUTHORITY

**Budget and Finance Committee Meeting**  
**Wednesday, October 8, 2014**  
**12:00 Noon**

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

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### CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on October 8, 2014, at 12:00 p.m. by Chair Bressette.

### PLEDGE OF ALLEGIANCE

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

### ROLL CALL

#### Present:

Sam Allevato, San Juan Capistrano  
Randal Bressette, Laguna Hills  
Trish Kelley, Mission Viejo  
Jerry McCloskey, Laguna Niguel  
Al Murray, Tustin  
Elizabeth Swift, Buena Park  
Steven Weinberg, Dana Point

#### Also present were:

Fire Chief Jeff Bowman  
Assistant Chief Lori Smith  
Assistant Chief David Thomas  
Human Resources Director Jeremy Hammond

Deputy Chief Craig Kinoshita  
Assistant Chief Brian Stephens  
Communications Director Sandy Cooney  
Clerk of the Authority Sherry Wentz

### PUBLIC COMMENTS

Chair Bressette opened the Public Comments portion of the meeting. Chair Bressette closed the Public Comments portion of the meeting without any public comments.

## **MINUTES**

### **1. Minutes for the September 10, 2014, Budget and Finance Committee Meeting**

On motion of Director Weinberg and second by Director Murray, the Committee voted unanimously to approve the Minutes of the September 10, 2014, Budget and Finance Committee Meeting, as submitted. Chair Bressette noted his abstention, due to his absence from this meeting.

## **CONSENT CALENDAR**

No items.

## **DISCUSSION CALENDAR**

### **2. Monthly Investment Reports**

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

On motion of Director Allevato and second by Director Murray, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of October 16, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

### **3. Monthly Status Update – Orange County Employees' Retirement System**

Treasurer Patricia Jakubiak provided a monthly status update on the Orange County Employees' Retirement System.

On motion of Director Murray and second by Director Swift, the Committee voted unanimously to receive and file the report and directed staff to present future status reports on a quarterly-basis.

### **4. Internal Control Review on Request for Proposal Process**

Finance Manager Jim Ruane provided an overview on internal control reviews and introduced Brian Gruber, CPA for Lance, Soll & Lunghard, who provided a report on the audit for the request for proposal process.

On motion of Director Swift and second by Director McCloskey the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of October 16, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

## **5. 2014 Long Term Liability Study**

Treasurer Patricia Jakubiak provided a PowerPoint presentation on the 2014 Long Term Liability Study.

On motion of Director Allevato and second by Director Weinberg, the Committee voted unanimously to place the item on the agenda's Consent Calendar for the Board of Director's meeting of October 23, 2014, with the Budget and Finance Committee's recommendations that the Board of Directors:

1. Receive and file the report.
2. Direct staff to continue the Expedited Pension Unfunded Actuarial Accrued Liability (UAAL) Payment Plan to achieve long-term savings in pension costs.
3. Direct staff to evaluate potential cost saving options for OCFA healthcare plans offered to retirees in an effort to lower Retiree Medical costs.
4. Direct staff to continue seeking cost saving options related to Worker's Compensation, including the recently implemented Alternative Dispute Resolution Program.

## **REPORTS**

There were no items to report.

## **COMMITTEE MEMBER COMMENTS**

Director Swift reported on the City of Buena Park's upcoming Silverado Days celebration scheduled for October 17-19.

Director Allevato reminded the Committee of the upcoming Ortega Highway freeway overpass construction closure in San Juan Capistrano. He thanked staff for their assistance in locating a temporary fire station on the east side of the highway during this construction project.

Chair Bressette requested an update on the Computer Aided Dispatch (CAD) System outage that occurred last evening. Assistant Chief Brian Stephens provided a brief update to the Committee. Chair Bressette reported on his and Board Chair Murray's attendance at the Orange County Firefighter's Memorial Service.

Fire Chief Bowman apologized for his tardiness to today's meeting, due to this morning's Trabuco Canyon Fire, and reported that the fire had been quickly contained.

**ADJOURNMENT** – Chair Bressette adjourned the meeting at 1:06 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, November 5, 2014, at 12:00 noon.

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

**CONSENT CALENDAR - AGENDA ITEM NO. 2**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**November 5, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Patricia Jakubiak, Treasurer

SUBJECT: **Monthly Investment Reports**

Summary:

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of November 20, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Background:

Attached is the final monthly investment report for the month ended September 30, 2014. A preliminary investment report as of October 17, 2014, is also provided as the most complete report that was available at the time this agenda item was prepared.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Patricia Jakubiak, Treasurer

[Triciajakubiak@ocfa.org](mailto:Triciajakubiak@ocfa.org)

(714) 573-6301

Attachment:

Final Investment Report – September 2014 / Preliminary Report – October 2014



# *Orange County Fire Authority Monthly Investment Report*



*Final Report – September 2014*

*Preliminary Report – October 2014*



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***Orange County Fire Authority***

***Final Investment Report***

***September 30, 2014***



**EXECUTIVE SUMMARY**

***Portfolio Activity & Earnings***

During the month of September 2014, the size of the portfolio decreased slightly from \$149.5 million to \$148.1 million. Significant receipts for the month included the first quarterly cash contract payments and other charges for current services for a total of \$13.1 million, the first apportionment of unsecured property taxes in the amount of \$5.2 million, and intergovernmental contract payments totaling \$1.5 million. Significant disbursements for the month included primarily two biweekly payrolls, which were approximately \$10.0 million each with related benefits. Total September cash outflows for operating expenditures amounted to approximately \$22.6 million. The portfolio's balance is expected to decrease slightly 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) stayed unchanged at 0.29%. The effective rate of return edged up by 1 basis point to 0.28% for the month and also rose by 1 basis point to 0.26% for the fiscal year to date. The average maturity of the portfolio shortened slightly by 4 days to 190 days to maturity.

***Economic News***

In September 2014, the U.S. economic activity remained mixed and moderate. On the upside, employment conditions improved more than expected in September. There were a total of 248,000 new jobs created for the month, a much stronger payroll increase than expected, and the numbers for the previous two months were also revised upward. In addition, the unemployment rate continued to improve, declining further by 2 basis points to 5.9% from 6.1% previously. Industrial production picked up in September and rose by 1.0%, a much stronger pace than expected. On the other hand, retail sales fell more than expected while consumer confidence indicators were mixed for the month. Both the manufacturing and non-manufacturing sectors pulled back and declined modestly in September. Housing activity continued to improve, but activity level remained low. Inflation rose slightly, but stayed under control due to low energy prices. The NFIB (National Federation of Independent Business) small business optimism index dropped slightly in September. Current expectations are that the Fed will likely raise rates in the first half of 2015.



**BENCHMARK COMPARISON AS OF SEPTEMBER 30, 2014**

<i>3 Month T-Bill:</i> 0.02%	<i>1 Year T-Bill:</i> 0.11%
<i>6 Month T-Bill:</i> 0.04%	<i>LAIF:</i> 0.25%
<i>OCFA Portfolio:</i> 0.28%	

**PORTFOLIO SIZE, YIELD, & DURATION**

	<u><i>Current Month</i></u>	<u><i>Prior Month</i></u>	<u><i>Prior Year</i></u>
<i>Book Value-</i>	\$148,128,923	\$149,519,487	\$120,299,648
<i>Yield to Maturity (365 day)</i>	0.29%	0.29%	0.34%
<i>Effective Rate of Return</i>	0.28%	0.27%	0.36%
<i>Days to Maturity</i>	190	194	283



**ORANGE COUNTY FIRE AUTHORITY  
Portfolio Management  
Portfolio Summary  
September 30, 2014**

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

(See Note 1 on page 9)

(See Note 2 on page 9)

<b>Investments</b>	<b>Par Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>% of Portfolio</b>	<b>Term</b>	<b>Days to Maturity</b>	<b>YTM/C 360 Equiv.</b>	<b>YTM/C 365 Equiv.</b>
Money Mkt Mutual Funds/Cash	7,772,896.47	7,772,896.47	7,772,896.47	5.28	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	15,000,000.00	14,993,370.00	14,995,805.83	10.19	121	65	0.130	0.132
Federal Agency Coupon Securities	38,333,333.33	38,144,460.00	38,338,690.75	26.06	1,285	643	0.666	0.675
Federal Agency Disc. -Amortizing	36,000,000.00	35,999,010.00	35,995,646.25	24.47	135	61	0.065	0.066
Local Agency Investment Funds	50,000,000.00	50,009,064.20	50,000,000.00	33.99	1	1	0.243	0.246
<b>Investments</b>	<b>147,106,229.80</b>	<b>146,918,800.67</b>	<b>147,103,039.30</b>	<b>100.00%</b>	<b>381</b>	<b>190</b>	<b>0.285</b>	<b>0.289</b>
<b>Cash</b>								
Passbook/Checking (not included in yield calculations)	1,120,049.78	1,120,049.78	1,120,049.78		1	1	0.000	0.000
<b>Total Cash and Investments</b>	<b>148,226,279.58</b>	<b>148,038,850.45</b>	<b>148,223,089.08</b>		<b>381</b>	<b>190</b>	<b>0.285</b>	<b>0.289</b>

<b>Total Earnings</b>	<b>September 30 Month Ending</b>	<b>Fiscal Year To Date</b>
Current Year	34,679.06	105,197.66
<b>Average Daily Balance</b>	<b>150,177,797.20</b>	<b>162,194,060.44</b>
<b>Effective Rate of Return</b>	<b>0.28%</b>	<b>0.26%</b>

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2014. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

*Patricia Jakubjak*      10/3/14  
Patricia Jakubjak, Treasurer

**Cash and Investments with GASB 31 Adjustment:**

Book Value of Cash & Investments before GASB 31 (Above)	\$ 148,223,089.08
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ (94,166.47)
<b>Total</b>	<b>\$ 148,128,922.61</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**September 30, 2014**

(See Note 1 on page 9)

(See Note 2 on page 9)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
<b>Money Mkt Mutual Funds/Cash</b>											
SYS528	528	High Mark 100% US Treasury MMF			7,772,896.47	7,772,896.47	7,772,896.47	0.001	0.001	1	
<b>Subtotal and Average</b>			<b>10,111,739.05</b>		<b>7,772,896.47</b>	<b>7,772,896.47</b>	<b>7,772,896.47</b>		<b>0.001</b>	<b>1</b>	
<b>Commercial Paper Disc. -Amortizing</b>											
36959JKA0	829	GEN ELEC CAP CRP		07/01/2014	9,000,000.00	8,999,550.00	8,999,752.50	0.110	0.112	9	10/10/2014
36959JP56	835	GEN ELEC CAP CRP		09/29/2014	6,000,000.00	5,993,820.00	5,996,053.33	0.180	0.162	148	02/26/2015
<b>Subtotal and Average</b>			<b>9,399,089.75</b>		<b>15,000,000.00</b>	<b>14,993,370.00</b>	<b>14,995,805.83</b>		<b>0.132</b>	<b>65</b>	
<b>Federal Agency Coupon Securities</b>											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,950,950.00	8,996,718.38	0.400	0.424	569	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,977,020.00	6,000,000.00	1.000	0.981	1,043	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 10-9-14)		12/20/2012	9,000,000.00	8,913,600.00	9,009,152.47	1.000	0.966	1,135	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	5,333,333.33	5,322,240.00	5,332,819.90	0.470	0.477	523	03/07/2016
3130A2MX1	833	Fed Home Loan Bank (Callable 10-29-14)		07/29/2014	9,000,000.00	8,980,650.00	9,000,000.00	0.550	0.550	28	07/29/2016
<b>Subtotal and Average</b>			<b>38,338,710.21</b>		<b>38,333,333.33</b>	<b>38,144,460.00</b>	<b>38,338,690.75</b>		<b>0.675</b>	<b>643</b>	
<b>Federal Agency Disc. -Amortizing</b>											
313589N58	831	Fed Natl Mortg Assoc		07/01/2014	9,000,000.00	8,999,910.00	8,999,445.00	0.060	0.062	37	11/07/2014
313396BF9	832	Freddie Mac		07/01/2014	9,000,000.00	8,999,460.00	8,997,277.50	0.090	0.093	121	01/30/2015
313385L79	830	Fed Home Loan Bank		07/01/2014	9,000,000.00	8,999,910.00	8,999,655.00	0.060	0.062	23	10/24/2014
313385R99	834	Fed Home Loan Bank		09/11/2014	9,000,000.00	8,999,730.00	8,999,268.75	0.045	0.046	65	12/05/2014
<b>Subtotal and Average</b>			<b>42,328,258.19</b>		<b>36,000,000.00</b>	<b>35,999,010.00</b>	<b>35,995,646.25</b>		<b>0.066</b>	<b>61</b>	
<b>Local Agency Investment Funds</b>											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,009,064.20	50,000,000.00	0.246	0.246	1	
<b>Subtotal and Average</b>			<b>50,000,000.00</b>		<b>50,000,000.00</b>	<b>50,009,064.20</b>	<b>50,000,000.00</b>		<b>0.246</b>	<b>1</b>	
<b>Total and Average</b>			<b>150,177,797.20</b>		<b>147,106,229.80</b>	<b>146,918,800.67</b>	<b>147,103,039.30</b>		<b>0.289</b>	<b>190</b>	

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**September 30, 2014**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
<b>Money Mkt Mutual Funds/Cash</b>										
SYS10104	10104	American Benefit Plan Admin		07/01/2014	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2014	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2014	835,049.78	835,049.78	835,049.78		0.000	1
SYS361	361	CORVEL		07/01/2014	250,000.00	250,000.00	250,000.00		0.000	1
		<b>Average Balance</b>	<b>0.00</b>							<b>1</b>
<b>Total Cash and Investments</b>			<b>150,177,797.20</b>		<b>148,226,279.58</b>	<b>148,038,850.45</b>	<b>148,223,089.08</b>		<b>0.289</b>	<b>190</b>



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**ORANGE COUNTY FIRE AUTHORITY**  
**Aging Report**  
**By Maturity Date**  
**As of October 1, 2014**

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	( 10/01/2014 - 10/01/2014 )	6 Maturities	0 Payments	58,892,946.25	39.73%	58,892,946.25	58,902,010.45
Aging Interval:	1 - 30 days	( 10/02/2014 - 10/31/2014 )	2 Maturities	0 Payments	18,000,000.00	12.14%	17,999,407.50	17,999,460.00
Aging Interval:	31 - 60 days	( 11/01/2014 - 11/30/2014 )	1 Maturities	0 Payments	9,000,000.00	6.07%	8,999,445.00	8,999,910.00
Aging Interval:	61 - 91 days	( 12/01/2014 - 12/31/2014 )	1 Maturities	0 Payments	9,000,000.00	6.07%	8,999,268.75	8,999,730.00
Aging Interval:	92 - 121 days	( 01/01/2015 - 01/30/2015 )	1 Maturities	0 Payments	9,000,000.00	6.07%	8,997,277.50	8,999,460.00
Aging Interval:	122 - 152 days	( 01/31/2015 - 03/02/2015 )	1 Maturities	0 Payments	6,000,000.00	4.05%	5,996,053.33	5,993,820.00
Aging Interval:	153 - 183 days	( 03/03/2015 - 04/02/2015 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	( 04/03/2015 - 07/02/2015 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	( 07/03/2015 - 10/01/2015 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	( 10/02/2015 - 09/30/2017 )	4 Maturities	0 Payments	29,333,333.33	19.79%	29,329,538.28	29,230,860.00
Aging Interval:	1096 - 1825 days	( 10/01/2017 - 09/30/2019 )	1 Maturities	0 Payments	9,000,000.00	6.08%	9,009,152.47	8,913,600.00
Aging Interval:	1826 days and after	( 10/01/2019 - )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
<b>Total for</b>			<b>17 Investments</b>	<b>0 Payments</b>			<b>148,223,089.08</b>	<b>148,038,850.45</b>



**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, 2014 includes an increase of \$14,938 to the LAIF investment and a decrease of \$(109,104) 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, 2014, 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, 2014 is 1.000181284. When applied to OCFA's LAIF investment, the fair value is \$50,009,064 or \$9,064 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, 2014 is included on the following page.

**State of California  
Pooled Money Investment Account  
Market Valuation  
9/30/2014**

Description	Carrying Cost Plus Accrued Interest Purch.	Amortized Cost	Fair Value	Accrued Interest
<b>United States Treasury:</b>				
Bills	\$ 11,137,909,675.57	\$ 11,144,028,974.24	\$ 11,147,231,000.00	NA
Notes	\$ 20,613,431,491.60	\$ 20,611,735,881.66	\$ 20,620,552,000.00	\$ 20,714,247.00
<b>Federal Agency:</b>				
SBA	\$ 571,481,035.26	\$ 571,481,035.26	\$ 567,433,519.70	\$ 521,914.04
MBS-REMICs	\$ 109,474,286.60	\$ 109,474,286.60	\$ 116,983,332.51	\$ 521,209.85
Debentures	\$ 1,959,407,587.90	\$ 1,959,148,157.35	\$ 1,958,751,700.00	\$ 1,655,043.25
Debentures FR	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 1,299,421,361.10	\$ 1,299,712,319.44	\$ 1,299,922,000.00	NA
GNMA	\$ -	\$ -	\$ -	\$ -
Supranational Debentures	\$ 399,927,859.19	\$ 399,927,859.19	\$ 399,644,500.00	\$ 192,809.50
CDs and YCDs FR	\$ -	\$ -	\$ -	\$ -
Bank Notes	\$ 400,000,000.00	\$ 400,000,000.00	\$ 399,896,651.17	\$ 139,833.33
CDs and YCDs	\$ 9,475,026,364.38	\$ 9,475,015,822.71	\$ 9,471,060,198.00	\$ 3,941,784.74
Commercial Paper	\$ 4,354,195,497.74	\$ 4,354,921,548.28	\$ 4,354,205,466.67	NA
<b>Corporate:</b>				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 5,082,740,000.00	\$ 5,082,740,000.00	\$ 5,082,740,000.00	NA
AB 55 & GF Loans	\$ 1,047,229,467.74	\$ 1,047,229,467.74	\$ 1,047,229,467.74	NA
<b>TOTAL</b>	<b>\$ 56,450,244,627.08</b>	<b>\$ 56,455,415,352.47</b>	<b>\$ 56,465,649,835.79</b>	<b>\$ 27,686,841.71</b>

Fair Value Including Accrued Interest \$ 56,493,336,677.50

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 (1.000181284).  
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 \$20,003,625.69 or \$20,000,000.00 x 1.000181284.



***Orange County Fire Authority***  
***Preliminary Investment Report***  
***October 17, 2014***



**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Summary**  
**October 17, 2014**

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

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	4,144,930.00	4,144,930.00	4,144,930.00	2.93	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	6,000,000.00	5,994,420.00	5,996,506.67	4.24	150	131	0.160	0.162
Federal Agency Coupon Securities	38,333,333.33	38,256,256.66	38,338,667.94	27.10	1,285	626	0.666	0.675
Federal Agency Disc. -Amortizing	43,000,000.00	42,997,680.00	42,996,137.92	30.39	129	51	0.060	0.061
Local Agency Investment Funds	50,000,000.00	50,009,064.20	50,000,000.00	35.34	1	1	0.243	0.246
<b>Investments</b>	<b>141,478,263.33</b>	<b>141,402,350.86</b>	<b>141,476,242.53</b>	<b>100.00%</b>	<b>394</b>	<b>191</b>	<b>0.291</b>	<b>0.295</b>
<b>Cash</b>								
Passbook/Checking (not included in yield calculations)	545,111.34	545,111.34	545,111.34		1	1	0.000	0.000
<b>Total Cash and Investments</b>	<b>142,023,374.67</b>	<b>141,947,462.20</b>	<b>142,021,353.87</b>		<b>394</b>	<b>191</b>	<b>0.291</b>	<b>0.295</b>

Total Earnings	October 17 Month Ending	Fiscal Year To Date
Current Year	19,866.53	125,064.19
Average Daily Balance	147,786,372.97	159,946,989.92
Effective Rate of Return	0.29%	0.26%

"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, 2014. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubjak, Treasurer 10/24/14

**Cash and Investments with GASB 31 Adjustment:**

Book Value of Cash & Investments before GASB 31 (Above)	\$ 142,021,353.87
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ (94,166.47)
<b>Total</b>	<b>\$ 141,927,187.40</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**October 17, 2014**

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

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
<b>Money Mkt Mutual Funds/Cash</b>											
SYS528	528	High Mark 100% US Treasury MMF			4,144,930.00	4,144,930.00	4,144,930.00	0.001	0.001	1	
<b>Subtotal and Average</b>			<b>8,571,460.29</b>		<b>4,144,930.00</b>	<b>4,144,930.00</b>	<b>4,144,930.00</b>		<b>0.001</b>	<b>1</b>	
<b>Commercial Paper Disc. -Amortizing</b>											
36959JP56	835	GEN ELEC CAP CRP		09/29/2014	6,000,000.00	5,994,420.00	5,996,506.67	0.160	0.162	131	02/26/2015
<b>Subtotal and Average</b>			<b>10,760,940.98</b>		<b>6,000,000.00</b>	<b>5,994,420.00</b>	<b>5,996,506.67</b>		<b>0.162</b>	<b>131</b>	
<b>Federal Agency Coupon Securities</b>											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,989,560.00	8,996,817.83	0.400	0.424	552	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,967,960.00	6,000,000.00	1.000	0.981	1,026	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 11-9-14)		12/20/2012	9,000,000.00	8,964,540.00	9,009,013.30	1.000	0.966	1,118	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	5,333,333.33	5,333,386.66	5,332,836.81	0.470	0.477	506	03/07/2016
3130A2MX1	833	Fed Home Loan Bank (Callable 10-29-14)		07/29/2014	9,000,000.00	9,000,810.00	9,000,000.00	0.550	0.550	11	07/29/2016
<b>Subtotal and Average</b>			<b>38,338,678.68</b>		<b>38,333,333.33</b>	<b>38,256,256.66</b>	<b>38,338,667.94</b>		<b>0.675</b>	<b>626</b>	
<b>Federal Agency Disc. -Amortizing</b>											
313589N58	831	Fed Natl Mortg Assoc		07/01/2014	9,000,000.00	8,999,910.00	8,999,700.00	0.060	0.062	20	11/07/2014
313396BF9	832	Freddie Mac		07/01/2014	9,000,000.00	8,998,830.00	8,997,660.00	0.090	0.093	104	01/30/2015
313396AN3	836	Freddie Mac		10/08/2014	7,000,000.00	6,999,300.00	6,999,407.92	0.035	0.036	87	01/13/2015
313385L79	830	Fed Home Loan Bank		07/01/2014	9,000,000.00	9,000,000.00	8,999,910.00	0.060	0.062	6	10/24/2014
313385R99	834	Fed Home Loan Bank		09/11/2014	9,000,000.00	8,999,640.00	8,999,460.00	0.045	0.046	48	12/05/2014
<b>Subtotal and Average</b>			<b>40,113,500.76</b>		<b>43,000,000.00</b>	<b>42,997,680.00</b>	<b>42,996,137.92</b>		<b>0.061</b>	<b>51</b>	
<b>Local Agency Investment Funds</b>											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,009,064.20	50,000,000.00	0.246	0.246	1	
<b>Subtotal and Average</b>			<b>50,001,792.26</b>		<b>50,000,000.00</b>	<b>50,009,064.20</b>	<b>50,000,000.00</b>		<b>0.246</b>	<b>1</b>	
<b>Total and Average</b>			<b>147,786,372.97</b>		<b>141,478,263.33</b>	<b>141,402,350.86</b>	<b>141,476,242.53</b>		<b>0.295</b>	<b>191</b>	

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**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**October 17, 2014**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
<b>Money Mkt Mutual Funds/Cash</b>										
SYS10104	10104	American Benefit Plan Admin		07/01/2014	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2014	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2014	260,111.34	260,111.34	260,111.34		0.000	1
SYS361	361	CORVEL		07/01/2014	250,000.00	250,000.00	250,000.00		0.000	1
		<b>Average Balance</b>	<b>0.00</b>							<b>1</b>
<b>Total Cash and Investments</b>			<b>147,786,372.97</b>		<b>142,023,374.67</b>	<b>141,947,462.20</b>	<b>142,021,353.87</b>		<b>0.295</b>	<b>191</b>

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**ORANGE COUNTY FIRE AUTHORITY**  
**Aging Report**  
**By Maturity Date**  
**As of October 18, 2014**

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	( 10/18/2014 - 10/18/2014 )	6 Maturities	0 Payments	54,690,041.34	38.51%	54,690,041.34	54,699,105.54
Aging Interval:	1 - 30 days	( 10/19/2014 - 11/17/2014 )	2 Maturities	0 Payments	18,000,000.00	12.67%	17,999,610.00	17,999,910.00
Aging Interval:	31 - 60 days	( 11/18/2014 - 12/17/2014 )	1 Maturities	0 Payments	9,000,000.00	6.34%	8,999,460.00	8,999,640.00
Aging Interval:	61 - 91 days	( 12/18/2014 - 01/17/2015 )	1 Maturities	0 Payments	7,000,000.00	4.93%	6,999,407.92	6,999,300.00
Aging Interval:	92 - 121 days	( 01/18/2015 - 02/16/2015 )	1 Maturities	0 Payments	9,000,000.00	6.34%	8,997,660.00	8,998,830.00
Aging Interval:	122 - 152 days	( 02/17/2015 - 03/19/2015 )	1 Maturities	0 Payments	6,000,000.00	4.22%	5,996,506.67	5,994,420.00
Aging Interval:	153 - 183 days	( 03/20/2015 - 04/19/2015 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	( 04/20/2015 - 07/19/2015 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	( 07/20/2015 - 10/18/2015 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	( 10/19/2015 - 10/17/2017 )	4 Maturities	0 Payments	29,333,333.33	20.65%	29,329,654.64	29,291,716.66
Aging Interval:	1096 - 1825 days	( 10/18/2017 - 10/17/2019 )	1 Maturities	0 Payments	9,000,000.00	6.34%	9,009,013.30	8,964,540.00
Aging Interval:	1826 days and after	( 10/18/2019 - )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
<b>Total for</b>			<b>17 Investments</b>	<b>0 Payments</b>		<b>100.00</b>	<b>142,021,353.87</b>	<b>141,947,462.20</b>



**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, 2014 includes an increase of \$14,938 to the LAIF investment and a decrease of \$(109,104) 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.

**CONSENT CALENDAR - AGENDA ITEM NO. 3**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**November 5, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **First Quarter Financial Newsletter – July 2014 to September 2014**

Summary:

This agenda item is submitted to provide information regarding revenues and expenditures in the General Fund and the Capital Improvement Program Funds through the first quarter of FY 2014/15.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of November 20, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Background:

The Quarterly Financial Newsletter provides information about the General Fund's top five revenue sources as well as expenditures by department and type. Revenues and expenditures for the Capital Improvement Program (CIP) Funds are also included. Revenues and expenditures for the General Fund and the CIP Funds are within budgetary expectations for this reporting period. Any notable items are detailed in the attached newsletter.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contacts for Further Information:

Deborah Gunderson, Budget Manager  
[DeborahGunderson@ocfa.org](mailto:DeborahGunderson@ocfa.org)  
(714) 573-6302

Tricia Jakubiak, Treasurer  
[triciajakubiak@ocfa.org](mailto:triciajakubiak@ocfa.org)  
(714) 573-6301

Attachment:

First Quarter Financial Newsletter – July 2014 to September 2014



# Orange County Fire Authority

## First Quarter Financial Newsletter – July 2014 to September 2014

### OVERVIEW

This report covers activities through the first quarter of Fiscal Year 2014/15. Budget figures include all budget adjustments authorized by the Board through the end of the first quarter, including re-budgets from FY 2013/14.

### GENERAL FUND

With 25% of the year completed, General Fund revenues are 13.0% of budget and expenditures are 26.5% as shown below:

General Fund	Budget	YTD Actual	Percent
Revenues	310,357,010	40,240,644	13.0%
Expenditures	326,713,744	86,675,852	26.5%

**Top Five Revenues.** Our top five revenue sources represent 97% of our total revenue in FY 2014/15. Two of these revenues exceeded 25% of budget during the first quarter. The largest revenue source, property tax, is not expected to reach 25% of budget at this point in the fiscal year, since this revenue source is apportioned to OCFA later in the year. Highlights are noted as follows:

Top Five Revenues	Budget	YTD Actual	% Rec'd
Cash Contracts	87,934,667	27,276,835	31.0%
Property Taxes	195,471,965	6,296,683	3.2%
State Reimbursements	4,529,534	4,009,630	88.5%
CRR Fees	7,340,160	1,508,045	20.5%
CRA Pass-through	6,608,025	385,241	5.8%
<b>Total</b>	<b>301,884,351</b>	<b>39,476,434</b>	<b>13.1%</b>

- **Cash contracts.** This revenue category is slightly over budget expectations due to the timing of Santa Ana revenue receipts, which are pre-paid monthly while other Cash Contract Cities pay quarterly in arrears.
- **Property tax.** First quarter activity includes the first distribution of unsecured property taxes and two distributions of supplemental taxes. The first significant distribution of secured property tax, the largest component of our property tax, will not be received until November; however, the secured tax billing provided by the Auditor/Controller reflected an increase over last year's initial billing. After adjusting for estimated refunds, preliminary projections show an \$8.5M increase compared to budget. Supplemental property tax is also expected to exceed expectations. Staff will continue to monitor this revenue source and will return to the Board with a mid-year adjustment, if necessary.

- **State Reimbursements.** Revenues were higher than budget due to greater emergency activity.
- **Community Risk Reduction Fees.** This revenue category is expected to increase to budget expectations in the next quarter as new staff members complete training and assume duties. Development submittals have decreased compared to last fiscal year, however staff is tracking several developments and expect these revenues to recover by fiscal year-end.
- **Community Redevelopment Agency (CRA) Pass-Through.** This category of revenue is generally received in January and May.

**Expenditures.** Expenditures are generally within budget for this point in the fiscal year as summarized by department below. Details on the exceptions follow the table.

Expenditures By Department	Budget	YTD Actual	% Expended
Executive Mgt.	6,216,941	1,410,935	22.7%
HR Division	5,353,650	2,030,825	37.9%
Operations	242,611,421	54,383,000	22.4%
Comm.Risk Reduction	14,417,766	3,237,366	22.5%
Business Services	33,065,672	20,144,965	60.9%
Support Services	25,048,294	5,468,760	21.8%
<b>Total</b>	<b>326,713,744</b>	<b>86,675,852</b>	<b>26.5%</b>

- **Human Resources Division.** Actual activity is higher than 25% of budget primarily due to insurance premiums which are paid in full at the beginning of the fiscal year.
- **Business Services:** Expenditures for this department are higher than 25% of budget due to a one-time payment at the beginning of the fiscal year to OCERS of approximately \$18.3 million to pay down the UAAL, which occurred in July. Expenditures are expected to stay within budget by fiscal year-end.

Expenditures by type are outlined below, with exception details following on the next page:

Expenditures by Type	Budget	YTD Actual	% Expended
S&EB	299,123,770	81,438,790	27.2%
S&S	26,497,155	5,203,353	19.6%
Equipment	1,092,819	33,710	3.1%
<b>Total</b>	<b>326,713,744</b>	<b>86,675,852</b>	<b>26.5%</b>

- **S&EB:** This expenditure type is higher than 25% of budget due to a one-time payment to OCERS of

approximately \$18.3 million to pay down the UAAL, which occurred in July. Expenditures are expected to stay within budget by fiscal year-end.

**CIP FUNDS**

The following summarizes revenues and expenditures for the Capital Improvement Program funds. Any variances are noted as follows:

**Facilities Maintenance & Improvement**

Fund 122	Budget	YTD Actual	Percent
Revenue	1,428,628	103,408	7.2%
Expenditures	2,639,776	357,606	13.5%

- The revenue and expenditure budgets include rebudgets for the Community Development Block Grant for improvements to FS 72, 74, 75, and 76 in Santa Ana. A contract was awarded on this project and completion is expected in February 2015. As a reimbursement grant, the revenues will not be received until after the expenditures have been made.

**Facilities Replacement**

Fund 123	Budget	YTD Actual	Percent
Revenue	4,078,668	6,851	0.2%
Expenditures	5,749,437	21,025	0.4%

- Revenues include developer reimbursements for the design and construction of Station 56 (Ortega Valley); this project is estimated to be complete in July 2015. Appropriations of \$5.5 million for the US&R Warehouse purchase were rebudgeted to 2014/15.

**Communications & Info. Systems Replacement**

Fund 124	Budget	YTD Actual	Percent
Revenue	23,109	11,697	50.6%
Expenditures	9,465,097	502,684	5.3%

- Appropriations include \$6.7 million in total rebudgets, of which \$5.5 million is for the remaining components of the Public Safety System project.

**Vehicle Replacement**

Fund 133	Budget	YTD Actual	Percent
Revenue	2,074,225	448,976	21.6%
Expenditures	13,116,164	854,790	6.5%

- Actual revenue includes the quarterly Cash Contract payments for vehicle depreciation. The revenue budget also includes rebudgeted funds for the reimbursement of the outfitting costs for the Type 1 Engine for Station 56.
- \$5.8 million was rebudgeted from 2013/14 to 2014/15 for the purchase of emergency and support vehicles, including four 100' Quints.

**SUMMARY**

*For more information.* This summary is based on detailed information from our financial system. If you would like more information or have any questions about the report, please contact Deborah Gunderson, Budget Manager at 714-573-6302, or Tricia Jakubiak, Treasurer at 714-573-6301.

**CONSENT CALENDAR - AGENDA ITEM NO. 4  
BUDGET AND FINANCE COMMITTEE MEETING  
November 5, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Patricia Jakubiak, Treasurer

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

Summary:

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

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 20, 2014, 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, 2015.
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, 2015.

Background:

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

During the past year, there were no significant legislative amendments to the California Government Code regarding investments; therefore, no changes have been made to the proposed Investment Policy which is attached for review and approval, to be effective January 1, 2015.

Impact to Cities/County:

Not Applicable

Fiscal Impact:

Not Applicable



Staff Contacts for Further Information:

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(714) 573-6301

Jane Wong, Assistant Treasurer

[Janewong@ocfa.org](mailto:Janewong@ocfa.org)

(714) 573-6305

Attachment:

Proposed Investment Policy (to be effective January 1, 2015)



# **ORANGE COUNTY FIRE AUTHORITY**

## **INVESTMENT POLICY**

**Calendar Year 2015**

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## INVESTMENT POLICY

### *History of OCFA's Investment Policy & Cash Management Program*

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

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

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

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



# INVESTMENT POLICY

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## INVESTMENT POLICY

### ORANGE COUNTY FIRE AUTHORITY

1. **Policy:** The Orange County Fire Authority (the “Authority”) shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives, in priority order, of safety, liquidity, and return on investment.
2. **Scope:** This Investment Policy applies to all financial assets of the Orange County Fire Authority which are available for investment by the Authority’s Treasurer; except that funds in the Authority’s deferred compensation plan, defined contribution plan, and security deposits held in escrow in lieu of retention are excluded from this investment policy. The funds governed by this policy may be referred to herein as the OCFA portfolio.
  - 2.1. The Authority’s funds are accounted for in the Comprehensive Annual Financial Report (CAFR) and include the funds listed below and any new fund created by the Board of Directors unless specifically exempted.
    - Fund 121 General Fund
    - Fund 122 Facilities Maintenance and Improvements
    - Fund 123 Capital Projects
    - Fund 124 Communications and Information Systems Replacement
    - Fund 133 Vehicle Replacement
    - Fund 171 Structural Fire Fund Entitlement
    - Fund 190 Self-Insurance Fund
    - Fund 422 Extra-Help Retirement Trust
  - 2.2. Bond fund investments will be held separately and made in accordance with the bond debenture requirements.
  - 2.3. Retiree Medical Trust Funds may be held separately from the OCFA portfolio and invested in accordance with California Government Code Section 53620 to 53622 and/or Section 31694.3.

3. **Prudence:** The standard of prudence to be used shall be the “prudent person” standard (as cited in Probate Code Sections 16040-16042 and 16045-16054) 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.

**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:* 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 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 an 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. All financial institutions and broker/dealers who wish to be considered for the list must meet the following minimum requirements:
    - 8.1.1 Must certify that they have read and agree to comply with the investment policies of the Authority.
    - 8.1.2 Must be a primary or regional dealer that qualifies under the Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule).
    - 8.1.3 Must have a branch office in California.
    - 8.1.4 Must be experienced in institutional trading practices and familiar with the California Government Code as related to investments for local governmental agencies.
    - 8.1.5 Must have been in business for at least three years.
    - 8.1.6 Must provide current audited financial statements.
    - 8.1.7 Must provide proof of Financial Industry Regulatory Authority (FINRA) certification.



- 8.1.8 Other criteria as may be established in the *Investment Procedures Manual* of the Authority.
- 8.2. All financial institutions in which the Authority's public funds are deposited will supply the Treasurer with the following:
  - 8.2.1 Current audited financial statements.
  - 8.2.2 Depository contracts.
  - 8.2.3 A copy of the latest FDIC call report.
  - 8.2.4 Proof that the institution is state or federally chartered.
9. **Authorized Investment Advisors and Investment Managers:**

**Authorized Investment Advisors**

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

**Authorized Investment Managers**

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

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

- 10.2. Collateralized or insured passbook savings accounts and demand deposits.
- 10.3. Collateralized or insured certificates of deposit (or time deposits) placed with commercial banks (maximum term five years).
- 10.4. Bankers acceptances (issued by one of the 10 largest domestic banks or 20 largest international banks based on assets) with maturities not to exceed 180 days. State statute restricts bankers' acceptances to no more than 40% of the agency's surplus funds and no more than 30% in any one commercial bank. Authority policy is more restrictive, with a maximum 25% limit (see Section 15.1.4). Bankers' acceptances are to be purchased only from institutions that are well capitalized as the term is defined in the glossary.
- 10.5. Money market mutual funds whose portfolio consists solely of short-term treasury securities (i.e., one year or less remaining until maturity, at purchase). Mutual funds must be AAA rated by at least 2 of the 3 largest rating agencies.
- 10.6. Repurchase agreements whose underlying collateral consists of U.S. Treasury obligations or U.S. government agency obligations and the collateralization level must be in accordance with Government Code section 53601(i)(2), effective January 1, 1996 (maximum maturity of 14 days). A Public Securities Association (PSA) Master Repurchase Agreement is required between the Authority and the bank or broker/dealer for all repurchase agreements transacted. Direct investment in reverse repurchase agreements is prohibited.
- 10.7. Local Agency Investment Fund (State of California Pool).
- 10.8. Commercial paper in compliance with the following requirements:
  - 10.8.1 Must be rated highest-quality by at least two of the following three nationally recognized rating agencies. Highest-quality ratings are defined as (1) Moody's Investor Services rating of P1; (2) Standard & Poor's rating of A1/A1+; (3) Fitch rating of F1/F1+.
  - 10.8.2 Investments will not be made with commercial paper issuers placed on negative credit watch by any one of the above rating agencies.
  - 10.8.3 Commercial paper issuers must be domestic corporations having assets in excess of \$500,000,000 and having an AA or better rating on its long term debentures as provided by Moody's, Standard & Poor's, or Fitch.
  - 10.8.4 Purchases of eligible commercial paper may not: (a) exceed 270 days to maturity; or (b) exceed 15% of the cost value of the portfolio. Although Government Code allows a maximum investment in commercial paper of 25%, Authority Policy maintains a 15% maximum, which is more restrictive.

- 10.8.5 The Treasurer shall conduct research on commercial paper issuers prior to investing OCFA funds with those issuers. The Treasurer will avoid investing in issuers with current events that involve negative financial implications that could lead to a downgrade to their credit rating. Sources of research will include, at a minimum, WSJ.com, Bloomberg.com, Marketwatch.com, and CNNMoney.com.
- 10.9. Negotiable certificates of deposit, issued by national or state-chartered banks or state or federal savings institutions, commercial bank, savings bank (savings and loan association), or credit union that uses a private sector entity that assists in the placement of certificates of deposit under specified conditions. Government code limits negotiable certificates of deposit to 30% of the portfolio. Authority Policy, which is more restrictive, limits investment in these securities to 25% (see Section 15.1.5).
- 10.10. Proceeds of bonds or other indebtedness and any moneys set aside and pledged to secure payment of the bonds may be invested in accordance with the resolution, indenture, or other statutory provisions governing the issuance of those bonds or indebtedness.
- 10.11. Retiree Medical Funds may be held in a separate trust fund and invested as permitted under California Government Code Section 53620 to 53622 and/or Section 31694.3 for the purpose of paying health insurance benefits to retirees.
11. **Unallowable Investments / Restrictions:** The Authority shall **not** invest OCFA portfolio funds in the following instruments:
- 11.1. Derivatives, except for indirect investment through the State's Local Agency Fund.
- 11.2. Reverse repurchase agreements, although indirect investment through a pool is allowable up to a maximum of ten percent (10%) of the pool's portfolio.
- 11.3. Financial futures or financial options.
- 11.4. Common stocks or corporate bonds.
12. **Investment Pools:** Governmental sponsored pools and/or mutual funds should be carefully reviewed prior to investing and should be monitored on an ongoing basis. Requisite information on the pool includes the following:
- 12.1. A statement of investment policy and objectives.
- 12.2. A list of allowable investments.

- 12.3. Disclosure regarding settlement and safeguarding of investments.
  - 12.4. Description of securities pricing (fair value) and whether GASB 31 compliant.
  - 12.5. An explanation of interest calculations and distributions, plus fee disclosures.
  - 12.6. Deposit and withdrawal restrictions.
  - 12.7. Disclosure of audit findings and reports.
13. **Collateralization:** Collateral must always be held by an independent third party with whom the Authority has a current custodial agreement.
- 13.1. State law regarding collateralization of deposits of public funds requires that securities be held by an agent (i.e., a trust company) of the bank, which may include the bank's trust department only if acceptable to both the bank and the Treasurer, pursuant to California Government Code Sections 53656 and 53658. Under the provisions of California Government Code Section 53652, banks are required to secure the deposits of public funds, including certificates of deposits, by: a) pledging government securities with a value of 110% of the principal and accrued interest; b) pledging first trust deed mortgage notes having a value of 150% of the total agency deposit; or c) a letter of credit drawn on the Federal Home Loan Bank at 105% of the total agency deposit. Deposits must be secured at all times with eligible securities pursuant to Section 53651. A copy of the Call Report of Local Agency's Deposits and Securities must be supplied to the Authority and retained to document compliance with the collateral requirements.
  - 13.2. Collateralization of repurchase agreements must be at least 102% of the market value of principal and accrued interest. Collateral must consist of U.S. Treasury obligations or U.S. Agency obligations. Other specific requirements on repurchase agreements must be addressed in a master repurchase agreement between the Authority and the bank or broker/dealer.
  - 13.3. The Treasurer, at his/her discretion, may waive the collateral requirements for deposits up to \$250,000 which are fully insured by the Federal Deposit Insurance Corporation. The right of collateral substitution is granted.
14. **Safekeeping and Custody:** All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party qualified custodian and evidenced by safekeeping receipts. The trust department of the Authority's bank may act as third party custodian, provided that the custodian agreement is separate and apart from the banking agreement.
15. **Diversification:** The Authority shall maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or security type.
- 15.1. *Restrictions on Securities:* At no time shall the Authority's portfolio be invested in a

single security type or in a single financial institution or pool in excess of 15% of the total investment portfolio, with the following exceptions:

- 15.1.1 Treasury securities 100%
  - 15.1.2 Local Agency Investment Fund 75% (*Excludes moneys deposited in LAIF bond funds.*)
  - 15.1.3 Federal Agency securities 75%
  - 15.1.4 Bankers' Acceptances 25%
  - 15.1.5 Negotiable CD's 25%
- 15.2. *Exception for Automatic Overnight Sweep:* There shall be no restriction on the amount that is automatically swept from the Authority's bank into the Highmark Money Market Mutual Fund of U.S. Treasury Obligations *on an overnight basis*, in order to accommodate immediate investment of large inflows of property taxes or other receipts, pending diversified investment into other securities by the Treasurer.
- 15.3. *Maturity Diversification:* Every effort will be made to match investment maturities to cash flow needs. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing the market risk. Maximum maturities shall be as follows:
- 15.3.1 At least 50% of the portfolio is limited to a period of one year or less.
  - 15.3.2 Unless matched to a specific requirement and approved by the Executive Committee and the Board of Directors, no portion of the portfolio may exceed five years.

## 16. **Internal Control:**

- 16.1. Internal policies and procedures shall be developed to assure that appropriate controls are in place to document and confirm all transactions. A separate *Investment Procedures Manual* shall be established to assist Treasury staff with daily operations and shall be reviewed at least annually by the Treasurer.
- 16.2. An independent analysis by an external auditor shall be conducted annually to review internal control, account activity and compliance with policies and procedures.
- 16.3. To provide further protection of the Authority funds, written instructions require the Authority's bank to obtain verification of all wire transfers from two of the three following officers:
  - 16.3.1 Treasurer.

16.3.2 Assistant Chief, Business Services.

16.3.3 Deputy Fire Chief.

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

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

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

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

18. **Reporting:**

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

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

18.1.2 Issuer.

18.1.3 Purchase date.

- 18.1.4 Date of maturity.
  - 18.1.5 Amount of deposit.
  - 18.1.6 Face value of the securities.
  - 18.1.7 Current market value of securities.
  - 18.1.8 Portfolio yield and comparison to benchmark.
  - 18.1.9 Interest earnings.
  - 18.1.10 Percentage of portfolio maturing within one year, 1-3 years, 3-5 years and over 5 years.
  - 18.1.11 Statement relating the report to the Investment Policy.
  - 18.1.12 Statement on availability of funds to meet its obligations for the next 30 days and the next 6 months.
  - 18.1.13 Description of funds, investments, or programs managed by contracted parties.
  - 18.1.14 Statement of compliance of the portfolio with the investment policy or manner in which the portfolio is out of compliance.
  - 18.1.15 GASB 31 effects on financial statements.
  - 18.1.16 Comments on the fixed income markets and economic conditions.
  - 18.1.17 Potential changes in future portfolio structure (if any), including risk factors.
  - 18.1.18 Any other information required by the Board.
- 18.2. *Annual Reports:* The Treasurer shall submit an annual report to the Budget and Finance Committee and the Executive Committee, following the close of the fiscal year which shall certify that the Treasurer has complied with the Authority's investment procedures and detail the following:
- 18.2.1 Analysis of the composition of the investment fund.
  - 18.2.2 Discussion of investment risk in the portfolio.
  - 18.2.3 GASB 31 impacts.
  - 18.2.4 A review of trends regarding the size of the investment fund.

18.2.5 Portfolio performance and comparison to benchmark.

18.2.6 Investment income.

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

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



## Glossary

**Active Deposits.** Funds which are immediately required for disbursement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Inactive deposits.** Funds not immediately needed for disbursement.

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

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

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

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

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

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

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

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

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

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

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

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

**Negotiable.** Salable.

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

**Passive investment management.** An investment strategy where securities are bought with the

intention of holding them to maturity or investments in benchmark products designed to yield a market rate of return.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Treasury Bills.** Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. 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 and issued in denominations ranging from \$1,000 to \$1 million or more.

**Treasury Bonds.** Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000.

**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.

**DISCUSSION CALENDAR - AGENDA ITEM NO. 5**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**November 5, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Audited Financial Reports for the Fiscal Year Ended June 30, 2014**

Summary:

This 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, 2014, in compliance with the provisions of Section 6505 of the California Government Code and the Amended Joint Powers Agreement.

Recommended Actions:

1. 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*.
2. Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 20, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors receive and approve the reports.

Background:

***Annual Financial Audit***

Lance, Soll & Lunghard, LLP, Certified Public Accountants, performed the OCFA's annual financial audit for Fiscal Year 2013/14. Their work included (1) an audit of OCFA's Financial Statements in accordance with generally accepted auditing standards (GAAS); (2) a review of OCFA's internal control to determine the depth of planned audit procedures; and (3) a Single Audit, which is required for agencies expending federal funds in excess of \$500,000 during the fiscal year. While conducting the audit, the auditors provided positive compliments on the proficiency of and support from OCFA's staff, as well as the completeness of the audit documents prepared by staff before their arrival.

***Audited Financial Reports***

Single Audit Report

The Single Audit Report (Attachment 1) included a review of federal funds expended by OCFA during the fiscal year, which totaled \$1,820,104. The major programs selected by the auditors for more in-depth review and testing were the National Urban Search & Rescue (US&R) Response System and the Assistance to Firefighters Grant.

The Single Audit 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 for Fiscal Year 2013/14. However, the Single Audit Report did identify one material weakness in OCFA's overall internal control over financial reporting. The material weakness was required because OCFA management identified and recorded a prior period adjustment to reduce beginning net position of its governmental

activities by the amount of \$804,881. This correction primarily related to a system conversion error that occurred over ten years ago, subsequently affecting the calculation of annual depreciation expense for some assets. The correction had no impact on OCFA's governmental funds. The material weakness, along with management's response and corrective actions taken, is summarized in the Single Audit Report (Attachment 1, Page 9), and is also identified in a stand-alone Report on Internal Control (Attachment 2).

#### Financial Statements

The auditors have provided an unmodified or "clean" opinion on OCFA's Financial Statements for the year ended June 30, 2014, stating that OCFA's Financial Statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles (GAAP) (Attachment 3, Page 1). In addition, the audit opinion includes a reference to the material weakness in internal control over financial reporting that is identified in the Single Audit Report.

#### Comprehensive Annual Financial Report

Staff has prepared the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014 (Attachment 4). The CAFR will be published electronically on OCFA's website and sent to each OCFA member agency. The Financial Statements and other financial reports will be filed with the County Auditor-Controller as required by Government Code, the State Controller's Office and the Federal Audit Clearinghouse, as applicable. Copies for public review are available at the office of the Clerk of the Authority.

#### ***Auditors' Communications with Those Charged with Governance***

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

#### ***GASB 54 Assigned Fund Balance***

On April 28, 2011, the Board of Directors adopted an *Assigned Fund Balance Policy* (Attachment 6) in conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The policy 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 *Assigned Fund Balance Policy*. OCFA's fund balance as of June 30, 2014, 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 2013/14, OCFA implemented GASB Statement No. 67 *Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 25*, which establishes standards for state and local government pension plans that are administrated through trusts or equivalent arrangements. As a result, significant changes were required for reporting OCFA's Extra Help Retirement Plan for part-time employees. For the first time, OCFA was required to conduct an actuarial valuation to



estimate the plan's total and net pension liabilities for inclusion in the Required Supplementary Information section of the Financial Statements.

***Upcoming Changes in Financial Statement Reporting***

In Fiscal Year 2014/15, OCFA will be required to implement GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, for OCFA's full-time employee pension plan with the Orange County Employees Retirement System (OCERS). This new standard makes significant changes to pension accounting and financial reporting. The standard is unique in that it must be implemented through a collaborative effort between multiple parties, including OCERS; OCFA and the other participating plan sponsors; Segal Consulting (OCERS' actuary); Macias, Gini & O'Connell, LLP (OCERS' external auditor); and Lance, Soll & Lunghard, LLP (OCFA's external auditor). OCERS has already hosted preliminary plan sponsor meetings to discuss the details and timeline of the implementation plan.

Impact on Cities/County:

Not Applicable

Fiscal Impact:

Not Applicable

Independent Auditor Contact for Further Information:

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(714) 573-6303

Attachments:

1. Single Audit Report for the year ended June 30, 2014
2. Report on Internal Control for the year ended June 30, 2014
3. Audited Financial Statements for the year ended June 30, 2014
4. Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2014
5. Audit Communication Letter for the year ended June 30, 2014
6. Assigned Fund Balance Policy
7. Assigned Fund Balance Calculations as of June 30, 2014 for:
  - A. Capital Improvement Program
  - B. Workers Compensation

**ORANGE COUNTY FIRE AUTHORITY**  
**Irvine, California**

**SINGLE AUDIT REPORT ON FEDERAL AWARDS**

**JUNE 30, 2014**

**ORANGE COUNTY FIRE AUTHORITY**

Single Audit Report on Federal Awards

Year Ended June 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise OCFA's basic financial statements, and have issued our report thereon dated October 13, 2014.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness 2014-001.

**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



To the Board of Directors  
Orange County Fire Authority

those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Management's Response to Finding**

OCFA's response to the finding identified in our audit 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.

A handwritten signature in black ink that reads "Lance, Soll &amp; Lingham, LLP". The signature is written in a cursive, flowing style.

Brea, California  
October 13, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE 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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of OCFA's major federal programs for the year ended June 30, 2014. 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 law, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express opinions 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States, and *OMB 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 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 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, 2014.



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 controls over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered OCFA's internal controls 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 controls 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 communication is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB 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 OCFA, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise OCFA basic financial statements. We issued our report thereon dated October 13, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Lance, Soll & Luyhard, LLP*

Brea, California  
October 13, 2014



ORANGE COUNTY FIRE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Program / Project Identification Number	Expenditures
<b><u>U.S. Department of Agriculture:</u></b>			
Passed through the California Fire Safe Council: Cooperative Forestry Assistance (CFA): 2013 CFA - Peters Canyon Fuel Reduction/Education	10.664	13SFA0017	\$ 71,695
<b>Total U.S. Department of Agriculture</b>			<b><u>71,695</u></b>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
Passed through the City of Santa Ana: Housing and Urban Development CDBG (HUD): CDBG - Public Facilities Improvement	14.218	A-2013-173	17,220
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>17,220</u></b>
<b><u>U.S. Department of Homeland Security:</u></b>			
Direct assistance via Federal Emergency Management Agency: National Urban Search and Rescue (US&R) Response System*: 2012 Cooperative Agreement	97.025	EMW-2012-CA-K00007	301,519
2013 Cooperative Agreement	97.025	EMW-2013-CA-K00001	777,071
Subtotal			<u>1,078,590</u>
Assistance to Firefighters Grant*: 2012 - Thermal Imaging Cameras	97.044	EMW-2012-FO-06003	137,920
Subtotal			<u>137,920</u>
Passed through the City of Santa Ana: Urban Areas Security Initiative (UASI): 2011 UASI - Regional and TLO Training	97.067	DHS 2011-SS-0077	73,616
2013 UASI - Regional Training	97.067	DHS 2013-SS-00110	239
Passed through the City of Anaheim: Urban Areas Security Initiative (UASI): 2012 UASI - Regional Training	97.067	DHS 2012-SS-00123	19,985
Passed through the Orange County Sheriff's Department: Homeland Security Grant (HSG) Program: 2011 HSG - OCIAC Fire Captain and AHIMT Conference	97.067	DHS 2011-SS-0077	76,729
2012 HSG - OCIAC Fire Captain	97.067	DHS 2012-SS-00123	66,774
2011 HSG - Metropolitan Medical Response System (MMRS)	97.067	DHS 2011-SS-0077	277,336
Subtotal			<u>514,679</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>1,731,189</u></b>
<b>Total Federal Expenditures</b>			<b><u>\$ 1,820,104</u></b>

\* Major Program

Note a: Refer to Note 1 to the Schedule of Expenditures of Federal Awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to sub-recipients during the year was \$0.

**ORANGE COUNTY FIRE AUTHORITY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**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 (OCFA), 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 OCFA 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 OCFA 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, 2014**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified?                     yes                     no
- Material weaknesses identified?                     yes                     none reported

Noncompliance material to financial statements noted?                     yes                     no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified?                     yes                     no
- Material weaknesses identified?                     yes                     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                     no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.025 97.044	National Urban Search and Rescue Response System Assistance to Firefighters Grant

Dollar threshold used to distinguish between type A and type B program                    \$300,000

Auditee qualified as low-risk auditee?                     yes                     no

## ORANGE COUNTY FIRE AUTHORITY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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#### SECTION II - FINANCIAL STATEMENT FINDING

##### 2014-001 – Net Position Restatement

###### *Material Weakness*

###### Condition and Criteria

Certain adjustments were made by OCFA 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 OCFA 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 OCFA. 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 OCFA, there is a need to perform a high level analytical review of depreciation expense in comparison to OCFA capitalization policy. Such review will identify any irregularities relating to depreciation expense, which then can be investigated by OCFA in a timely manner.

###### Views of Responsible Officials

Land contributed to OCFA 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 OCFA 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. OCFA 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 OCFA'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 OCFA's Fiscal Year 2013/14 financial statements as a prior period adjustment. OCFA staff will consult with legal counsel prior to the year-end close for any future contributions of real property.
- During Fiscal Year 2013/14, OCFA 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.

**ORANGE COUNTY FIRE AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SECTION II - FINANCIAL STATEMENT FINDING (cont.)**

**2014-001 – Net Position Restatement (cont.)**

Estimated Completion Date

The correction actions have already been completed.

Contact Person

Jim Ruane, Finance Manager/Auditor

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**ORANGE COUNTY FIRE AUTHORITY**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**Prior Year Internal Control over Financial Reporting Finding**

**2013-01: Fund Balance Restatement:**

As a result of our audit procedures, we noted an item requiring a fund balance restatement in the General Fund related to hazardous materials verification fees. During fiscal year ended June 30, 2013, Orange County Fire Authority completed an internal review of its inspection records from all seventy-one (71) fire stations and the Fire Prevention Department for fiscal years June 30, 2006 through 2012. Upon completion of that review, it was determined that Orange County Fire Authority's inspection records (via paper or electronic) could not verify that the performance of such inspections were conducted for certain businesses that were billed a hazardous material verification fee.

In June 2013, Orange County Fire Authority's Board of Directors authorized refunds to those businesses, underlining the accounting position that revenues from hazardous material verification fees were unearned and overstated in the prior before-mentioned fiscal years. As a result, Orange County Fire Authority restated its beginning fund balances and net position to establish an accrued liability for \$1,751,044, which is the total estimated amount of potential refunds due to hazardous materials service businesses and authorized for refund by the Board of Directors.

**Management's Response:**

We concur with this finding, and a fund balance restatement in the amount of \$1,751,044 has been recorded in OCFA's General Fund and Governmental Activities for Fiscal Year 2012/13. The following corrective actions have been taken:

- Prior to Fiscal Year 2012/13, the hazardous materials verification fees were billed to customers by the Orange County Health Care Agency (HCA), on behalf of OCFA, at the beginning of each fiscal year before the inspections were completed. Beginning in Fiscal Year 2012/13, those fees were billed in arrears and were based on actual inspections completed by OCFA personnel during the year.
- In February 2013, OCFA's Board of Directors approved the transition of the California Accidental Release Plans (CalARP) program and the Hazardous Materials Disclosure (HMD) program to the HCA, effective July 1, 2013. OCFA will continue to provide first responders with hazardous materials information from its ongoing inspection program and will continue to have access to information collected by HCA; however, OCFA will no longer recognize revenues associated with these discontinued programs beginning in Fiscal Year 2013/14.
- OCFA contracts with Lance, Soll & Lunghard, LLP, (LSL) a firm of certified public accountants, to conduct periodic reviews of its processes and internal controls. In March 2013, OCFA's Budget and Finance Committee approved a review of the billing and revenue recognition for all Fire Prevention fees. That report was finalized in July 2013, and included recommendations to implement various changes to OCFA's workflows and business practices. In August 2013, OCFA hired a Finance Manager to help implement the proposed recommended actions in the Fire Prevention Department.

**Status:** OCFA has properly corrected this issue.

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, 2014, and the related notes to the financial statements, which collectively comprise OCFA's basic financial statements, and have issued our report thereon dated October 13, 2014.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency to be a material weakness:

Net Position Restatement

Certain adjustments were made by OCFA to correctly restate the beginning balances for capital assets relating to land and accumulated depreciation. Depreciation expense was not properly calculated over a period of time. In addition, land owned by OCFA was not reflected on the government-wide statements. The net effect of these restatements was \$804,881 and was detected by management of the OCFA. This adjustment only effects the government-wide financial statements because they are reported under the full accrual basis.



To the Board of Directors  
Orange County Fire Authority

### **Management's Response**

Land contributed to OCFA 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 OCFA 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. OCFA 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 OCFA'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.

During Fiscal Year 2013/14, OCFA 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether OCFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Management's Response to Finding**

OCFA's response to the finding identified in our audit 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.

Brea, California  
October 13, 2014



**ORANGE COUNTY FIRE AUTHORITY**

**Financial Statements**

**Fiscal Year Ended June 30, 2014**

**ORANGE COUNTY FIRE AUTHORITY**  
**Financial Statements**  
**Year ended June 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Orange County Fire Authority (the OCFA) as of and for the year ended June 30, 2014, 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.

### 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 OCFA, as of June 30, 2014, and, the respective changes in financial position and, where applicable, cash flows thereof 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 2014 OCFA adopted new accounting guidance, GASB Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

### Correction of an error

As discussed in Note 7 to the financial statements, in 2014 OCFA recorded a prior period adjustment in the government-wide statements to correct an error related to capital assets. Our opinion is not modified with respect to this matter.



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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required funding information on the Extra-Help Pension and Defined Benefit Retiree Medical Plans as listed in the table of contents 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 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, 2013, 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 OCFA's basic financial statements. The combining and budget comparison schedules are presented for purposes of additional analysis and are not a required part of the 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and 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 13, 2014 on our consideration of 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 OCFA's internal control over financial reporting and compliance.

Brea, California  
October 13, 2014

**ORANGE COUNTY FIRE AUTHORITY**

**Management’s Discussion and Analysis**

**Year ended June 30, 2014**

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, 2014.

**Financial Highlights**

- **Governmental Activities:** The assets of the OCFA exceeded its liabilities by \$243,754,615 at the end of the current fiscal year. Net position consisted of net investment in capital assets in the amount of \$180,917,654 (74.3%); restricted for capital projects and other purposes in the amount of \$1,076,322 (0.4%); and unrestricted net position in the amount of \$61,760,639 (25.3%). The result of current fiscal year operations caused total net position to decrease by \$13,005,208 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 \$181,173,511, an increase of \$4,365,777 from the prior fiscal year. Of the total ending fund balance, \$22,890,660 (12.6%) was available for funding future operational needs (unassigned fund balance).
- **General Fund:** At the end of the current fiscal year, total fund balance for the General Fund was \$115,504,289, which included the following amounts:

❖ Prepaid costs in a nonspendable form	\$ 30,560,638
❖ Restricted for federal grants, donations, and other restricted revenue programs	32,282
❖ Committed to service enhancement projects in over-funded structural fire fund cities	784,617
❖ Assigned to future obligations for self-insured workers’ compensation claims	60,921,529
❖ Assigned to various unperformed contracts for goods or services	314,563
❖ Unassigned and available for future spending:	
Set aside for future economic uncertainties	<u>22,890,660</u>
Fund balance of the General Fund as of June 30, 2014	<u>\$115,504,289</u>

**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 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 the OCFA’s finances, in a manner similar to a private-sector business. All public safety activities of the OCFA 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 25-26 of this report.

**Statement of Net Position:** The statement of net position presents information on all of the OCFA’s assets and liabilities, with the difference between the two 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 (e.g., uncollected taxes and earned but unused vacation leave).

**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. The OCFA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the OCFA 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.

The OCFA maintains five individual governmental funds. Information is presented separately in the fund financial statements for all five governmental funds, since the 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 28-36 of this report.

**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 37-38 of this report.

**Notes to the Financial Statements and Required Supplementary Information (RSI):** The notes and RSI provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-80 of this report, while RSI can be found on pages 82-85.

**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 88-97 of this report.

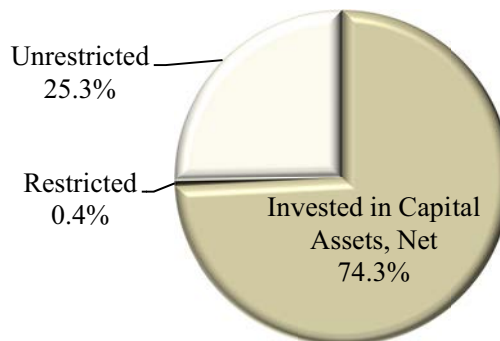
## Government-wide Financial Analysis

**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, assets exceeded liabilities by \$243,754,615 at the end of the most recent fiscal year, a 5.4% decrease from the prior fiscal year. Following is a summary of the OCFA's net position as of June 30, 2014 and 2013:

### ORANGE COUNTY FIRE AUTHORITY's Net Position

Governmental Activities	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	%
<b>Assets:</b>				
Current and other assets	\$ 205,053,294	\$ 199,310,209	\$ 5,743,085	2.9%
Capital assets	191,641,343	194,306,205	(2,664,862)	-1.4%
Total assets	<u>396,694,637</u>	<u>393,616,414</u>	<u>3,078,223</u>	0.8%
<b>Liabilities:</b>				
Long-term liabilities	131,771,369	116,564,191	15,207,178	13.0%
Other liabilities	21,168,653	19,487,519	1,681,134	8.6%
Total liabilities	<u>152,940,022</u>	<u>136,051,710</u>	<u>16,888,312</u>	12.4%
<b>Net position:</b>				
Net investment in capital assets	180,917,654	181,363,364	(445,710)	-0.2%
<b>Restricted for:</b>				
Capital projects	1,044,040	1,553,182	(509,142)	-32.8%
Other purposes	32,282	137,676	(105,394)	-76.6%
Unrestricted	<u>61,760,639</u>	<u>74,510,482</u>	<u>(12,749,843)</u>	-17.1%
Total net position	<u>\$ 243,754,615</u>	<u>\$ 257,564,704</u>	<u>\$ (13,810,089)</u>	-5.4%

### Net Position of Governmental Activities at June 30, 2014



- At the end of the current and prior fiscal years, the OCFA reported positive balances in all three categories of governmental activities net position:
  - At June 30, 2014, the largest portion of OCFA's net position (74.3%) reflects its investment in capital assets, less related outstanding debt used to acquire those assets. The 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.

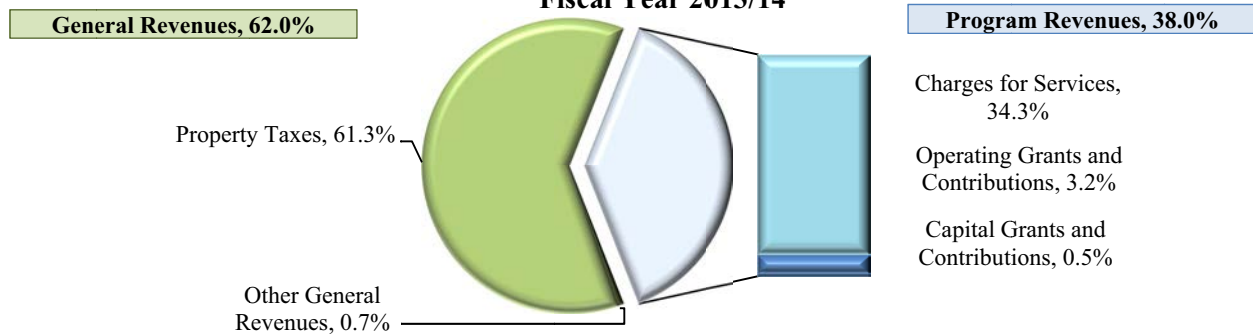
- An additional portion of OCFA's net position (0.4%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets relate to developer contributions and CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations, as well as donations received for specific programs and unperformed purchase orders and contracts for grant-funded programs.
- The remaining balance of net position is considered unrestricted (25.3%) and may be used to meet the OCFA's ongoing obligations to citizens and creditors.

**Changes in Net Position:** Governmental activities decreased the OCFA's net position by \$13,810,089 during the most recent fiscal year, an indication that the OCFA's financial position has deteriorated. 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 2013/14 and Fiscal Year 2012/13:

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

Governmental Activities	FY 2013/14	FY 2012/13	Increase (Decrease)	
			Amount	%
Program revenues:				
Charges for services	\$ 106,874,513	\$ 102,875,410	\$ 3,999,103	3.9%
Operating grants and contributions	10,339,966	19,523,853	(9,183,887)	-47.0%
Capital grants and contributions	1,462,540	2,811,180	(1,348,640)	-48.0%
General revenues:				
Property taxes	190,873,689	181,720,253	9,153,436	5.0%
Investment income	823,010	(136,493)	959,503	703.0%
Gain on sale of capital assets	21,834	11,924	9,910	83.1%
Miscellaneous	1,200,195	4,329,603	(3,129,408)	-72.3%
Total revenues	<u>311,595,747</u>	<u>311,135,730</u>	<u>460,017</u>	0.1%
Public safety expenses:				
Salaries and benefits	266,764,367	264,067,489	2,696,878	1.0%
Services and supplies	47,912,808	45,879,501	2,033,307	4.4%
Depreciation and amortization	9,612,453	9,793,491	(181,038)	-1.8%
Interest on long-term debt	311,327	367,701	(56,374)	-15.3%
Total expenses	<u>324,600,955</u>	<u>320,108,182</u>	<u>4,492,773</u>	1.4%
Change in net assets	(13,005,208)	(8,972,452)	(4,032,756)	-44.9%
Net position, beginning of year	257,564,704	268,288,200	(10,723,496)	
Prior period adjustment	(804,881)	(1,751,044)	946,163	
Net position, end of year	<u>\$ 243,754,615</u>	<u>\$ 257,564,704</u>	<u>\$ (13,810,089)</u>	-5.4%

**Revenues of Governmental Activities - by Source**  
**Fiscal Year 2013/14**



- Program revenues, which totaled \$118,677,019 for Fiscal Year 2013/14 and accounted for 38.0% of total revenues, decreased by \$6,533,424 (5.2%) 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 \$3,999,103 (3.9%) over the prior fiscal year.

Amount	Reason for Increase / Decrease
+\$2,565,000	Fee-based fire prevention revenues increased by over \$2.5 million, primarily due to planning and development fees for increased development and fire sprinkler permit activity, as well as inspection fees for assembly permits. A significant number of inspections scheduled for Fiscal Year 2012/13 were delayed pending the completion of the Hazardous Materials Disclosure inspection verification project, resulting in an increase in inspection activity during the current fiscal year.
+\$1,905,000	Fire service contracts increased by just over \$1.9 million. Charges to cash contract cities increased by \$1.33 million per terms of the Joint Powers Agreement. OCFA's contract with California Department of Forestry (CALFIRE) for the protection of State Responsibility Area (SRA) lands also increased by \$970,000, primarily due to one-time drought funding received during Fiscal Year 2013/14. These increases were offset by a \$395,000 decrease in the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport, per terms of an amended contract that went into effect in December 2012.
+\$805,000	Reimbursements for state and federal incidents increased by \$805,000. State assistance by hire services performed for CALFIRE and the California Emergency Management Agency (CAL EMA) increased by \$675,000. Reimbursements for state incidents were higher in the current fiscal year, primarily due to major Fiscal Year 2013/14 incidents such as the Mountain and Silver Fires in September 2013, and the Rim Fire in October 2013. Federal assistance by hire services performed for Cleveland National Forest increased by \$130,000, primarily due to the Falls Fire in October 2013.
-\$635,000	The Hazardous Materials Disclosure and CalARP programs were both returned to the County of Orange Health Care Agency effective July 2013, resulting in a \$635,000 decrease in Fiscal Year 2013/14 revenues.
-\$460,000	Revenues for ambulance transport and supplies reimbursement decreased by \$460,000.
-\$180,000	Road maintenance, fuel reduction, and other contract revenues generated by the hand crew decreased by \$180,000, primarily due to a decrease in the amount of work performed for Southern California Edison.
<b>+\$4,000,000</b>	<b>Charges for services – net increase</b>

- Operating grants and contributions include grants, contributions, donations and similar items that are restricted to one or more specific program. These revenues decreased by \$9,183,887 (47.0%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
-\$9,300,000	Tax increment passed through from member cities increased by \$1.2 million and one-time tax increment passed through from the County of Orange decreased by \$10.5 million. In Fiscal Year 2011/12, the State of California dissolved its 60-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.
+\$100,000	Federal operating grants increased by \$100,000, primarily due to an increase in reimbursements passed through the Orange County Sherriff's Department for medical supplies funded by a Metropolitan Medical Response System (MMRS) grant.
<b>-\$9,200,000</b>	<b>Operating grants and contributions – net decrease</b>

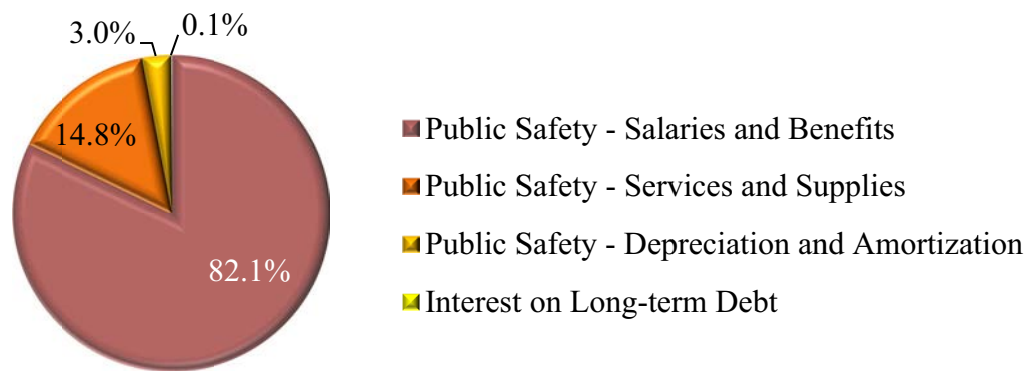
- Capital grants and contributions include grants, contributions, donations and similar items that are restricted to one or more specific capital-related programs. These revenues decreased by \$1,348,640 (48.0%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
-\$2,110,000	Revenues from federal capital grants decreased by \$2,110,000. In Fiscal Year 2012/13, OCFA received \$1.39 million from the Assistance to Firefighters grant program for the purchase of 447 self-contained breathing apparatus; \$810,000 from the Homeland Security grant program for the purchase of two command trailers and tow vehicles; and \$70,000 from the Urban Search and Rescue program for the purchase of one pickup truck. Capital grants were lower in Fiscal Year 2013/14, with \$140,000 from the Assistance to Firefighters grant program for the purchase of 22 thermal imaging cameras, and \$20,000 of Community Development Block Grant funds passed through the City of Santa to commence improvements at six city fire stations.
+\$725,000	Revenues from developer contributions increased by \$725,000, per the terms of Secured Fire Protection Agreements with developers. In Fiscal Year 2012/13, OCFA received \$450,000 from Heritage Fields El Toro LLC for development at the Great Park in the City of Irvine. In 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 (\$825,000); Pacific Los Alisos in the City of Mission Viejo (\$200,000); and Cal I Crown Valley in the City of Laguna Niguel (\$150,000).
+\$35,000	Capital assets contributed to the OCFA increased by \$35,000 due to the acquisition of three Zoll monitors that were traded in under warranty during Fiscal Year 2013/14. There were no contributed capital assets received in Fiscal Year 2011/12.
<b>-\$1,350,000</b>	<b>Capital grants and contributions – net decrease</b>

- General revenues, which totaled \$192,918,728 for Fiscal Year 2013/14 and accounted for 62.0% of total revenues, increased by \$6,993,441 (3.8%) over the prior fiscal year. Following is a description of each general revenue type and an explanation of what contributed to the net increase or decrease from the prior fiscal year.

Amount	Reason for Increase / Decrease																
+\$9,150,000	The largest general revenue, property taxes, increased by \$9,153,436 (5.0%) over the prior fiscal year, primarily due to increases in secured and supplemental property taxes.																
+\$950,000	Investment income increased by \$959,503 (703.0%). A relatively static rate of return on the investment portfolio attributed to approximately \$8,000 of the increase. The OCFA's year-to-date effective rate of return as of June 30, 2014 was 0.30%, as compared to 0.31% as of June 30, 2013. 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 2013/14, and attributed to approximately \$951,000 of the increase in total investment income as compared to the prior fiscal year. 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. The components of investment income are summarized below: <table border="1" data-bbox="391 758 1511 898"> <thead> <tr> <th></th> <th>FY 2013/14</th> <th>FY 2012/13</th> <th>Increase (Decrease)</th> </tr> </thead> <tbody> <tr> <td>Portfolio earnings</td> <td>\$436,477</td> <td>\$ 428,067</td> <td>\$ 8,410</td> </tr> <tr> <td>Market value gain (loss)</td> <td>386,533</td> <td>(564,560)</td> <td>951,093</td> </tr> <tr> <td><b>Total fiscal year revenue</b></td> <td><b>\$823,010</b></td> <td><b>\$(136,493)</b></td> <td><b>\$959,503</b></td> </tr> </tbody> </table>		FY 2013/14	FY 2012/13	Increase (Decrease)	Portfolio earnings	\$436,477	\$ 428,067	\$ 8,410	Market value gain (loss)	386,533	(564,560)	951,093	<b>Total fiscal year revenue</b>	<b>\$823,010</b>	<b>\$(136,493)</b>	<b>\$959,503</b>
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<b>Total fiscal year revenue</b>	<b>\$823,010</b>	<b>\$(136,493)</b>	<b>\$959,503</b>														
-\$3,100,000	Miscellaneous revenues decreased by \$3,129,408 (72.3%), primarily relating to amounts received in Fiscal Year 2012/13 from the Orange County Professional Firefighters Association IAFF Local 3631 in connection with the contract governing OCFA's contributions to the firefighter medical trust.																
<b>+\$7,000,000</b>	<b>General revenues – net increase</b>																

**Expenses of Governmental Activities - by Type  
Fiscal Year 2013/14**



- Total expenses increased by \$4,492,773 (1.4%) 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 \$2,696,878 (1.0%) over the prior fiscal year.

Amount	Reason for Increase / Decrease
+\$1,850,000	The reasons for increases and decreases to the following categories of salaries and benefits are further explained in the <i>Major Governmental Funds – General Fund</i> portion of this Management’s Discussion and Analysis: <ul style="list-style-type: none"> <li>➤ Regular pay: -\$2,000,000</li> <li>➤ Retirement: +\$1,800,000</li> <li>➤ Overtime: +\$800,000</li> <li>➤ Employee group health insurance and other benefits: +\$1,050,000</li> <li>➤ Other pay: +\$350,000</li> <li>➤ Sick leave payouts: -\$150,000</li> </ul>
+\$850,000	Other post-employment benefit (OPEB) cost for the defined benefit Retiree Medical Plan increased by \$850,000. 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.
<b>+\$2,700,000</b>	<b>Salaries and benefits – net increase</b>

- Services and supplies increased by \$2,033,307 (4.4%) over the prior fiscal year.

Amount	Reason for Increase / Decrease																
-\$6,100,000	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 by \$6.1 million as follows: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th>FY 2013/14</th> <th>FY 2012/13</th> <th>Increase (Decrease)</th> </tr> </thead> <tbody> <tr> <td>Actual claims paid</td> <td>\$ 5,450,000</td> <td>\$ 6,000,000</td> <td>\$ (550,000)</td> </tr> <tr> <td>Change in actuarial estimate</td> <td>7,750,000</td> <td>13,300,000</td> <td>(5,550,000)</td> </tr> <tr> <td><b>Total fiscal year expense</b></td> <td><b>\$13,200,000</b></td> <td><b>\$19,300,000</b></td> <td><b>\$(6,100,000)</b></td> </tr> </tbody> </table>		FY 2013/14	FY 2012/13	Increase (Decrease)	Actual claims paid	\$ 5,450,000	\$ 6,000,000	\$ (550,000)	Change in actuarial estimate	7,750,000	13,300,000	(5,550,000)	<b>Total fiscal year expense</b>	<b>\$13,200,000</b>	<b>\$19,300,000</b>	<b>\$(6,100,000)</b>
	FY 2013/14	FY 2012/13	Increase (Decrease)														
Actual claims paid	\$ 5,450,000	\$ 6,000,000	\$ (550,000)														
Change in actuarial estimate	7,750,000	13,300,000	(5,550,000)														
<b>Total fiscal year expense</b>	<b>\$13,200,000</b>	<b>\$19,300,000</b>	<b>\$(6,100,000)</b>														
+\$5,975,000	In September 2013, the Board of Directors approved the 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 two semi-annual equity payments totaling \$5,975,000 were due to the City of Irvine during Fiscal Year 2013/14.																
-\$1,740,000	During Fiscal Year 2012/13, OCFA used the proceeds of an Assistance to Firefighters federal grant to partially fund the purchase of 447 self-contained breathing apparatus (SCBA).																
+\$935,000	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 totaling \$935,000 that had been budgeted for use in these programs were instead returned to the County during Fiscal Year 2013/14.																
+\$550,000	Equipment and computer maintenance increased by \$550,000, primarily due to maintenance on OCFA’s fleet of vehicles. 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. In addition, overall vehicle maintenance increased as more heavy-vehicle repair work was contracted to vendors while staff positions were frozen or temporarily vacant.																

*(Continued on next page)*

Amount	Reason for Increase / Decrease
<i>(Continued)</i>	
+\$450,000	Professional services for legal counsel increased by \$450,000 in Fiscal Year 2013/14, primarily due to the validation of an amendment to the Joint Powers Agreement and several other ongoing legal matters.
+\$390,000	OCFA's 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. During Fiscal Year 2013/14, there was an increase in the number and magnitude of reimbursable projects, including the purchase of a bi-directional amplifier and the installation of a sprinkler system at the Theo Lacy Facility jail complex, which were reimbursed to the City of Irvine and the County of Orange, respectively.
+\$350,000	Medical, dental and lab supplies increased by \$350,000, primarily due to the purchase of additional medical supplies funded by the Metropolitan Medical Response System (MMRS) grant during Fiscal Year 2013/14. Other large purchases were made in the current fiscal year for needles, medical equipment supplies, and respirator masks.
+\$325,000	Utilities and communications charges increased by \$325,000, primarily due to rising electricity rates. In addition, as part of the implementation of the new Computer Aided Dispatch (CAD) system, modem accounts for the Automated Vehicle Location (AVL) system were upgraded to include full broadband communication.
+\$300,000	OCFA utilizes contracted professional services to supplement day-to-day support and operations in the Information Technology Division. During Fiscal Year 2013/14, there was an increase in the number of contractors providing service, including two assigned to Geographic Information Systems, one assigned to Communications and Workplace Support, and one assigned to Communications and Information Technology Infrastructure.
+\$200,000	Several new professional services contracts were entered into during Fiscal Year 2013/14, including two crisis management and public relations firms (\$120,000), and a labor negotiations firm to assist with the negotiation of expiring labor contracts (\$80,000). OCFA also engaged the services of Management Partners to conduct an external analysis of the structure and effectiveness of OCFA's management systems, and to provide recommendations on how oversight might be improved (\$100,000). These increases for new contracts were offset by a decrease in ongoing costs for employee physicals (\$100,000).
+\$140,000	The cost of specialty items purchased by the Service Center increased by \$140,000. Large purchases made during Fiscal Year 2013/14 included 175 carbon cylinders and valve assemblies, 50 SCBA's, and fire hose stock. During Fiscal Year 2012/13, the most significant purchases were for 70 valve assemblies, and mass casualty incident supplies funded by the Metropolitan Medical Response System (MMRS) grant.
+\$130,000	Transportation, employee travel, training, and other meeting costs increased by \$130,000. Fuel costs increased due to a rise in fuel card usage, which has a higher per-gallon cost than bulk fuel purchases. Travel, training, and other meeting costs increased due to several significant classes held in Fiscal Year 2013/14, including an Urban Search and Rescue national training event, a new Foxhole leadership training series, and the initial flight training costs for a new helicopter pilot. In addition, Board member stipend costs increased during the current fiscal year because of an increase in the number of special meetings and regularly-scheduled full Board meetings.
<i>(Continued on next page)</i>	

Amount	Reason for Increase / Decrease
<i>(Continued)</i>	
+\$130,000	Expenses increased by \$130,000 in order 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.
-\$130,000	Expenses for the purchase of portable communications and information technology equipment decreased by \$130,000. In Fiscal Year 2012/13, the most significant purchases included 100 Airlink AVL modems, over 50 mobile data computers and monitors, and batteries and other accessories for Motion J3500 tablet computers. In Fiscal Year 2013/14, the most significant purchase was for 250 Airlink AVL modems.
+\$105,000	Various expenses pertaining to the operation and maintenance of OCFA's 71 fire stations increased by \$105,000, primarily due to the purchase of higher quality chairs and office furniture. In addition, expenses were incurred for an above-ground fuel storage maintenance project that was required in order to comply with new regulations set by the California Air Resources Board.
+\$75,000	Clothing and personal supply costs increased by \$75,000. During Fiscal Year 2013/14, OCFA purchased 500 ballistic vests for \$150,000. The increase for this one-time purchase was offset by a decline in purchases of turnouts, helmets, and dress uniforms for Santa Ana firefighters who transitioned to OCFA during April 2012.
+\$75,000	Food costs increased by \$75,000, due primarily to the in-County Baker Fire in October 2013.
-\$75,000	Office expenses decreased by \$75,000 due to a replenishment of the bulk mail machine that occurred in Fiscal Year 2012/13.
-\$75,000	During Fiscal Year 2012/13, OCFA purchased various non-capital equipment items needed to outfit two new command trailers and tow vehicles that were funded with a grant from the Homeland Security grant program.
-\$50,000	New Fire Station No. 17 (Cypress) was placed into service in February 2011, with subsequent parking lot improvements placed into service in October 2011. During Fiscal Year 2012/13, various non-capital costs totaling \$50,000 were incurred after both phases of station construction were completed and operational.
+\$40,000	During Fiscal Year 2013/14, the City of Tustin completed construction of new Fire Station No. 37 (Tustin). OCFA purchased various items totaling \$40,000 in order to outfit the station – such as kitchen items, furniture, and fitness equipment – and was subsequently reimbursed by the city for those costs.
<b>+\$2,000,000</b>	<b>Services and supplies – net increase</b>

- Depreciation and amortization expense, which had no impact on the OCFA's cash balances, decreased by \$181,038 (1.8%), and pertained primarily to depreciation on vehicles. Fiscal Year 2012/13 was the final year of service for two Type 1 engines and two sport utility vehicles that were transitioned to OCFA near the end of their useful lives.
- Interest on long-term debt decreased by \$56,374 (15.3%) from the prior fiscal year. Interest expense on the 2008 helicopter lease purchase agreement decreased as principal was paid down per the debt-to-maturity schedule.

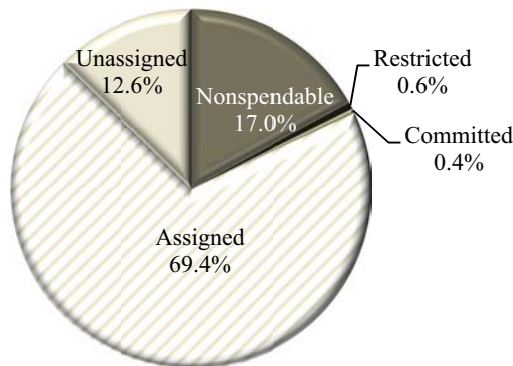
## Financial Analysis of the OCFA's Funds

**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, which is the difference between a fund's assets and liabilities, is divided into the following five categories:

Fund Balance Category	Description
<i>Nonspendable</i>	Not in a spendable form, or legally or contractually required to remain intact
<i>Restricted</i>	Subject to externally enforceable legal restrictions
<i>Committed</i>	Use is constrained by specific limitations that the Board of Directors imposes upon itself
<i>Assigned</i>	Intended to be used by the government for specific purposes, as established by the governing body itself
<i>Unassigned</i>	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 2013/14, OCFA's governmental funds reported combined ending fund balances of \$181,173,511, an increase of \$4,365,777 in comparison with the prior fiscal year. Approximately 12.6% constitutes unassigned fund balance, which is available for spending for any purpose. The remaining 87.4% of fund balance is not available for spending on any new purpose, because it has already been restricted, committed or assigned for specific purposes, or it is in a nonspendable form.

**Fund Balances of Governmental Funds  
As of June 30, 2014**



**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 2013/14, the General Fund's fund balance totaled \$115,504,289.
  - Unassigned fund balance totaling \$22,890,660 (19.8%) is available for future spending. The remaining \$92,613,629 (80.2%) 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.



- Total fund balance of the OCFA’s General Fund increased by \$7,919,145 during the current fiscal year. The prior fiscal year’s fund balance increased by \$23,040,378, a difference of \$15,121,233.

Impact on Fund Balance	Description
+\$9,150,000	Revenue from property taxes increased by \$9,150,000, primarily due to increases in secured and supplemental property taxes.
-\$8,900,000	Intergovernmental revenue decreased by \$8.9 million. The most significant decrease pertained to one-time tax increment passed through from the County of Orange (\$10.5 million), net of increases for ongoing tax increment passed through from member cities (\$850,000). In addition, there was a net decrease in federal grant reimbursements (\$1,040,000) due primarily to a one-time SCBA grant that was received in Fiscal Year 2012/13. These decreases were offset by increases pertaining to the protection of State Responsibility Area (SRA) lands (\$970,000); state and federal assistance by hire revenues due to increased emergency response activity (\$730,000); federal reimbursements for responses to national incidents such as the Washington landslides (\$60,000); and various state reimbursements for training and readiness drills (\$30,000).
+\$1,800,000	Charges for services increased by \$1.8 million, primarily due to planning and development fees for increased development and fire sprinkler permit activity; inspection fees for assembly permits; and operating charges to cash contract cities per terms of the Joint Powers Agreement. Inspection activity increased during the current fiscal year as inspections that had been placed on hold were resumed upon completion of the Hazardous Materials Disclosures inspection verification project. These increases were offset by decreases relating to returning the Hazardous Materials Disclosure and Cal ARP programs to the County of Orange Health Care Agency; ambulance transport and supplies reimbursements; the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport; and reimbursements for road maintenance, fuel reduction, and other contract work generated by the hand crew.
+\$525,000	Use of money and property increased by \$525,000, due primarily to a market value investment gain allocated to the fund.
-\$3,450,000	Miscellaneous revenue decreased by \$3,450,000, primarily due to amounts received in Fiscal Year 2012/13 from the Orange County Professional Firefighters Association IAFF Local 3631 in connection with OCFA’s contract governing contributions to the firefighter medical trust.
-\$1,850,000	Salaries and benefits expenditures increased by \$1,850,000 over the prior fiscal year.
+\$2,000,000	➤ The \$2 million decrease in regular pay was due primarily to the retirement of several long-term personnel, with positions often left temporarily vacant while recruitments were completed.
-\$1,800,000	➤ Retirement costs increased by \$1.8 million. During Fiscal Year 2013/14, OCFA carried forward the higher safety member retirement rates from Fiscal Year 12/13 in order to pay down its unfunded pension liability. A one-time \$3 million employer contribution was also paid toward the unfunded liability. These contributions resulted in a net increase to retirement costs of \$2.1 million, which was offset by a \$300,000 decline in the annual savings achieved by pre-paying a portion of the subsequent fiscal year’s contributions to OCERS.
-\$1,050,000	➤ Employee group health insurance and other benefits increased by just over \$1.0 million, due primarily to increases in firefighter health insurance premiums.

*(Continued on next page)*

Impact on Fund Balance	Description
<i>(Continued)</i>	<ul style="list-style-type: none"> <li data-bbox="435 296 1523 394">-\$800,000 ➤ Overtime costs increased by \$800,000, which included backfill for open/vacant suppression positions, as well as backfill for suppression personnel on workers' compensation or those utilizing leave balances.</li> <li data-bbox="435 411 1523 642">-\$350,000 ➤ Other pay – which includes pay to employees on workers' compensation, educational incentives, paramedic and EMT bonuses, bilingual pay, and other specialty pay – increased by \$350,000. This increase was due primarily to a rise in workers' compensation pay. Although the total number of employees utilizing workers' compensation remained relatively static, there were more long-term claims for large dollar amounts during the current fiscal year.</li> <li data-bbox="435 659 1523 726">+\$150,000 ➤ Sick leave payouts decreased by \$150,000, primarily due to the retirement of several long-term personnel during Fiscal Year 2012/13.</li> </ul>
-\$7,550,000	Services and supplies expenditures increased by \$7,550,000 over the prior fiscal year.
-\$5,975,000	➤ Miscellaneous expenditures increased by \$5,975,000 due to equity payments to the City of Irvine.
-\$550,000	➤ Equipment and computer maintenance increased by \$550,000, primarily due to maintenance the fleet of vehicles and the repair of Engine 61.
-\$400,000	➤ Professional services increased by \$400,000. Significant increases pertained to legal fees; contract support in the Information Technology Division; crisis management and public relations; labor negotiations; and the Management Partners review. These increases were partially offset by decreases in employee physicals and workers' compensation claims paid.
-\$350,000	➤ 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.
-\$325,000	➤ Utilities and communications charges increased by \$325,000, primarily due to rising electricity rates and the upgrade of AVL modem accounts to include full broadband communication.
+\$275,000	➤ Special department expenditures decreased by \$275,000, which was primarily due to the purchase of 447 self-contained breathing apparatus (SCBA), valve assemblies, and mass casualty incident supplies for the Metropolitan Medical Response System (MMRS) in Fiscal Year 2012/13. In Fiscal Year 2013/14, the most significant expenditures included 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 and the County of Orange for resource enhancement projects; and carbon cylinders and valve assemblies, 50 SCBA's, and fire hose stock.
-\$150,000	➤ The cost of transportation, employee travel, training, and other meetings increased by \$150,000, due primarily to a rise in fuel card usage; an Urban Search and Rescue national training event; a new Foxhole leadership training series; the initial flight training costs for a new helicopter pilot; and Board member stipends.

*(Continued on next page)*

Impact on Fund Balance	Description
<i>(Continued)</i>	
-\$75,000	➤ Clothing and personal supply costs increased by \$75,000, primarily due to the purchase of 500 ballistic vests in Fiscal Year 2013/14. The increase for this one-time purchase was offset by a decline in purchases of turnouts, helmets, and dress uniforms for Santa Ana firefighters who transitioned to OCFA during April 2012.
-\$75,000	➤ Food costs increased by \$75,000, due primarily to the in-County Baker Fire in October 2013.
+\$75,000	➤ Office supplies expenditures decreased by \$75,000 due to a replenishment of the bulk mail machine that occurred in Fiscal Year 2012/13.
-\$200,000	Capital outlay increased by \$200,000, primarily due to twenty-two thermal imaging camera, two rapid deployment kits, and one flashover container that were purchased in Fiscal Year 2013/14. The most significant purchases in Fiscal Year 2012/13 were a pickup truck and ten portable radios for use in the Urban Search and Rescue program.
-\$5,000,000	Transfers out to other funds for the capital improvement program increased by \$5 million.
+\$25,000	Proceeds from the sale of capital and other assets increased by \$25,000, primarily due to the sale of sixteen assets in Fiscal Year 2013/14, as compared to three sold in Fiscal Year 2012/13.
+\$300,000	Insurance recoveries increased by \$300,000, primarily due to amounts recovered for a kitchen fire at Fire Station No. 62 (Buena Park) and a vehicle accident involving Engine 61.
<b>-\$15,150,000</b>	<b>General Fund – net impact on fund balance</b>

- The *Facilities Maintenance & Improvements Fund* had total fund balance of \$2,710,702 at the end of Fiscal Year 2013/14.
  - Fund balance pertaining to prepaid items (\$413) was classified as nonspendable. Remaining fund balance was assigned to the capital improvement program (\$2,680,975) and facilities projects (\$29,314).
  - Total fund balance increased by \$126,018 during the current fiscal year. The prior fiscal year's fund balance decreased by \$695,037, a difference of \$821,055.

Impact on Fund Balance	Description
-\$40,000	Charges for services decreased by \$40,000 in accordance with the terms of the Joint Powers Agreement.
-\$260,000	Services and supplies expenditures, net of miscellaneous revenue, increased by \$260,000, primarily due to the repair or replacement of items damaged during an accidental kitchen fire at Fire Station No. 62 (Buena Park). Other significant costs in the current fiscal year included recliners, chairs, and other office furniture; an above-ground fuel storage maintenance project; and various household items necessary to outfit new Fire Station No. 37 (Tustin). The fire station outfitting costs were reimbursed by the city and reported as miscellaneous revenue.
+\$1,100,000	Transfers in from the General Fund increased by \$1,100,000.
<b>+\$800,000</b>	<b>Facilities Maintenance &amp; Improvements Fund – net impact on fund balance</b>

- The *Communications & Information Systems Fund* had total fund balance of \$18,051,752 at the end of Fiscal Year 2013/14.
  - Fund balance pertaining to prepaid items (\$142,890) was classified as nonspendable. Remaining fund balance was assigned to the capital improvement program (\$16,298,844) and communications and information technologies projects (\$1,610,018).
  - Total fund balance decreased by \$1,027,374 during the current fiscal year. The prior fiscal year's fund balance decreased by \$3,128,061, a difference of \$2,100,687.

Impact on Fund Balance	Description
+\$100,000	Use of money and property increased by \$100,000, due primarily to a market value investment gain allocated to the fund.
+\$150,000	Services and supplies expenditures decreased by \$150,000, primarily due to purchases of portable communications and information technology equipment. Significant Fiscal Year 2012/13 purchases included 100 Airlink AVL modems, over 50 mobile data computers and monitors, and batteries and other accessories for Motion J3500 tablet computers. In Fiscal Year 2013/14, the most significant purchase was for 250 Airlink AVL modems. In addition, there was a decrease in employee travel costs pertaining to research for the Public Safety Systems project.
-\$250,000	Capital outlay expenditures increased by \$250,000. Increases for the fire station alerting system project, which commenced development in Fiscal Year 2013/14, were offset by decreases for the wireless network project that was completed and placed into service in January 2014.
+\$2,100,000	Transfers in from the General Fund increased by \$2,100,000.
<b>+\$2,100,000</b>	<b>Communications &amp; Information Systems Fund – net impact on fund balance</b>

- The *Vehicle Replacement Fund* had total fund balance of \$29,496,881 at the end of Fiscal Year 2013/14.
  - Fund balance pertaining to prepaid items (\$141,046) was classified as nonspendable. Remaining fund balance was assigned to the capital improvement program (\$26,158,555) and purchase of fire apparatus and vehicles (\$3,197,280).
  - Total fund balance decreased by \$1,378,368 during the current fiscal year. The prior fiscal year's fund balance decreased by \$3,497,873, a difference of \$2,119,505.

Impact on Fund Balance	Description
-\$900,000	Intergovernmental revenue decreased by \$900,000, which related to Fiscal Year 2012/13 reimbursements for one pickup truck and two command trailers and tow vehicles that were purchased with federal grant funding via the Urban Search and Rescue and Homeland Security grant programs, respectively.
+\$25,000	Charges for services increased by \$25,000 in accordance with the terms of the Joint Powers Agreement.

*(Continued on next page)*

Impact on Fund Balance	Description
<i>(Continued)</i>	
+\$200,000	Use of money and property increased by \$200,000, due primarily to a market value investment gain allocated to the fund.
+\$75,000	Services and supplies decreased by \$75,000, primarily due to the Fiscal Year 2012/13 purchase of various non-capital equipment items needed to outfit the two new command trailers and tow vehicles.
+\$900,000	Capital outlay expenditures to purchase and outfit vehicles decreased by \$900,000. Significant purchases in Fiscal Year 2012/13 included three Type 1 wildland interface engines, two Type 3 engines, two command trailers and tow vehicles, three pickup trucks, and one dozer transport trailer. In addition, a portable satellite and two portable receivers were purchased as stand-alone equipment to outfit the two new command trailers. Significant purchases in Fiscal Year 2013/14 included four Type 1 engines and “fast fin” wing kits for Helicopters 1 and 2.
+\$1,800,000	Transfers in from the General Fund increased by \$1,800,000.
<b>+\$2,100,000</b>	<b>Vehicle Replacement Fund – net impact on fund balance</b>

- The **Facilities Replacement Fund** had total fund balance of \$15,409,887 at the end of Fiscal Year 2013/14.
  - Fund balance pertaining to developer contributions received for future fire station construction (\$1,044,040) was classified as restricted. Remaining fund balance was assigned to the capital improvement program (\$9,874,426) and fire station construction (\$4,491,421).
  - Total fund balance decreased by \$1,273,644 during the current fiscal year. The prior fiscal year’s fund balance increased by \$546,927, a difference of \$1,820,571.

Impact on Fund Balance	Description
+\$100,000	Use of money and property increased by \$100,000, due primarily to a market value investment gain allocated to the fund.
+\$725,000	Developer contributions increased by \$725,000. In Fiscal Year 2012/13, OCFA received \$450,000 from Heritage Fields El Toro LLC for development at the Great Park in the City of Irvine. In 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 (\$825,000); Pacific Los Alisos in the City of Mission Viejo (\$200,000); and Cal I Crown Valley in the City of Laguna Niguel (\$150,000).
-\$2,650,000	Services and supplies and capital outlay expenditures increased by a combined total of \$2,650,000. Fiscal Year 2012/13 costs pertained to various non-capital costs incurred after new Fire Station No. 17 (Cypress) was placed into service in October 2011. Fiscal Year 2013/14 costs included construction costs for new Fire Station No. 56 (Village of Sendero), and the purchase of the western portion of the new hangar facility at Fullerton Municipal Airport.
<b>-\$1,825,000</b>	<b>Facilities Replacement Fund – net impact on fund balance</b>

### General Fund Budgetary Highlights

The following table summarizes the changes in General Fund appropriations, as well as the variance between the final budget and actual amounts for Fiscal Year 2013/14.

	Original <u>Budget</u>	Increase (Decrease)	Final <u>Budget</u>	Variance Positive (Negative)	Actual <u>Amounts</u>
Salaries and benefits	\$253,765,267	\$ 6,552,782	\$260,318,049	\$3,184,019	\$257,134,030
Services and supplies	32,702,428	11,260,434	43,962,862	6,547,159	37,415,703
Capital outlay	29,444	544,133	573,577	118,081	455,496
Interest and fiscal charges	116,250	-	116,250	6,976	109,274
Transfers out	<u>4,497,847</u>	<u>872,528</u>	<u>5,370,375</u>	-	<u>5,370,375</u>
	<u>\$291,111,236</u>	<u>\$19,229,877</u>	<u>\$310,341,113</u>	<u>\$9,856,235</u>	<u>\$300,484,878</u>

- Budgeted General Fund appropriations increased by \$19,229,877 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
City of Irvine equity payments	\$ 5,975,000
Unfunded pension liability	3,000,000
State and federal assistance by hire activities	2,675,000
Grant activities	2,550,000
Hazardous materials disclosure and Cal ARP programs	935,000
Transfers to Capital Improvement Program	875,000
Structural fire entitlement projects	700,000
Update to workers' compensation actuarial valuation	650,000
Various professional service contracts	400,000
Property tax administration fee	350,000
Repair of Engine 61	240,000
Various other appropriations	850,000
<b>Total adjustments</b>	<b>\$19,200,000</b>

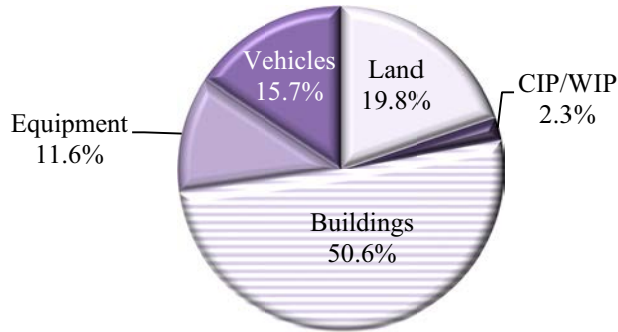
- Final budgeted General Fund expenditures exceeded actual amounts by \$9,856,235.
  - The \$3.2 million positive variance in salaries and benefits is attributed primarily to vacancies in the Operations, Community Risk Reduction, and Executive Management departments.
  - The \$6.5 million positive variance in services and supplies is attributed primarily to workers' compensation costs. 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 2013/14, actual claims paid from the General Fund were \$5 million less than the actuarial estimate. In addition, \$200,000 of structural fire fund entitlement projects were budgeted in Fiscal Year 2013/14, but were not actually completed and claimed for reimbursement by the member cities. These expenditures savings, along with \$300,000 for other uncompleted projects, will be re-budgeted as needed to Fiscal Year 2014/15. Other services and

supplies savings pertained to unspent MMRS grant proceeds; employee physical exams; and Geographic Information Systems professional service contractors.

**Capital Assets and Debt Administration**

**Capital Assets:** The OCFA’s investment in capital assets for its government activities at the end of Fiscal Year 2013/14 totaled \$180,917,654 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, equipment, vehicles, work in progress and construction in progress. Net capital assets decreased from the prior fiscal year by \$1,859,981 (1.0%). 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  
at June 30, 2014**



**Capital Assets Net of Accumulated Depreciation and Amortization  
Net Change by Category**

Governmental Activities

	Land	CIP/WIP	Buildings	Equipment	Vehicles	Total
Historical cost	\$ 37,887,850	\$ 4,317,880	\$ 131,528,877	\$ 55,555,368	\$ 72,213,263	\$ 301,503,238
Accumulated depreciation	-	-	(34,385,300)	(33,339,200)	(42,137,395)	(109,861,895)
Net as of June 30, 2014	<u>\$ 37,887,850</u>	<u>\$ 4,317,880</u>	<u>\$ 97,143,577</u>	<u>\$ 22,216,168</u>	<u>\$ 30,075,868</u>	<u>\$ 191,641,343</u>
Historical cost	\$ 37,887,850	\$ 3,384,527	\$ 129,326,927	\$ 54,832,732	\$ 69,408,222	\$ 294,840,258
Accumulated depreciation	-	-	(31,416,463)	(30,913,915)	(39,008,556)	(101,338,934)
Net as of June 30, 2013, as restated	<u>\$ 37,887,850</u>	<u>\$ 3,384,527</u>	<u>\$ 97,910,464</u>	<u>\$ 23,918,817</u>	<u>\$ 30,399,666</u>	<u>\$ 193,501,324</u>
Historical cost	\$ -	\$ 933,353	\$ 2,201,950	\$ 722,636	\$ 2,805,041	\$ 6,662,980
Accumulated depreciation	-	-	(2,968,837)	(2,425,285)	(3,128,839)	(8,522,961)
Increase (decrease)	<u>\$ -</u>	<u>\$ 933,353</u>	<u>\$ (766,887)</u>	<u>\$ (1,702,649)</u>	<u>\$ (323,798)</u>	<u>\$ (1,859,981)</u>
	0.0%	27.6%	-0.8%	-7.1%	-1.1%	-1.0%

Major capital asset additions during Fiscal Year 2013/14 included the following:

- Construction in progress (CIP) and work in progress (WIP) accounted for eighteen projects during Fiscal Year 2013/14, thirteen of which was placed into service and five 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 \$510,000 included architecture and engineering, permits, and construction management for new Fire Station No. 56 (Village of Sendero). The groundbreaking ceremony for the new station was held in March 2014, and construction is estimated to be completed in mid-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 2013/14 were for four Type 1 engines (\$2.1 million). Twelve vehicles totaling \$3.6 million were completed, placed into service, and transferred to the vehicles category during Fiscal Year 2013/14.
  - 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 were for the replacement Computer Aided Dispatch system (\$1,650,000); a Fire Station Alerting system (\$600,000); a business server replacement (\$20,000) and a Service Center inventory project (\$5,000), all of which were classified as WIP at year-end. The Wireless Project (\$370,000) was completed, placed into service, and transferred to the equipment category during Fiscal Year 2013/14.
- The most significant equipment additions during Fiscal Year 2013/14 were the Wireless Project (\$370,000); twenty-two grant-funded thermal imaging cameras (\$180,000); two helicopter “fast fin kits” (\$150,000); two rapid deployment kits (\$110,000); a flashover container (\$45,000); four switches (\$45,000); four automated external defibrillators (AED’s) (\$35,000); two searchcams (\$30,000); four cutters (\$25,000); and a trailer (\$15,000).
- Twelve vehicles were added to the OCFA’s fleet during Fiscal Year 2013/14, all of which were transferred from WIP (\$3.6 million). The vehicle additions included four Type 1 engines, three Type 3 engines, two command trailers, and four pickup trucks.

Major capital asset deletions during Fiscal Year 2013/14 included the following:

- Twenty-nine capital equipment items were sold, scrapped, or written off during Fiscal Year 2013/14, including six thermal imaging cameras (\$80,000); two transmitters (\$55,000); three AED’s (\$40,000); one trailer (\$30,000); two servers (\$25,000); three switches (\$15,000); and two chemical agent detectors (\$15,000). The net book value of all equipment disposals was approximately \$36,000, as most items had reached the end of their useful service lives and were either fully or mostly depreciated. Most equipment that was obsolete, broken, or in poor working condition was sold at public auction or sent to an e-waste recycling center. The un-repairable AED’s were still under warranty and traded into the vendor for replacements, while the grant-funded chemical agent detectors were returned to the Federal Emergency Management Agency.

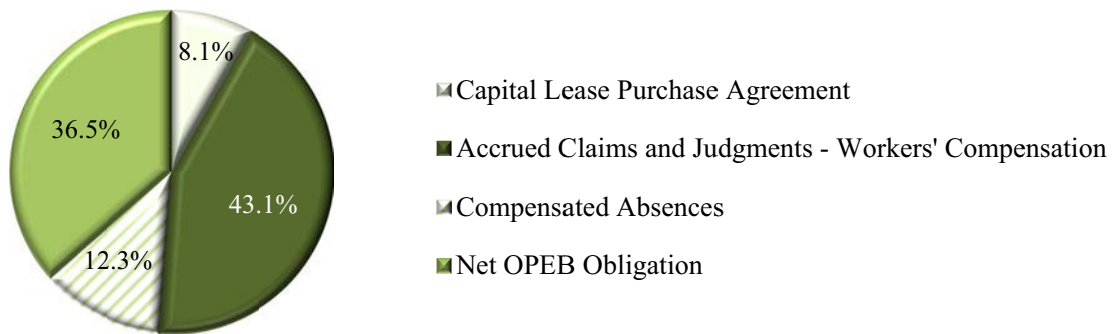


- Ten vehicles were removed from OCFA’s fleet during Fiscal Year 2013/14 as part of OCFA’s ongoing vehicle replacement plan. The net book value of all vehicle disposals was \$0, as all items had reached the end of their useful service lives and were fully depreciated. Two Type 1 engines (\$380,000), one Telesquirt (\$260,000), three sport utility vehicles (\$75,000), two crew cabs (\$70,000), and one sedan (\$70,000) were sold at public auction. One ambulance (\$100,000) was donated to Saddleback College.

Additional information pertaining to the OCFA’s capital assets can be found in Note 7 of the accompanying Notes to the Financial Statements.

**Long-term Debt:** Total long-term liabilities increased by net \$15,207,178 (13.0%) during Fiscal Year 2013/14.

**Long-term Liabilities  
at June 30, 2014**



- The most significant net increases to long-term liabilities were for the net other post-employment benefit (OPEB) obligation (\$9.7 million) and workers’ compensation (\$7.7 million).
  - The OPEB obligation pertains to OCFA’s defined benefit Retiree Medical Plan, which provides a monthly grant towards the cost of retirees’ health insurance coverage. The difference between OCFA’s actual contributions and an actuarially-determined annual cost is recorded as an addition to the liability each fiscal year. During Fiscal Year 2013/14, OCFA’s actuarial annual cost was \$14.4 million, but 4% employee withholdings contributed to the plan totaled only \$4.7 million, resulting in a \$9.7 million shortfall.
  - OCFA is self-insured for workers’ compensation, and an actuarial study is completed every year to determine OCFA’s outstanding claims liability. During Fiscal Year 2013/14, the actuarial liability for incurred claims increased by \$13.2 million, but was offset by \$5.5 million of actual claim payments made during the fiscal year. The net difference of \$7.7 million was recorded as an addition to the outstanding claims liability.
- The most significant decrease to long-term liabilities was for debt service paid on the capital lease obligation, which reduced the total outstanding liability by \$2.2 million.

Additional information on the OCFA’s long-term liabilities can be found in Note 9 of the accompanying Notes to the Financial Statements.

### Next Year's Budget

The Fiscal Year 2014/15 General Operating Fund adopted expenditure budget is approximately \$324.6 million, which is a net increase of \$18.6 million (6.1%) from the final Fiscal Year 2013/14 General Operating Fund budget totaling \$306.0 million. (These amounts exclude unspent, encumbered appropriations from the prior fiscal year that are effectually re-appropriated in the ensuing year's budget). Highlights of the Fiscal Year 2014/15 General Operating Fund Budget are as follow:

- Budgeted salaries and benefits increased by \$24.6 million.
  - No cost-of-living increases are included in the Fiscal Year 2014/15 budget due to the “trigger formula” which ties future pay raises to OCFA’s financial health. However, it continues to include potential merit increases for eligible employees.
  - The budget reflects 103 unfunded positions, a result of the hiring freeze which remains in place for positions that do not provide frontline services to the public.
  - The retirement budget for Fiscal Year 2014/15 is based on final adopted rates provided by the Orange County Employees Retirement System (OCERS). Those rates reflect an increase as compared to Fiscal Year 2013/14, due to the impact of OCERS decreasing its assumed rate of return on investments from 7.75% to 7.25%. Retirement costs also reflect \$2.1 million in savings related to the prepayment of employer contributions six months before the start of the fiscal year.
- Budgeted services and supplies, capital outlay, and debt service decreased by \$6.0 million. Overall, budgets were held flat as compared to Fiscal Year 2013/14, 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. Any requests for increases to the base budget were evaluated on a case-by-case basis, based on critical need, contribution toward meeting Strategic Plan objectives, availability of funding, and any risks or consequences of not approving the increase.

The total number of authorized positions in the Fiscal Year 2014/15 budget is 1,353, an increase of ten positions from the final, authorized position list as of June 30, 2014. However, the budget reflects funding for only 1,250 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 2014/15 Budget	FY 2013/14 Final	Increase (Decrease)
Firefighter Unit	1,020	1,011	9
Fire Management Unit	45	45	-
General Unit	207	205	2
Supervisory Management Unit	27	27	-
Supported Employment Unit	4	4	-
Personnel & Salary Resolution	50	51	(1)
Total authorized positions	1,353	1,343	10

### **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, 2014**  
**(With Comparative Data for Prior Year)**

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>Governmental Activities</u>		<u>OCFA Foundation</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets:</b>				
Cash and investments (Note 4)	\$ 160,237,038	\$ 156,668,154	\$ 95,341	\$ 77,200
Receivables:				
Accounts, net (Note 5)	2,117,990	2,944,138	-	-
Accrued interest	127,913	101,712	-	3
Prepaid costs and other assets	30,849,987	27,080,167	15,168	162
Due from other governments, net (Note 6)	11,720,366	12,516,038	-	-
Capital assets (Note 7):				
Land	37,887,850	37,387,850	-	-
Construction in progress	509,142	-	-	-
Work in progress	3,808,738	3,384,527	-	-
Capital assets, net of accumulated depreciation/amortization	149,435,613	153,533,828	-	-
<b>Total assets</b>	<b>396,694,637</b>	<b>393,616,414</b>	<b>110,509</b>	<b>77,365</b>
<b>Liabilities:</b>				
Accounts payable	6,488,835	3,647,221	-	20
Accrued liabilities	11,540,122	12,853,555	-	-
Accrued interest	6,015	7,259	-	-
Unearned revenue (Note 8)	3,065,827	2,956,116	6,000	-
Due to other governments	67,854	23,368	-	-
Long-term liabilities (Note 9):				
Due within one year	11,676,387	13,478,367	-	-
Due beyond one year	120,094,982	103,085,824	-	-
<b>Total liabilities</b>	<b>152,940,022</b>	<b>136,051,710</b>	<b>6,000</b>	<b>20</b>
<b>Net position:</b>				
Net investment in capital assets (Note 7)	180,917,654	181,363,364	-	-
Restricted for (Note 11b):				
Capital projects	1,044,040	1,553,182	-	-
Other purposes	32,282	137,676	54,123	28,810
Unrestricted	61,760,639	74,510,482	50,386	48,535
<b>Total net position</b>	<b>\$243,754,615</b>	<b>\$257,564,704</b>	<b>\$104,509</b>	<b>\$77,345</b>

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Statement of Activities**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<b>Primary Government</b>		<b>Component Unit</b>	
	<b>Governmental Activities</b>		<b>OCFA Foundation</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Expenses:</b>				
Public safety:				
Salaries and benefits	\$ 266,764,367	\$ 264,067,489	\$ -	\$ -
Services and supplies	47,912,808	45,879,501	33,010	7,253
Depreciation and amortization (Note 7)	9,612,453	9,793,491	-	-
Interest on long-term debt	311,327	367,701	-	-
<b>Total program expenses</b>	<b>324,600,955</b>	<b>320,108,182</b>	<b>33,010</b>	<b>7,253</b>
<b>Program revenues:</b>				
Public safety:				
Charges for services	106,874,513	102,875,410	-	-
Operating grants and contributions	10,339,966	19,523,853	60,174	36,565
Capital grants and contributions	1,462,540	2,811,180	-	-
<b>Total program revenues</b>	<b>118,677,019</b>	<b>125,210,443</b>	<b>60,174</b>	<b>36,565</b>
Net program (expenses) revenues	(205,923,936)	(194,897,739)	27,164	29,312
<b>General revenues:</b>				
Property taxes	190,873,689	181,720,253	-	-
Investment income	823,010	(136,493)	-	(53)
Gain on sale of capital assets	21,834	11,924	-	-
Miscellaneous	1,200,195	4,329,603	-	-
<b>Total general revenues</b>	<b>192,918,728</b>	<b>185,925,287</b>	<b>-</b>	<b>(53)</b>
Change in net position	(13,005,208)	(8,972,452)	27,164	29,259
Net position at beginning of year, as restated (Note 7)	256,759,823	266,537,156	77,345	48,086
<b>Net position at end of year</b>	<b>\$ 243,754,615</b>	<b>\$ 257,564,704</b>	<b>\$ 104,509</b>	<b>\$ 77,345</b>

See Notes to the Financial Statements

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**ORANGE COUNTY FIRE AUTHORITY**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<b>General Fund</b>	<b>Facilities Maintenance &amp; Improvements</b>
<b>Assets:</b>		
Cash and investments (Note 4)	\$ 93,740,510	\$ 2,798,203
Receivables:		
Accounts, net (Note 5)	2,117,990	-
Accrued interest	54,196	270
Prepaid costs and other assets	30,565,638	413
Due from other governments, net (Note 6)	9,946,907	56,453
<b>Total assets</b>	<b>\$ 136,425,241</b>	<b>\$ 2,855,339</b>
<b>Liabilities:</b>		
Accounts payable	\$ 5,300,355	\$ 133,725
Accrued liabilities	11,540,122	-
Unearned revenue (Note 8)	3,012,482	10,912
Due to other governments	67,854	-
<b>Total liabilities</b>	<b>19,920,813</b>	<b>144,637</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue (Note 8)	1,000,139	-
<b>Total deferred inflows of resources</b>	<b>1,000,139</b>	<b>-</b>
<b>Fund balances (Note 11):</b>		
Nonspendable - Prepaid costs	30,560,638	413
Restricted for:		
Capital improvement program	-	-
Executive Management	-	-
Operations Department	32,015	-
Community Risk Reduction Department	267	-
Committed to - SFF cities enhancements	784,617	-
Assigned to:		
Capital improvement program	-	2,680,975
Workers' compensation	60,921,529	-
Executive Management	90,529	-
Operations Department	75,416	-
Community Risk Reduction Department	-	-
Business Services Department	58,254	-
Support Services Department	90,364	-
Facilities projects	-	29,314
Communications and IT projects	-	-
Fire apparatus and other vehicles	-	-
Fire station construction	-	-
Unassigned	22,890,660	-
<b>Total fund balances</b>	<b>115,504,289</b>	<b>2,710,702</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 136,425,241</b>	<b>\$ 2,855,339</b>

See Notes to the Financial Statements

**Capital Projects Funds**

<b>Communications</b>				
<b>&amp; Information</b>	<b>Vehicle</b>	<b>Facilities</b>	<b>Total Governmental Funds</b>	
<b>Systems</b>	<b>Replacement</b>	<b>Replacement</b>	<b>2014</b>	<b>2013</b>
\$ 18,944,605	\$ 29,395,203	\$ 15,358,517	\$ 160,237,038	\$ 156,668,154
-	-	-	2,117,990	2,944,138
10,510	3,065	59,872	127,913	101,712
142,890	141,046	-	30,849,987	27,080,167
-	-	-	10,003,360	10,528,244
<b>\$ 19,098,005</b>	<b>\$ 29,539,314</b>	<b>\$ 15,418,389</b>	<b>\$ 203,336,288</b>	<b>\$ 197,322,415</b>
\$ 1,046,253	\$ -	\$ 8,502	\$ 6,488,835	\$ 3,647,221
-	-	-	11,540,122	12,853,555
-	42,433	-	3,065,827	2,956,116
-	-	-	67,854	23,368
<b>1,046,253</b>	<b>42,433</b>	<b>8,502</b>	<b>21,162,638</b>	<b>19,480,260</b>
-	-	-	1,000,139	1,034,421
-	-	-	<b>1,000,139</b>	<b>1,034,421</b>
142,890	141,046	-	30,844,987	27,080,167
-	-	1,044,040	1,044,040	1,553,182
-	-	-	-	7,865
-	-	-	32,015	127,193
-	-	-	267	2,618
-	-	-	784,617	1,268,160
16,298,844	26,158,555	9,874,426	55,012,800	63,477,538
-	-	-	60,921,529	53,230,384
-	-	-	90,529	24,832
-	-	-	75,416	62,583
-	-	-	-	55,138
-	-	-	58,254	161,126
-	-	-	90,364	134,545
-	-	-	29,314	7,270
1,610,018	-	-	1,610,018	1,773,531
-	3,197,280	-	3,197,280	2,058,751
-	-	4,491,421	4,491,421	-
-	-	-	22,890,660	25,782,851
<b>18,051,752</b>	<b>29,496,881</b>	<b>15,409,887</b>	<b>181,173,511</b>	<b>176,807,734</b>
<b>\$ 19,098,005</b>	<b>\$ 29,539,314</b>	<b>\$ 15,418,389</b>	<b>\$ 203,336,288</b>	<b>\$ 197,322,415</b>



**ORANGE COUNTY FIRE AUTHORITY**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<b>2014</b>	<b>2013</b>
<b>Fund balances of governmental funds</b>	<b>\$ 181,173,511</b>	<b>\$ 176,807,734</b>
<p>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.</p>		
Capital assets	301,503,238	294,441,802
Accumulated depreciation/amortization	(109,861,895)	(100,135,597)
<p>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.</p>		
Capital lease purchase agreements	(10,723,689)	(12,942,841)
Accrued claims and judgments	(56,789,859)	(49,064,929)
Compensated absences	(16,172,504)	(16,239,283)
Long-term receivable for compensated absences	1,717,006	1,987,794
Net OPEB obligation	(48,085,317)	(38,317,138)
<p>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.</p>		
	(6,015)	(7,259)

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

	<b>2014</b>	<b>2013</b>
Unavailable revenues are reported in the governmental funds if not collected or expected to be collected within the OCFA's availability period. However, amounts relating to unavailable revenues are not reported in the Statement of Net Position since revenue recognition is not based upon measurable and available criteria.		
Due from other governments - property tax increment	367,964	-
Due from other governments - grants	-	86,158
Due from other governments - Santa Ana start-up costs	632,175	948,263
<b>Net position of governmental activities</b>	<b>\$ 243,754,615</b>	<b>\$ 257,564,704</b>

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<b>General Fund</b>	<b>Facilities Maintenance &amp; Improvements</b>
<b>Revenues:</b>		
Taxes	\$ 190,873,689	\$ -
Intergovernmental	19,094,591	17,220
Charges for services	96,104,840	238,129
Use of money and property	540,980	17,398
Miscellaneous	1,352,043	39,233
Developer contributions	-	-
<b>Total revenues</b>	<b>307,966,143</b>	<b>311,980</b>
<b>Expenditures:</b>		
Current - public safety:		
Salaries and benefits	257,134,030	-
Services and supplies	37,415,703	1,264,707
Capital outlay	455,496	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	109,274	-
<b>Total expenditures</b>	<b>295,114,503</b>	<b>1,264,707</b>
Excess (deficiency) of revenues over (under) expenditures	12,851,640	(952,727)
<b>Other financing sources (uses):</b>		
Transfers in (Note 12)	-	1,078,745
Transfers out (Note 12)	(5,370,375)	-
Sale of capital and other assets	77,077	-
Insurance recoveries	360,803	-
<b>Total other financing sources (uses)</b>	<b>(4,932,495)</b>	<b>1,078,745</b>
Net change in fund balances	7,919,145	126,018
Fund balances, beginning of year	107,585,144	2,584,684
<b>Fund balances, end of year</b>	<b>\$ 115,504,289</b>	<b>\$ 2,710,702</b>

See Notes to the Financial Statements

**Capital Projects Funds**

<b>Communications</b>				
<b>&amp; Information Systems</b>	<b>Vehicle Replacement</b>	<b>Facilities Replacement</b>	<b>Total Governmental Funds</b>	
			<b>2014</b>	<b>2013</b>
\$ -	\$ -	\$ -	\$ 190,873,689	\$ 181,720,253
-	-	-	19,111,811	28,883,649
-	1,362,214	-	97,705,183	95,904,052
109,385	175,421	89,100	932,284	(20,556)
129,909	79,719	76,949	1,677,853	5,111,908
-	-	1,271,400	1,271,400	538,260
<b>239,294</b>	<b>1,617,354</b>	<b>1,437,449</b>	<b>311,572,220</b>	<b>312,137,566</b>
-	-	-	257,134,030	255,301,913
1,420,510	86,958	-	40,187,878	32,613,137
2,295,273	2,219,556	2,711,093	7,681,418	5,420,102
-	2,219,152	-	2,219,152	2,162,809
-	312,571	-	421,845	484,851
<b>3,715,783</b>	<b>4,838,237</b>	<b>2,711,093</b>	<b>307,644,323</b>	<b>295,982,812</b>
(3,476,489)	(3,220,883)	(1,273,644)	3,927,897	16,154,754
2,449,115	1,842,515	-	5,370,375	381,222
-	-	-	(5,370,375)	(381,222)
-	-	-	77,077	58,051
-	-	-	360,803	53,529
<b>2,449,115</b>	<b>1,842,515</b>	<b>-</b>	<b>437,880</b>	<b>111,580</b>
(1,027,374)	(1,378,368)	(1,273,644)	4,365,777	16,266,334
19,079,126	30,875,249	16,683,531	176,807,734	160,541,400
<b>\$ 18,051,752</b>	<b>\$ 29,496,881</b>	<b>\$ 15,409,887</b>	<b>\$ 181,173,511</b>	<b>\$ 176,807,734</b>

**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, 2014**  
**(With Comparative Data for Prior Year)**

	<b>2014</b>	<b>2013</b>
<b>Net change in fund balances - total governmental funds</b>	<b>\$ 4,365,777</b>	<b>\$ 16,266,334</b>
<p>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.</p>		
Capital outlay	7,681,418	5,420,102
Capitalized labor, included in salaries and employee benefits	71,063	455
Depreciation/amortization expense	(9,612,453)	(9,793,491)
<p>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.</p>		
	36,000	-
<p>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.</p>		
Capital asset disposals	(1,125,501)	(928,950)
Accumulated depreciation/amortization on disposals	1,089,492	918,054
<p>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.</p>		
	2,219,152	2,162,809
<p>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.</p>		
	1,244	1,213

**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)**

	<b>2014</b>	<b>2013</b>
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.		
Accrued claims and judgments - workers' compensation	(7,724,930)	(13,266,364)
Compensated absences - Santa Ana general leave	270,788	407,060
Compensated absences - other leave balances	(204,009)	(243,070)
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.	(270,788)	(407,060)
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.	(9,768,179)	(8,930,021)
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	-
Intergovernmental revenue - grants	(86,158)	23,254
Charges for services - Santa Ana start-up costs	(316,088)	(602,777)
Transactions between governmental funds are eliminated for presentation in the government-wide financial statements.		
Transfers in	(5,370,375)	(381,222)
Transfers out	5,370,375	381,222
Use of money and property	(109,274)	(115,937)
Interest and fiscal charges	109,274	115,937
<b>Change in net assets of governmental activities</b>	<b>\$ (13,005,208)</b>	<b>\$ (8,972,452)</b>

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**General Fund**  
**Budgetary Comparison Statement**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	2014			Variance with Final Budget Positive (Negative)	2013
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>Budgetary fund balance, July 1</b>	<b>\$ 107,585,144</b>	<b>\$ 107,585,144</b>	<b>\$ 107,585,144</b>	<b>\$ -</b>	<b>\$ 84,544,766</b>
<b>Resources (inflows):</b>					
Taxes	186,998,721	190,156,251	190,873,689	717,438	181,720,253
Intergovernmental	11,443,286	17,872,333	19,094,591	1,222,258	28,004,583
Charges for services	94,325,831	96,288,619	96,104,840	(183,779)	94,292,648
Use of money and property	477,439	302,457	540,980	238,523	25,305
Miscellaneous	782,000	1,160,503	1,352,043	191,540	4,785,472
Sale of capital and other assets	50,000	50,000	77,077	27,077	58,051
Insurance recoveries	-	362,128	360,803	(1,325)	53,529
<b>Total resources (inflows)</b>	<b>294,077,277</b>	<b>306,192,291</b>	<b>308,404,023</b>	<b>2,211,732</b>	<b>308,939,841</b>
<b>Amounts available for appropriations</b>	<b>401,662,421</b>	<b>413,777,435</b>	<b>415,989,167</b>	<b>2,211,732</b>	<b>393,484,607</b>
<b>Charges to appropriation (outflows):</b>					
Salaries and benefits	253,765,267	260,318,049	257,134,030	3,184,019	255,301,913
Services and supplies	32,702,428	43,962,862	37,415,703	6,547,159	29,849,819
Capital outlay	29,444	573,577	455,496	118,081	250,572
Interest and fiscal charges	116,250	116,250	109,274	6,976	115,937
Transfers out	4,497,847	5,370,375	5,370,375	-	381,222
<b>Total charges to appropriations</b>	<b>291,111,236</b>	<b>310,341,113</b>	<b>300,484,878</b>	<b>9,856,235</b>	<b>285,899,463</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 110,551,185</b>	<b>\$ 103,436,322</b>	<b>\$ 115,504,289</b>	<b>\$ 12,067,967</b>	<b>\$ 107,585,144</b>

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<b>Pension Trust Funds</b>	<b>Total Pension Trust Funds</b>	
	<b>Extra Help Retirement</b>	<b>2014</b>	<b>2013</b>
<b>Assets:</b>			
Cash and investments (Note 4):			
Local Agency Investment Fund -			
Domestic fixed income securities	\$ 64,464	\$ 64,464	\$ 56,895
<b>Total assets</b>	<b>64,464</b>	<b>64,464</b>	<b>56,895</b>
<b>Net position restricted for pensions</b>	<b>\$ 64,464</b>	<b>\$ 64,464</b>	<b>\$ 56,895</b>

See Notes to the Financial Statements



**ORANGE COUNTY FIRE AUTHORITY**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<b>Pension</b>		
	<b>Trust Funds</b>		
	<b>Extra Help</b>	<b>Total Pension Trust Funds</b>	
	<b>Retirement</b>	<b>2014</b>	<b>2013</b>
<b>Additions:</b>			
Contributions:			
Employer	\$ 2,117	\$ 2,117	\$ -
Plan members	13,542	13,542	15,587
Total contributions	<u>15,659</u>	<u>15,659</u>	<u>15,587</u>
Net investment income:			
Interest	586	586	2,275
Total net investment income	<u>586</u>	<u>586</u>	<u>2,275</u>
<b>Total additions</b>	<b><u>16,245</u></b>	<b><u>16,245</u></b>	<b><u>17,862</u></b>
<b>Deductions:</b>			
Benefits and refunds paid to plan members and beneficiaries	8,676	8,676	10,809
<b>Total deductions</b>	<b><u>8,676</u></b>	<b><u>8,676</u></b>	<b><u>10,809</u></b>
Change in net position	7,569	7,569	7,053
Net position, beginning of year	56,895	56,895	49,842
<b>Net position, end of year</b>	<b><u>\$ 64,464</u></b>	<b><u>\$ 64,464</u></b>	<b><u>\$ 56,895</u></b>

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
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**Year ended June 30, 2014**

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**ORANGE COUNTY FIRE AUTHORITY**  
**Notes to the Financial Statements**  
**Year ended June 30, 2014**

**(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 the 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

**ORANGE COUNTY FIRE AUTHORITY**  
**Notes to the Financial Statements**  
**(Continued)**

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, 2014, 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

**ORANGE COUNTY FIRE AUTHORITY**  
**Notes to the Financial Statements**  
**(Continued)**

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.

**ORANGE COUNTY FIRE AUTHORITY**  
**Notes to the Financial Statements**  
**(Continued)**

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 & 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.
- The **Communications & Information Systems Fund** is a capital projects fund used to account for the replacement of specialized fire communications equipment and information systems equipment.
- The **Vehicle Replacement Fund** is a capital projects fund used to account for the planned replacement of fire apparatus and vehicles.
- The **Facilities Replacement Fund** is a capital projects fund used to account for the replacement of sub-standard fire stations and the construction of new fire stations.

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.

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**Notes to the Financial Statements**  
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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, the 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.

(h) 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. Property, plant and equipment of the



**ORANGE COUNTY FIRE AUTHORITY**  
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**(Continued)**

OCFA 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

(i) 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 does not have any items that qualify for reporting in this category.

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. Currently, unavailable revenue in the governmental funds, which arises under the modified accrual basis of accounting, is the only item that qualifies for reporting in this category. 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.

(j) 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).

(k) 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.

**ORANGE COUNTY FIRE AUTHORITY**  
**Notes to the Financial Statements**  
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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.

(1) 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.

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**Notes to the Financial Statements**  
**(Continued)**

(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.

(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 three 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, 2014.

	Fund Balance as of <u>June 30, 2014</u>
Budgetary basis:	
General Operating Fund	\$ 53,798,143
Structural Fire Entitlement	784,617
Self Insurance	<u>60,921,529</u>
General Fund for financial statement presentation	<u><u>\$115,504,289</u></u>

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**Notes to the Financial Statements**  
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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:

<u>Fund</u>	<u>Original Budget</u>	<u>Increase/ (Decrease)</u>	<u>Final Budget</u>
General Fund	\$291,111,236	\$19,229,877	\$310,341,113
Facilities Maintenance & Improvements	1,254,884	1,040,000	2,294,884
Communications & Information Systems	12,455,748	2,026,400	14,482,148
Vehicle Replacement	9,836,143	4,045,229	13,881,372
Facilities Replacement	<u>5,250,000</u>	<u>7,706,900</u>	<u>12,956,900</u>
Total budgeted governmental funds	<u>\$319,908,011</u>	<u>\$34,048,406</u>	<u>\$353,956,417</u>

(b) Emergency Appropriations Policy

In September 2008, the Board adopted the Emergency Appropriations Policy to provide a means of increasing budgeted appropriations in the event that extraordinary fire or emergency incident activity occurs after the last Board meeting of the fiscal year, which may cause expenditures to exceed the authorized General Fund budget. The contingency appropriation, which may not exceed \$3,000,000 each fiscal year, is established for unforeseen requirements, primarily salary and employee benefits for extraordinary fire or emergency response. No expenditures may be made directly against the contingency appropriations; however, OCFA management may recommend a transfer from the contingency appropriations to a specific purpose appropriation. The Chair of the Board of Directors or the Vice Chair, in the absence of the Chair, must pre-approve any such transfers. Upon approval by the Chair or Vice Chair, notice of this transfer must be provided immediately to the full Board in writing. There were no transfers made from the contingency appropriations during the year ended June 30, 2014; 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.

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**Notes to the Financial Statements**  
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**(3) Implementation of New Accounting Standards**

During the year ended June 30, 2014, OCFA implemented GASB Statement No. 67 *Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 25*. This statement establishes standards for state and local government pension plans – defined benefit pension plans and defined contribution pension plans – that are administered through trusts or equivalent arrangements.

**(4) 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, 2014, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Governmental activities	\$160,237,038
Discretely presented component unit – OCFA Foundation	95,341
Statement of Fiduciary Net Position:	
Fiduciary funds	<u>64,464</u>
Total cash and investments	<u>\$160,396,843</u>

Cash and investments consist of the following as of June 30, 2014:

Petty cash / cash on hand	\$ 12,501
Demand deposits	1,860,390
Investments	<u>158,523,952</u>
Total cash and investments	<u>\$160,396,843</u>

(b) Demand Deposits

At June 30, 2014, the carrying amount of the OCFA's demand deposits was \$1,860,390 and the bank balance was \$1,404,912. The \$455,478 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.

**ORANGE COUNTY FIRE AUTHORITY**  
**Notes to the Financial Statements**  
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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.

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

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

(2) No limit on automatic overnight sweep

(d) 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 2013/14.

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**Notes to the Financial Statements**  
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(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	Rating at Year-End			Fair Value
	Required	Aaa / AA+	P1 / A1+	Unrated	
Federal agency securities	N/A	\$82,734,650	\$ -	\$ -	\$ 82,734,650
Commercial paper	P1/A1/F1	-	6,998,670	-	6,998,670
Money market mutual funds	Aaa/AAA	-	-	18,775,694	18,775,694
LAIF	N/A	-	-	50,014,938	50,014,938
Total		<u>\$82,734,650</u>	<u>\$6,998,670</u>	<u>\$68,790,632</u>	<u>\$158,523,952</u>

(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,

**ORANGE COUNTY FIRE AUTHORITY**  
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provided that the custodian agreement is separate from the banking agreement. As of June 30, 2014, 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, 2014, 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, 2014, are summarized below.

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Federal Home Loan Bank (FHLB)	\$61,242,130	38.6%
Freddie Mac	12,508,000	7.9%
Federal Farm Credit Bank (FFCB)	8,984,520	5.7%

(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, 2014, the OCFA had the following investments and maturities:

	<u>Investment Maturities in Months</u>			<u>Fair Value</u>
	<u>6 or Less</u>	<u>7 to 12</u>	<u>13 to 60</u>	
Federal agency securities	\$45,998,310	\$ -	\$36,736,340	\$ 82,734,650
Commercial paper	6,998,670	-	-	6,998,670
Money market mutual funds	18,775,694	-	-	18,775,694
LAIF	-	50,014,938	-	50,014,938
Total	<u>\$71,772,674</u>	<u>\$50,014,938</u>	<u>\$36,736,340</u>	<u>\$158,523,952</u>



**ORANGE COUNTY FIRE AUTHORITY**  
**Notes to the Financial Statements**  
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As of June 30, 2014, the OCFA's investments included the following callable investments, which are considered to be exposed to interest rate risk:

<u>Issuer</u>	<u>Call Date(s)</u>	<u>Yield to Call</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Federal Home Loan Bank (FHLB)	Anytime	0.477%	3/7/2016	\$5,324,480
Federal Farm Credit Bank (FFCB)	Anytime	0.424%	4/22/2016	8,984,520
Federal Home Loan Bank (FHLB)	Anytime	0.624%	8/9/2017	5,990,940
Federal Home Loan Bank (FHLB)	7/9/2014	0.584%	11/9/2017	8,928,000
Freddie Mac	7/30/2014	0.545%	1/30/2018	7,508,400

**(5) Accounts Receivable**

Accounts receivable, net of an allowance for doubtful accounts, consists of the following as of June 30, 2014:

	<u>Governmental Funds - General Fund</u>			<u>Governmental Activities</u>
	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Accounts Receivable Net</u>	
Fire prevention / late fees	\$ 453,578	\$ (80,601)	\$ 372,977	\$ 372,977
Ambulance / other reimbursements	1,743,827	(68,922)	1,674,905	1,674,905
Other / miscellaneous	70,108	-	70,108	70,108
Total	<u>\$2,267,513</u>	<u>\$(149,523)</u>	<u>\$2,117,990</u>	<u>\$2,117,990</u>

**(6) Due from Other Governments**

Amounts due from other governments, net of an allowance for doubtful accounts, consist of the following as of June 30, 2014:

	<u>Governmental Funds</u>		
	<u>General Fund</u>	<u>Facilities Maintenance &amp; Improvements</u>	<u>Governmental Activities</u>
Fire protection and other services:			
Cash contract cities – start-up costs	\$ 632,175	\$ -	\$ 632,175
Cash contract cities – leave balances	181,315	-	1,898,321
State responsibility area	2,629,470	-	2,629,470
Airport rescue firefighting	349,513	-	349,513
Other services	151,901	-	151,901
Subtotal	3,944,374	-	5,661,380
Assistance by hire / activation	1,833,301	-	1,833,301
Grants	368,285	17,220	385,505
Property taxes / tax increment	3,783,847	-	3,783,847
Other / miscellaneous	17,100	39,233	56,333
Due from other governments	9,946,907	56,453	11,720,366
Allowance for doubtful accounts	-	-	-
Due from other governments, net	<u>\$9,946,907</u>	<u>\$56,453</u>	<u>\$11,720,366</u>

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**Notes to the Financial Statements**  
**(Continued)**

**(7) Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balances, As Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Capital assets not depreciated/amortized:					
Land	\$ 37,887,850	\$ -	\$ -	\$ -	\$ 37,887,850
Construction in progress	-	509,142	-	-	509,142
Work in progress	<u>3,384,527</u>	<u>4,398,007</u>	<u>-</u>	<u>(3,973,796)</u>	<u>3,808,738</u>
Total capital assets not depreciated/amortized	<u>41,272,377</u>	<u>4,907,149</u>	<u>-</u>	<u>(3,973,796)</u>	<u>42,205,730</u>
Capital assets depreciated/amortized:					
Buildings	129,326,927	2,201,950	-	-	131,528,877
Equipment	54,832,732	679,382	(325,543)	368,797	55,555,368
Vehicles	<u>69,408,222</u>	<u>-</u>	<u>(799,958)</u>	<u>3,604,999</u>	<u>72,213,263</u>
Subtotal	<u>253,567,881</u>	<u>2,881,332</u>	<u>(1,125,501)</u>	<u>3,973,796</u>	<u>259,297,508</u>
Less accumulated depreciation/amortization for:					
Buildings	(31,416,463)	(2,968,837)	-	-	(34,385,300)
Equipment	(30,913,915)	(2,714,819)	289,534	-	(33,339,200)
Vehicles	<u>(39,008,556)</u>	<u>(3,928,797)</u>	<u>799,958</u>	<u>-</u>	<u>(42,137,395)</u>
Subtotal	<u>(101,338,934)</u>	<u>(9,612,453)</u>	<u>1,089,492</u>	<u>-</u>	<u>(109,861,895)</u>
Total capital assets depreciated/amortized, net	<u>152,228,947</u>	<u>(6,731,121)</u>	<u>(36,009)</u>	<u>3,973,796</u>	<u>149,435,613</u>
Governmental activities capital assets, net	<u>\$193,501,324</u>	<u>\$(1,823,972)</u>	<u>\$ (36,009)</u>	<u>\$ -</u>	<u>\$191,641,343</u>

**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	\$191,641,343
Capital-related debt – 2011 aircraft lease refinance	<u>(10,723,689)</u>
Net investment in capital assets	<u>\$180,917,654</u>

**ORANGE COUNTY FIRE AUTHORITY**  
**Notes to the Financial Statements**  
**(Continued)**

Capital Assets Acquired Under Capital Lease

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

Equipment	\$22,101,787
Vehicles	<u>15,797,372</u>
Total capital assets acquired under capital lease	<u>\$37,899,159</u>

Depreciation/Amortization Expense

Depreciation/amortization expense of \$9,612,453 was charged to Public Safety in the Statement of Activities.

Prior Period Adjustment

During the year ended June 30, 2014, OCFA restated its beginning net position of governmental activities by the amount of \$804,881, to account for corrections to capital assets, net of accumulated depreciation. When OCFA acquired a new capital asset financial reporting module in Fiscal Year 2002/03, certain capital assets with multiple components were entered incorrectly into the new system. As a result, depreciation expense was not properly calculated using the straight-line method over the subsequent ten-year period, resulting in an understatement of accumulated depreciation totaling \$1,304,881. Other adjustments have also been made to account for the receipt of land from a developer in Fiscal Year 2012/13, and to dispose of a fully-depreciated vehicle in Fiscal Year 2011/12. The impact to net position of governmental activities is as follows:

	<u>Net Position of Governmental Activities</u>
As previously reported	<u>\$257,564,704</u>
Corrections to capital assets, net of accumulated depreciation:	
Land	500,000
Buildings, net	(1,176,476)
Equipment, net	(107,990)
Vehicles, net	<u>(20,415)</u>
Subtotal	<u>(804,881)</u>
As restated	<u>\$256,759,823</u>

**(8) Unearned and Unavailable Revenue**

Unavailable revenue in the governmental funds consists of amounts that are considered *unavailable* to finance the expenditures of the current fiscal period. Only the amounts that are *unearned* are reported as liabilities of governmental activities. Unearned and unavailable revenues consist of the following as of June 30, 2014:

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	Governmental Funds				
	General Fund	Facilities Maintenance & Improvements	Vehicle Replacement	Governmental Activities	OCFA Foundation
Unearned revenue:					
City of Santa Ana - July 2014	\$2,987,123	\$10,912	\$42,433	\$3,040,468	\$ -
Miscellaneous cash advances	13,166	-	-	13,166	6,000
AVL & web application costs	6,475	-	-	6,475	-
Deposits	<u>5,718</u>	<u>-</u>	<u>-</u>	<u>5,718</u>	<u>-</u>
Total unearned revenue	<u>\$3,012,482</u>	<u>\$10,912</u>	<u>\$42,433</u>	<u>\$3,065,827</u>	<u>\$6,000</u>

	Governmental Funds General Fund
Unavailable revenue:	
City of Santa Ana start-up costs	\$ 632,175
Property tax increment	<u>367,964</u>
Total unavailable revenue	<u>\$1,000,139</u>

**(9) Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2014, is summarized in the table below. Accrued claims and judgments, compensated absences and the net OPEB obligation are normally liquidated by the General Fund. The capital lease purchase agreement is liquidated by the Vehicle Replacement Fund.

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Capital lease purchase agreements:					
Aircraft Lease Refinance-2011	\$ 12,942,841	\$ -	\$ (2,219,152)	\$ 10,723,689	\$ 2,276,963
Accrued claims and judgments for workers' compensation	49,064,929	13,172,346	(5,447,416)	56,789,859	6,305,074
Compensated absences	16,239,283	13,126,014	(13,192,793)	16,172,504	3,094,350
Net OPEB obligation	<u>38,317,138</u>	<u>14,461,381</u>	<u>(4,693,202)</u>	<u>48,085,317</u>	<u>-</u>
Total governmental activities	<u>\$116,564,191</u>	<u>\$40,759,741</u>	<u>\$(25,552,563)</u>	<u>\$131,771,369</u>	<u>\$11,676,387</u>

**Capital Lease Purchase Agreement – Aircraft Lease Agreement (2008) and 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

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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, 2014, the OCFA made principal and interest payments totaling \$2,219,152 and \$312,571, respectively. The outstanding balance of the capital lease liability was \$10,723,689 as of June 30, 2014. Future annual lease payment requirements are as follows:

<u>FYE June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,276,963	\$ 254,760	\$ 2,531,723
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	<u>1,253,718</u>	<u>12,144</u>	<u>1,265,862</u>
Total	<u>\$10,723,689</u>	<u>\$669,065</u>	<u>\$11,392,754</u>

Compensated Absences

OCFA is obligated to its employees for the following accumulated earned but unused leave benefits as of June 30, 2014:

	<u>Vacation</u>	<u>Comp/Other</u>	<u>Sick Leave</u>	<u>Santa Ana General Leave</u>	<u>Total</u>
Safety Members	\$ 8,937,307	\$162,378	\$1,635,712	\$1,692,687	\$12,428,084
General Members	<u>1,740,920</u>	<u>289,889</u>	<u>1,689,292</u>	<u>24,319</u>	<u>3,744,420</u>
	<u>\$10,678,227</u>	<u>\$452,267</u>	<u>\$3,325,004</u>	<u>\$1,717,006</u>	<u>\$16,172,504</u>

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.

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**(10) 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, 2014, equity payments totaling \$5,976,162 had been paid to or accrued as a liability due to the City of Irvine.

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 2<sup>nd</sup> Amendment was invalid and unenforceable as a matter of law. However, OCFA disagrees with the court's decision and is continuing to review viable options, including a potential appeal of the ruling.

(b) Outstanding Encumbrances / Commitments with Vendors

As of June 30, 2014, commitments for outstanding encumbrances (unperformed purchase orders and contracts for goods and services) by major governmental fund are as follows:

General Fund	\$ 342,007
Facilities Maintenance & Improvements	40,794
Communications & Information Systems	1,610,018
Vehicle Replacement	3,197,280
Facilities Replacement	<u>4,491,421</u>
Total outstanding encumbrances	<u>\$9,681,520</u>

Significant individual commitments with vendors as of June 30, 2014 are identified below.

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**Notes to the Financial Statements**  
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<u>Fund / Vendor</u>	<u>Description</u>	<u>Original Commitment</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
<u>General Fund:</u>				
Liebert Cassidy Whitmore	Labor negotiator	\$150,000	\$80,131	\$69,869
ESRI, Inc.	GIS temporary staffing	50,000	-	50,000
Allstar Fire Equipment	Turnout coats and pants	35,384	-	35,384
Roadhauler, Inc.	Trailer	15,451	-	15,451
Fisher Scientific	ARFF proximity gear	12,648	-	12,648
Port Supply	Water rescue dry suits	12,300	-	12,300
<u>Facilities Maintenance &amp; Improvements:</u>				
Pacific Compliance Services	AST compliance upgrade	\$37,649	\$9,403	\$28,246
Lewis/Schoeplein Architects	Design, specifications, and drawings for kitchen/bathroom remodels at Santa Ana fire stations	28,700	17,220	11,480
<u>Communications &amp; Information Systems:</u>				
Tritech Software Systems	Computer Aided Dispatch system	\$2,272,740	\$1,673,314	\$599,426
Westnet	Fire station alerting system	1,166,916	634,288	532,628
6 <sup>th</sup> Street Consulting	Sharepoint upgrade	377,969	56,695	321,274
Deltawrx	Public Safety Systems	541,347	476,044	65,303
Eagle Aerial Imaging	Aerial photography	63,000	-	63,000
<u>Vehicle Replacement:</u>				
KME Fire Apparatus	5 Type 1 Pumpers	\$2,573,537	-	\$2,573,537
Penske Chevrolet of Cerritos	8 Chevrolet Tahoe's	534,926	-	534,926
Tom's Truck Center, LLC	1 Isuzu	44,677	-	44,677
Los Angeles Freightliner	1 Isuzu	44,140	-	44,140
<u>Facilities Replacement:</u>				
Erickson-Hall Construction	Design and build of Fire Station 56 (Village of Sendero)	\$5,000,000	\$508,579	\$4,491,421

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**Notes to the Financial Statements**  
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**(11) Fund Balance of Governmental Funds**

(a) Nonspendable Fund Balance

In January 2013 and 2014, OCFA prepaid a portion of its retirement contributions to the Orange County Employees Retirement System (OCERS) totaling \$25,564,031 and \$29,214,818, respectively. The prepayments produced savings of over \$1.9 million in Fiscal Year 2013/14, and are expected to produce savings of over \$2.1 million in Fiscal Year 2014/15. Due to the timing of the pay period calendar, the unamortized balance of the January 2013 prepayment totaled \$983,232 as of June 30, 2014. The entire amount of the January 2014 prepayment was unamortized as of June 30, 2014. Other prepaid items as of June 30, 2014, included various equipment warranties on mobile data computers, laptops, desktop computers, pagers, tablets, and defibrillators; and other miscellaneous amounts such as annual maintenance and support fees, subscriptions, and professional memberships.

Nonspendable fund balance consists of the following as of June 30, 2014:

	General Fund	Facilities Maintenance & Improvements	Communications & Information Systems	Vehicle Replacement	Total
Retirement contributions:					
Fiscal Year 2014/15	\$29,214,818	\$ -	\$ -	\$ -	\$29,214,818
Fiscal Year 2013/14	983,232	-	-	-	983,232
Warranties	38,000	-	93,401	141,046	272,447
Maintenance and support	216,185	413	48,866	-	265,464
Subscriptions and memberships	49,748	-	-	-	49,748
Other	58,655	-	623	-	59,278
Total	<u>\$30,560,638</u>	<u>\$413</u>	<u>\$142,890</u>	<u>\$141,046</u>	<u>\$30,844,987</u>

(b) Restricted Fund Balance

Restricted fund balance in the General Fund includes donations for specific programs (\$4,838) and grant-funded or other restricted, unexpended encumbrances outstanding at year-end (\$27,444). Restricted fund balance in the Facilities Replacement fund includes developer contributions and 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, 2014:



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	General Fund			
	Community Risk			Facilities Replacement
	Operations Department	Reduction Department	Total	
USAR grant program	\$25,132	\$ -	\$25,132	\$ -
Disaster preparation academy	4,571	-	4,571	-
California Joint Apprenticeship Committee	2,312	-	2,312	-
Smoke alarm program	-	267	267	-
Station 56 (Village of Sendero)	-	-	-	510,808
CALFIRE station(s)	-	-	-	533,232
	<u>\$32,015</u>	<u>\$267</u>	<u>\$32,282</u>	<u>\$1,044,040</u>

(c) Committed Fund Balance

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, 2014, the remaining unspent amount totaling \$784,617 was reported as a fund balance commitment in the General Fund. The funds are committed for projects in the following cities:

<u>City</u>	<u>General Fund</u>
Aliso Viejo	\$ 29,057
Dana Point	22,060
Irvine	663,200
Laguna Niguel	52,690
Rancho Santa Margarita	17,610
	<u>\$784,617</u>

(d) Assigned Fund Balance

Assigned fund balance pertaining to unexpended encumbrances outstanding as of June 30, 2014, is summarized below for each governmental fund:

	General Fund				Total
	Executive Management	Operations Department	Business Services Department	Support Services Department	
<u>Purpose of Encumbrance</u>					
Labor negotiator	\$69,869	\$ -	\$ -	\$ -	\$ 69,869
GIS temporary staffing	-	-	-	50,000	50,000
Turnout coats and pants	-	-	35,384	-	35,384
ARFF proximity gear	-	12,648	-	-	12,648
Water rescue dry suits	-	12,300	-	-	12,300
Other	20,660	50,468	22,870	40,364	134,362
	<u>\$90,529</u>	<u>\$75,416</u>	<u>\$58,254</u>	<u>\$90,364</u>	<u>\$314,563</u>

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<u>Purpose of Encumbrance</u>	<u>Facilities Maintenance &amp; Improvements</u>	<u>Communications &amp; Information Systems</u>	<u>Vehicle Replacement</u>	<u>Facilities Replacement</u>
Station 56 (Village of Sendero)	\$ -	\$ -	\$ -	\$4,491,421
Type 1 pumpers	-	-	2,573,537	-
Computer Aided Dispatch system	-	611,024	-	-
Sport utility vehicles	-	-	534,926	-
Fire station alerting system	-	532,628	-	-
Sharepoint upgrade	-	329,131	-	-
Other vehicles	-	-	88,817	-
Public Safety Systems	-	65,303	-	-
Aerial photography	-	63,000	-	-
AST compliance upgrade	28,246	-	-	-
Other	1,068	8,932	-	-
	<u>\$29,314</u>	<u>\$1,610,018</u>	<u>\$3,197,280</u>	<u>\$4,491,421</u>

In addition, the Board of Directors established a *Fund Balance Assignment Policy* during Fiscal Year 2010/11, authorizing the assignment of fund balance to self-insured workers' compensation claims and the Capital Improvement Program.

- The assignment to the Capital Improvement Program reflects cumulative amounts transferred from the General Fund to the OCFA's capital projects funds, net of actual cumulative project expenditures and other revenue sources accounted for in those funds. The assignment may not exceed the net cost of future identifiable projects. Fund balance assigned for the Capital Improvement Program totaled \$55,012,800 as of June 30, 2014, and is reported in the Facilities Maintenance & Improvements Fund (\$2,680,975), Communications & Information Systems Fund (\$16,298,844), Vehicle Replacement Fund (\$26,158,555) and Facilities Replacement Fund (\$9,874,426).
- 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 \$60,921,529 as of June 30, 2014.

(e) Unassigned Fund Balance

Unassigned fund balance in the General Fund consists of the following as of June 30, 2014:

10% Operating Contingency	\$22,890,660
All other residual amounts available for any purpose	-
Total	<u>\$22,890,660</u>

The total amount of the 10% Operating Contingency calculation was \$25,998,331 as of June 30, 2014; however the calculated amount cannot exceed the total amount of unassigned fund balance.

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**(12) Interfund Transfers**

Interfund transfers are used to move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them. During the year ended June 30, 2014, transfers totaling \$5,370,375 were made from the General Fund to the Facilities Maintenance & Improvements Fund (\$1,078,745), the Communications & Information Systems Fund (\$2,449,115) and the Vehicle Replacement Fund (\$1,842,515) for current and future capital improvement projects identified in the Capital Improvement Plan. A portion of those transfers totaling \$872,528 pertained to fee-funded programs.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$5,370,375	\$ -
Facilities Maintenance & Improvements	-	1,078,745
Communications & Information Systems	-	2,449,115
Vehicle Replacement	-	1,842,515
Total	<u>\$5,370,375</u>	<u>\$5,370,375</u>

**(13) Operating Leases**

(a) Operating Lease Revenue

The OCFA is the lessor under the following operating lease agreements:

- On October 30, 2013, OCFA entered into a five-year Aircraft Hangar Lease with Ladera Aircraft, LLC (Ladera), to provide space 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 \$2,153,018 as of June 30, 2014. Fiscal Year 2013/14 depreciation expense totaled \$48,932.

Rent totaling \$4,924 is due from Ladera the first of each month, paid in advance. Base rent automatically increases by 2.5% annually. Future potential rental revenue under the terms of the Ladera lease is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2014/15	\$ 60,072
2015/16	61,572
2016/17	63,108
2017/18	64,688
2018/19	<u>21,740</u>
	<u>\$271,180</u>

- 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

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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 \$35,873 for Fiscal Year 2013/14. Future potential rental revenue, assuming rent for the three additional carriers will commence January 1, 2015, is as follows:

<u>Fiscal Year(s)</u>	<u>Carriers 1-3</u>	<u>Carriers 4-6</u>	<u>Total</u>
2014/15	\$ 40,965	\$ 18,540	\$ 59,505
2015/16	42,392	38,148	80,540
2016/17	43,866	39,300	83,166
2017/18	45,185	40,485	85,670
2018/19	46,550	41,709	88,259
2019/20 - 2023/24	254,582	228,141	482,723
2024/25 - 2028/29	295,151	264,459	559,610
2029/30 - 2033/34	342,196	306,597	648,793
2034/35 - 2037/38	<u>234,305</u>	<u>209,928</u>	<u>444,233</u>
	<u>\$1,345,192</u>	<u>\$1,187,307</u>	<u>\$2,532,499</u>

(b) Operating Lease Obligations

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.

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- 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:

<u>Fiscal Year(s)</u>	<u>City-Owned Stations/ Land Leases</u>	<u>Airport Land Lease</u>	<u>Airport Training Tower</u>	<u>Total</u>
2014/15	\$ 29	\$ 66,948	\$ 19,512	\$ 86,489
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 – 2023/24	145	411,924	44,874	456,943
2024/25 – 2028/29	145	477,540	-	477,685
2029/30 – 2033/34	37	553,644	-	553,681
2034/35 – 2038/39	10	641,856	-	641,866
2039/40 – 2043/44	10	744,036	-	744,046
2044/45 – 2048/49	6	862,572	-	862,578
2049/50 – 2053/54	5	285,336	-	285,341
2054/55 – 2058/59	3	-	-	3
	<u>\$506</u>	<u>\$4,332,288</u>	<u>\$144,594</u>	<u>\$4,477,388</u>

**(14) 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:

<u>Type of Coverage</u>	<u>Limit</u>
General Liability:	
Each Occurrence or Wrongful Act	\$1,000,000 each occurrence
General Annual Aggregate	\$2,000,000
Management Liability	\$1,000,000 each wrongful act
Auto Liability – Combined Single Limit	\$1,000,000
Umbrella Liability	\$10,000,000 each occurrence
Property Liability:	
Buildings and Contents	Scheduled Replacement Cost

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Crime – Employee Dishonesty / Forgery or Alteration / Faithful Performance of Duty	\$500,000 each
Crime – Computer Fraud	\$100,000 each
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, 2014, 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, 2014, accrued claims and judgments for workers' compensation totaled \$56,789,859 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 June 30, 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, 2014 and 2013, including the current and long-term portions at year-end.

	<u>Fiscal Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Unpaid claims at beginning of fiscal year	\$49,064,929	\$35,798,565
Incurred claims (including IBNR's)	13,172,346	19,277,576
Claim payments	<u>(5,447,416)</u>	<u>(6,011,212)</u>
Unpaid claims at end of fiscal year	<u>\$56,789,859</u>	<u>\$49,064,929</u>
Current portion	\$ 6,305,074	\$ 8,238,869
Long-term portion	<u>50,484,785</u>	<u>40,826,060</u>
Unpaid claims at end of fiscal year	<u>\$56,789,859</u>	<u>\$49,064,929</u>

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Confidence level at end of fiscal year	50%	50%
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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 \$60,921,529. 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.

**(15) Retirement Plan for Full-Time Employees**

(a) Plan Description

The OCFA participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer, defined benefit pension plan covering substantially all employees of the County of Orange (County) and the following agencies: City of San Juan Capistrano; 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; Orange County Superior Court; Orange County Transportation Authority; Transportation Corridor Agencies; University of California, Irvine Medical Center and Campus. The participating entities share proportionally in all risks and costs, including benefit costs.

OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937, and provides employee members with retirement benefits. The Retirement Board consists of ten trustees. Four members of the Board of Retirement are appointed by the County Board of Supervisors; four members (including the alternate) are elected by active employee members of the system; one member is elected by the retirees; and the County Treasurer is an ex-officio member. Employee members of OCERS employed prior to September 21, 1979, without any break in service, are designated as Tier I members. Employee members of OCERS employed on or after September 21, 1979, are designated as Tier II members.

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.

(b) Funding Policy

All OCFA regular, full-time and part-time employees (over 20 hours per week) become members of OCERS upon employment, and participating agencies make 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

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OCERS' investments are structured to fund the employees' retirement benefits by the time the employees retire.

The OCFA contributes toward two employee categories identified as Safety Members and General Members. Safety Members are defined as those employees actively involved in fire suppression work and General Members are employees not actively involved in fire suppression work. Within the two categories of Safety and General Members, there are retirement plans which separate Tier I and Tier II members. They differ in that the final retirement allowance for an employee in Tier I is calculated using the employee's single highest year of compensation, while the final retirement allowance for an employee in Tier II is calculated using the employee's average three highest years of compensation.

California Public Employees' Pension Reform Act

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 involves new retirement formulas for newly hired employees who do not establish reciprocity with OCERS. These new formulas are 2.7% at age 57 for Safety Members and 2% at age 62 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.

Safety Member Category

Employees under the Safety Member category include those in the Firefighter Unit (represented by the Orange County Professional Firefighters Association, IAFF-Local 3631); the Fire Management Unit (represented by the Orange County Fire Authority Chief Officers Association); and unrepresented members of Executive Management occupying suppression positions. The four Safety Member plans are summarized below:

Plan	Tier	Benefit Formula	Employee Hire Date		
			Firefighter Unit	Fire Management Unit	Executive Management in Suppression Positions
E	I	3.0% at 50	Prior to July 1, 2012	Prior to July 1, 2012	Prior to July 1, 2011
F	II	3.0% at 50	Prior to July 1, 2012	Prior to July 1, 2012	Prior to July 1, 2011
R	II	3.0% at 55	July 1, 2012 – December 31, 2012  - OR -  On or After January 1, 2013 (with reciprocity)	July 1, 2012 – December 31, 2012  - OR -  On or After January 1, 2013 (with reciprocity)	July 1, 2011 – December 31, 2012  - OR -  On or After January 1, 2013 (with reciprocity)
V	II	2.7% at 57	On or After January 1, 2013 (without reciprocity)	On or After January 1, 2013 (without reciprocity)	On or After January 1, 2013 (without reciprocity)



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OCFA assumes the contribution cost for both the employer and employee, which is memorialized in the respective Memorandums of Understanding and Personnel and Salary Resolution. However, employees have agreed 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 the OCFA. Employee reimbursement rates vary depending on the individual employee's hire date and bargaining group, as follows:

- Employees in the Firefighter and Fire Management Units hired on or after January 1, 2011, reimburse 9% upon commencement of employment. Upon expiration of their respective Memorandums of Understanding, all employees may reimburse 50% of normal retirement costs, regardless of hire date. Memorandums of Understanding expire on October 31, 2014, for the Firefighter Unit, and on December 11, 2015, for the Fire Management Unit.
- Executive Management occupying suppression positions who were hired on or after January 1, 2013, with no reciprocal retirement benefits, contribute 50% of normal retirement costs upon commencement of employment.
- For employees hired prior to January 1, 2011 (Firefighter and Fire Management Units), or July 1, 2011 (Executive Management), the 9% contribution/reimbursement was phased in, as summarized in the following table:

<i>Phased-In Retirement Reimbursement Rates for Safety Members</i>					
<b>Firefighter Unit (Hired Prior to January 1, 2011)</b>		<b>Fire Management Unit (Hired Prior to January 1, 2011)</b>		<b>Executive Management in Suppression Positions (Hired Prior to July 1, 2011)</b>	
<b>Effective</b>	<b>%</b>	<b>Effective</b>	<b>%</b>	<b>Effective</b>	<b>%</b>
October 2010	2.50%	January 2011	2.75%	January 2011	2.75%
October 2011	5.00%	January 2012	5.50%	January 2012	5.50%
October 2012	7.00%*	January 2013	8.25%	January 2013	9.00%
October 2013	9.00%**	February 2014	9.00%		

\* *Consists of a 5.0% 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 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.*

General Member Category

Employees under the General Member category include those in the General and Supervisory Management Unit (represented by the Orange County Employees Association); unrepresented employees identified as Administrative Management; and unrepresented members of Executive Management occupying non-suppression positions. The four General Member plans are summarized below:

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Plan	Tier	Benefit Formula	Employee Hire Date	
			General and Supervisory Management	Administrative Management and Executive Management in Non-Suppression Positions
I	I	2.7% at 55	Prior to July 1, 2011	Prior to December 1, 2012
J	II	2.7% at 55	Prior to July 1, 2011	Prior to December 1, 2012
N	II	2.0% at 55	On or After July 1, 2011 (with reciprocity)	December 1, 2012 – December 31, 2012  - OR - On or After January 1, 2013 (with reciprocity)
U	II	2.0% at 62	On or After January 1, 2013 (without reciprocity)	On or After January 1, 2013 (without reciprocity)

OCFA assumes the contribution cost for both the employer and employee, which is memorialized in the respective Memorandums of Understanding and Personnel and Salary Resolution. However, employees have agreed to reimburse OCFA for a portion of their retirement costs. This reimbursement continues throughout an employee's entire term of employment with the OCFA.

All employees in the General Member category began reimbursing 6% of their compensation earnable to the OCFA in July 2004. Currently, employee reimbursement rates vary depending on the individual employee's hire date and bargaining group, as follows:

- Employees in the General and Supervisory Management Unit hired on or after July 1, 2011, reimburse 9% upon commencement of employment. Upon expiration of the current Memorandum of Understanding on December 18, 2014, all employees may reimburse 50% of normal retirement costs, regardless of hire date.
- Administrative Management and non-suppression Executive Management employees hired December 1, 2012 through December 31, 2012, (or those hired on or after January 1, 2013, with reciprocal retirement benefits), contribute 9% upon commencement of employment. Those hired on or after January 1, 2013, with no reciprocal retirement benefits, contribute 50% of normal retirement costs upon commencement of employment.
- Employees hired prior to July 1, 2011 (General and Supervisory Management Unit), and December 1, 2012 (Administrative Management and non-suppression Executive Management), are phasing in increases to their reimbursement rate from 6% to 9%, as summarized in the following table:

<i>Phased-In Retirement Reimbursement Rates for General Members</i>					
General and Supervisory Management (Hired Prior to July 1, 2011)		Administrative Management (Hired Prior to December 1, 2012)		Executive Management in Non-Suppression Positions (Hired Prior to December 1, 2012)	
Effective	%	Effective	%	Effective	%
January 2011	7.25%	January 2013	8.25%	January 2013	9.00%
July 2011	8.50%	February 2014	9.00%*		
February 2012	9.00%	February 2015	9.00%*		
		December 2015	9.00%**		

\* If a salary adjustment is implemented

\*\* If not already at 9.00%

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(c) Benefits

OCFA plan members who retire at or after the age applicable to their retirement formula and with 10 or more years of service are entitled to an annual retirement allowance. In general, the amount of the member's retirement allowance is calculated using the member's age at retirement, the member's "final compensation" as defined in Section 31462 of the Retirement Law of 1937, the total years of service under OCERS and the member's status as a Tier I or Tier II employee. Benefits fully vest on reaching five years of service. OCERS also provides for death and disability benefits associated with the retirement program.

(d) Contributions

Agency members are required to contribute a percentage of their distributed annual compensation to OCERS. Each year, an actuarial valuation is performed for OCERS within each rate group and contribution rates are established for the agency member within their assigned rate group. The table below summarizes the OCFA's required contribution rates for employees (paid by the OCFA) and for the employer for the current and preceding two fiscal years.

Plan	Tier	Benefit Formula	FYE June 30, 2014 Contribution Rates		FYE June 30, 2013 Contribution Rates		FYE June 30, 2012 Contribution Rates	
			Employee (Paid by OCFA)	Employer	Employee (Paid by OCFA)	Employer	Employee (Paid by OCFA)	Employer
<b><i>Safety Members</i></b>								
E	I	3.0% at 50	n/a*	43.15%	n/a*	45.46%	n/a*	48.53%
F	II	3.0% at 50	11.55-18.63%	43.15%	10.77-18.71%	45.46%	10.78-18.73%	48.53%
R	II	3.0% at 55	10.82-17.46%	38.24%	10.20-17.71%	42.22%	n/a	n/a
V	II	2.7% at 57	10.75-17.75%	34.89%	10.75-21.50%	38.45%	n/a	n/a
<b><i>General Members</i></b>								
I	I	2.7% at 55	8.87-15.31%	32.61%	8.10-14.74%	27.99%	8.11-14.76%	26.53%
J	II	2.7% at 55	8.47-15.31%	32.61%	7.75-14.74%	27.99%	7.76-14.76%	26.53%
N	II	2.0% at 55	6.54-12.88%	34.78%	5.73-11.98%	27.25%	5.73-11.98%	25.66%
U	II	2.0% at 62	5.75-11.50%	28.27%	5.75-11.50%	23.50%	n/a	n/a

\* All Tier I safety employees have more than 30 years of service; thus, no additional employee contributions were required.

The table below summarizes the OCFA's payroll and contribution information for the current and preceding two fiscal years.

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FYE	<u>OCFA Payroll</u>		<u>OCFA's Required Contributions</u>		<u>OCFA's Actual Contributions</u>	
	<u>Total</u>	Covered by <u>OCERS</u>	<u>Amount</u>	% of Covered <u>Payroll</u>	<u>Amount</u>	% of Required <u>Contributions</u>
June 30						
2012	\$152,675,870	\$111,444,130	\$55,756,764	50.1%	\$55,756,764	100.0%
2013	171,749,319	128,121,447	61,206,670	47.8%	61,206,670	100.0%
2014	171,194,140	125,869,628	57,795,043	46.0%	63,030,796	109.1%

**(16) Retirement Plan for Part-Time Employees**

(a) Summary of Significant Accounting Policies

Method Used to Value Investments

Investments are reported at fair value.

(b) Plan Description

Plan 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.

Plan Membership

As of June 30, 2014, Plan membership consisted of the following:

<u>Plan Members (or Beneficiaries)</u>	<u>Balance as of June 30, 2014</u>		
	<u>\$3,500 or Less</u>	<u>More than \$3,500</u>	<u>Total</u>
Inactive; currently receiving benefits	-	-	-
Inactive; entitled to but not yet receiving benefits	10	-	10
Active	<u>55</u>	<u>4</u>	<u>59</u>
Total plan members	<u>65</u>	<u>4</u>	<u>69</u>

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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, 2014, lump sum distributions totaling \$8,676 were made to fourteen participants. Currently, there are no participants eligible to collect retirement benefits.

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. After 30 years of credited service, OCFA is responsible for the employee's Plan contributions. The contributions are credited with 5% interest compounded semi-annually. Employee contributions rates range from 2.5% to 7.5% based on age.

(c) Investments

Investment Policy

Employee 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 overseen by the Local Agency Investment Advisory Board which consists of five members, in accordance with State statute.

Concentrations

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

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments was 0.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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(d) Net Pension Liability of OCFA

The components of the net pension liability of OCFA as of June 30, 2014, were as follows:

Total pension liability	\$313,389
Plan fiduciary net position	<u>(64,464)</u>
OCFA's net pension liability	<u>\$248,925</u>

Plan fiduciary net position as a percentage of the total pension liability 20.57%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary increases	3.00%, including merit, seniority, and inflation	
Discount rate	3.75%, net of pension plan investment expense, including inflation	
Measurement date	June 30, 2014, based on a valuation date of January 1, 2014, rolled forward on an actuarial basis	
Mortality	RP-2000 mortality table for combined healthy participants to 2014 for mortality improvements 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%

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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.

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 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current rate:

	1% Decrease <u>(2.75%)</u>	Current Discount <u>Rate (3.75%)</u>	1% Increase <u>(4.75%)</u>
Net pension liability	\$338,894	\$248,925	\$182,260

**(17) 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.

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(b) Funding Policy

All retirees and full-time employees hired prior to January 1, 2007, are eligible to participate in the Plan. 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, 2014, there were 569 eligible retirees who received monthly benefits aggregating to an annual total of \$3,532,085. In addition, there were three deferred retirees who received monthly benefits directly from the OCFA totaling \$5,164.

(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, 2014, the OCFA's annual OPEB cost was \$14,461,381, as determined by an actuarial valuation with a measurement date as of July 1, 2012, and was calculated as follows:

Annual Required Contribution (ARC)	\$14,560,117
Interest on the Net OPEB Obligation (NOPEBO)	2,135,737
Actuary's adjustment on the ARC	<u>(2,234,473)</u>
Annual OPEB Cost	<u>\$14,461,381</u>

During the year ended June 30, 2014, the OCFA's actual contributions totaled \$4,693,202 resulting in an increase to the NOPEBO of \$9,768,179 (the difference between the Annual OPEB Cost and actual contributions). The outstanding balance of the NOPEBO as of June 30, 2014, was \$48,085,317. 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.



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FYE	Annual	Actual	% of Annual	Net Increase to	Cumulative Net
<u>June 30</u>	<u>OPEB Cost</u>	<u>Contributions</u>	<u>OPEB Cost</u>	<u>Net OPEB</u>	<u>OPEB Obligation</u>
			<u>Contributed</u>	<u>Obligation</u>	<u>at June 30</u>
2012	\$13,141,576	\$4,557,554	34.68%	\$8,584,022	\$29,387,117
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

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:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Amounts irrevocably transferred to OCERS trust	\$3,482,518	\$3,526,937	\$3,670,501
Implicit insurance premiums paid on behalf of retirees	1,205,520	1,227,387	882,372
Amounts paid directly to retirees	<u>5,164</u>	<u>4,780</u>	<u>4,681</u>
Total actual contributions	<u>\$4,693,202</u>	<u>\$4,759,104</u>	<u>\$4,557,554</u>

(e) Funded Status and Funding Progress

The following schedule of funding progress shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
	Actuarial	Entry Age	Unfunded	Funded	Covered	UAAL as
As of	Value of	Actuarial	AAL	Ratio	Payroll	a % of
<u>July 1</u>	<u>Assets</u>	<u>Liability (AAL)</u>	<u>(UAAL)</u>			<u>Covered</u>
						<u>Payroll</u>
2008	\$21,525,051	\$ 94,124,900	\$ 72,599,849	22.87%	\$80,624,028	90.05%
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%

(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, 2014, was determined by an actuarial valuation of the Plan dated July 1, 2012. 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:

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• Valuation date	July 1, 2012
• Actuarial cost method	Entry age normal
• Amortization method	30 years beginning July 1, 2006, closed, level dollar
• Remaining amortization period	24 years as of July 1, 2012
• Asset valuation method	Market value
• Actuarial assumptions:	
Investment rate of return/discount rate	5.5%
Projected salary increases	N/A
Inflation	3.5%
Increase in retiree medical grant	5.0%
• Plan membership:	
Current retirees and surviving spouses	471
Current active members	804
Terminated participants entitled but not yet eligible	9

**(18) 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-Miliias-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 OCFA contributions totaled \$1,496,155 for the year ended June 30, 2014.

**(19) Subsequent Events**

(a) 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. In accordance with

**ORANGE COUNTY FIRE AUTHORITY**  
**Notes to the Financial Statements**  
**(Continued)**

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 2014/15 that are lawfully available for payment of the TRAN principal and accrued interest. The TRAN matures on June 30, 2015.

(b) Accelerated Pay-down of the Unfunded Actuarial Accrued Liability (UAAL) for Retirement

As part of the an overall strategy to reduce its long-term liabilities, OCFA previously negotiated with the Orange County Professional Firefighters Association and the Orange County Employees Association to use a portion of its cash reserves to accelerate the pay-down of its unfunded retirement liability with the Orange County Employees Retirement System (OCERS). On July 1, 2014, OCFA made an accelerated UAAL payment to OCERS totaling \$18,290,238.

## **Required Supplementary Information**

### **Extra Help Retirement**

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.

### **Defined Benefit Retiree Medical Plan**

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**  
**Schedules of Required Supplementary Information**

**Extra Help Retirement**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**As of June 30, for the Last Ten Fiscal Years (A)**

	<b>2014</b>
<b>Total pension liability:</b>	
Service cost	\$ 8,030
Interest	11,484
Benefit payments, including refunds of member contributions	(8,676)
<b>Net change in total pension liability</b>	<b>10,838</b>
Total pension liability - beginning	302,551
<b>Total pension liability - ending (a)</b>	<b>313,389</b>
<b>Plan fiduciary net position:</b>	
Contributions - employer	2,117
Contributions - plan members	13,542
Net investment income	586
Benefit payments, including refunds of member contributions	(8,676)
<b>Net change in plan fiduciary net position</b>	<b>7,569</b>
Total pension net position - beginning	56,895
<b>Total pension net position - ending (b)</b>	<b>64,464</b>
<b>Net pension liability - ending (a - b)</b>	<b>\$ 248,925</b>
Plan fiduciary net position as a percentage of the total pension liability (b / a)	20.57%
Covered-employee payroll (c)	\$ 205,340
Net pension liability as a percentage of covered-employee payroll (c) / (a - b)	121.23%
<b>Employer contributions:</b>	
Required contributions	\$ 2,117
Actual contributions	\$ 2,117
Actual contributions as a percentage of required contributions	100.00%

**Notes to Schedule:**

*Benefit changes:* None

*Changes in assumptions:* None

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

**ORANGE COUNTY FIRE AUTHORITY**  
**Schedules of Required Supplementary Information**

**Extra Help Retirement**  
**Schedule of Investment Returns**  
**As of June 30, for the Last Ten Fiscal Years (A)**

2014

**Annual money-weighted rate of return, net of investment expense**

**0.97%**

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**Notes to Schedule:**

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

**ORANGE COUNTY FIRE AUTHORITY**  
**Schedules of Required Supplementary Information**

**Defined Benefit Retiree Medical Plan**  
**Schedule of Funding Progress**  
**Last Three Actuarial Valuations**

	<b>Actuarial Valuation Dated</b>		
	<b>July 1, 2012</b>	<b>July 1, 2010</b>	<b>July 1, 2008</b>
Entry age actuarial accrued liability (AAL)	\$156,623,184	\$147,709,326	\$94,124,900
Actuarial value of assets	28,910,090	21,549,574	21,525,051
<b>Unfunded AAL (UAAL)</b>	<b>\$ 127,713,094</b>	<b>\$ 126,159,752</b>	<b>\$ 72,599,849</b>
<b>Funded ratio</b>	<b>18.46%</b>	<b>14.59%</b>	<b>22.87%</b>
<b>Covered payroll</b>	<b>\$ 75,432,000</b>	<b>\$ 81,391,495</b>	<b>\$ 80,624,028</b>
<b>UAAL as a percentage of covered payroll</b>	<b>169.31%</b>	<b>155.00%</b>	<b>90.05%</b>

-----  
**Notes to Schedules:**

*Benefit changes:* None

*Changes in Size or Composition of Plan members:*

	<b>Actuarial Valuation Dated</b>		
	<b>July 1, 2012</b>	<b>July 1, 2010</b>	<b>July 1, 2008</b>
Current retirees and surviving spouses	471	388	316
Current active members	804	896	960
Terminated participants entitled but not yet eligible	9	5	-
	1,284	1,289	1,276

**ORANGE COUNTY FIRE AUTHORITY**  
**Schedules of Required Supplementary Information**

**Defined Benefit Retiree Medical Plan**  
**Schedule of Contributions from the Employer and Other Contributing Entities**  
**Last Three Fiscal Years**

	<b>Fiscal Year Ended</b>		
	<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Annual OPEB cost	\$14,461,381	\$13,689,125	\$13,141,576
Actual contributions	4,693,202	4,759,104	4,557,554
<b>Net increase to Net OPEB obligation</b>	<b>\$ 9,768,179</b>	<b>\$ 8,930,021</b>	<b>\$ 8,584,022</b>
<b>% of annual OPEB cost contributed</b>	<b>32.45%</b>	<b>34.77%</b>	<b>34.68%</b>

-----  
**Notes to Schedule (Continued):**

***Changes in assumptions:***

- (1) The implicit subsidy for insurance premiums paid on behalf of retirees was included in the actuarial valuations effective July 1, 2008, and thereafter. The implicit subsidy was excluded from previous actuarial valuations.
  
- (2) The investment rate of return/discount rate decreased as follows:

	<b>Actuarial Valuation Dated</b>		
	<b>July 1, 2012</b>	<b>July 1, 2010</b>	<b>July 1, 2008</b>
Investment rate of return/discount rate	5.50%	5.50%	7.75%



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## **Major Governmental Funds**

### *Capital Projects Funds*

#### **Facilities Maintenance & Improvements**

This fund is used to account for significant capital projects that provide for either the maintenance or improvement of OCFA's facilities.

#### **Communications & Information Systems**

This fund is used to account for the replacement of specialized fire communications equipment and information systems equipment.

#### **Vehicle Replacement**

This fund is used to account for the planned replacement of fire apparatus and vehicles.

#### **Facilities Replacement**

This fund is used to account for the replacement of sub-standard fire stations and the construction of new fire stations.

**ORANGE COUNTY FIRE AUTHORITY**  
**Facilities Maintenance & Improvements**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<u>2014</u>			<u>2013</u>	
	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>	
<b>Budgetary fund balance, July 1</b>	<b>\$ 2,584,684</b>	<b>\$ 2,584,684</b>	<b>\$ 2,584,684</b>	<b>\$ -</b>	<b>\$ 3,279,721</b>
<b>Resources (inflows):</b>					
Intergovernmental	-	890,000	17,220	(872,780)	-
Charges for services	216,178	238,129	238,129	-	278,656
Use of money and property	10,238	12,497	17,398	4,901	(1,951)
Miscellaneous	-	50,000	39,233	(10,767)	-
Transfers in	1,078,745	1,078,745	1,078,745	-	-
<b>Total resources (inflows)</b>	<b>1,305,161</b>	<b>2,269,371</b>	<b>1,390,725</b>	<b>(878,646)</b>	<b>276,705</b>
<b>Amounts available for appropriations</b>	<b>3,889,845</b>	<b>4,854,055</b>	<b>3,975,409</b>	<b>(878,646)</b>	<b>3,556,426</b>
<b>Charges to appropriation (outflows):</b>					
Services and supplies	1,254,884	1,404,884	1,264,707	140,177	961,247
Capital outlay	-	890,000	-	890,000	10,495
<b>Total charges to appropriations</b>	<b>1,254,884</b>	<b>2,294,884</b>	<b>1,264,707</b>	<b>1,030,177</b>	<b>971,742</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 2,634,961</b>	<b>\$ 2,559,171</b>	<b>\$ 2,710,702</b>	<b>\$ 151,531</b>	<b>\$ 2,584,684</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Communications & Information Systems**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	2014			Variance with Final Budget Positive (Negative)	2013
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>Budgetary fund balance, July 1</b>	<b>\$ 19,079,126</b>	<b>\$ 19,079,126</b>	<b>\$ 19,079,126</b>	<b>\$ -</b>	<b>\$ 22,207,187</b>
<b>Resources (inflows):</b>					
Intergovernmental	920,000	920,000	-	(920,000)	-
Use of money and property	50,445	63,073	109,385	46,312	(11,991)
Miscellaneous	-	129,909	129,909	-	148,011
Transfers in	2,234,129	2,449,115	2,449,115	-	343,435
<b>Total resources (inflows)</b>	<b>3,204,574</b>	<b>3,562,097</b>	<b>2,688,409</b>	<b>(873,688)</b>	<b>479,455</b>
<b>Amounts available for appropriations</b>	<b>22,283,700</b>	<b>22,641,223</b>	<b>21,767,535</b>	<b>(873,688)</b>	<b>22,686,642</b>
<b>Charges to appropriation (outflows):</b>					
Services and supplies	1,403,332	2,223,732	1,420,510	803,222	1,562,993
Capital outlay	11,052,416	12,258,416	2,295,273	9,963,143	2,044,523
<b>Total charges to appropriations</b>	<b>12,455,748</b>	<b>14,482,148</b>	<b>3,715,783</b>	<b>10,766,365</b>	<b>3,607,516</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 9,827,952</b>	<b>\$ 8,159,075</b>	<b>\$ 18,051,752</b>	<b>\$ 9,892,677</b>	<b>\$ 19,079,126</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Vehicle Replacement**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	2014			2013	
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final		Positive (Negative)	
<b>Budgetary fund balance, July 1</b>	<b>\$ 30,875,249</b>	<b>\$ 30,875,249</b>	<b>\$ 30,875,249</b>	<b>\$ -</b>	<b>\$ 34,373,122</b>
<b>Resources (inflows):</b>					
Intergovernmental	-	-	-	-	879,066
Charges for services	1,355,244	1,362,214	1,362,214	-	1,332,748
Use of money and property	119,439	112,554	175,421	62,867	(18,644)
Miscellaneous	-	79,719	79,719	-	90,839
Developer contributions	643,106	643,106	-	(643,106)	-
Transfers in	1,184,973	1,842,515	1,842,515	-	37,787
<b>Total resources (inflows)</b>	<b>3,302,762</b>	<b>4,040,108</b>	<b>3,459,869</b>	<b>(580,239)</b>	<b>2,321,796</b>
<b>Amounts available for appropriations</b>	<b>34,178,011</b>	<b>34,915,357</b>	<b>34,335,118</b>	<b>(580,239)</b>	<b>36,694,918</b>
<b>Charges to appropriation (outflows):</b>					
Services and supplies	86,958	86,958	86,958	-	173,434
Capital outlay	7,217,462	11,262,691	2,219,556	9,043,135	3,114,512
Principal retirement	2,219,152	2,219,152	2,219,152	-	2,162,809
Interest and fiscal charges	312,571	312,571	312,571	-	368,914
<b>Total charges to appropriations</b>	<b>9,836,143</b>	<b>13,881,372</b>	<b>4,838,237</b>	<b>9,043,135</b>	<b>5,819,669</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 24,341,868</b>	<b>\$ 21,033,985</b>	<b>\$ 29,496,881</b>	<b>\$ 8,462,896</b>	<b>\$ 30,875,249</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Facilities Replacement**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	2014			2013	
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final		Positive (Negative)	
<b>Budgetary fund balance, July 1</b>	<b>\$ 16,683,531</b>	<b>\$ 16,683,531</b>	<b>\$ 16,683,531</b>	<b>\$ -</b>	<b>\$ 16,136,604</b>
<b>Resources (inflows):</b>					
Use of money and property	50,111	50,111	89,100	38,989	(13,275)
Miscellaneous	-	76,949	76,949	-	87,586
Developer contributions	4,056,050	5,253,050	1,271,400	(3,981,650)	538,260
<b>Total resources (inflows)</b>	<b>4,106,161</b>	<b>5,380,110</b>	<b>1,437,449</b>	<b>(3,942,661)</b>	<b>612,571</b>
<b>Amounts available for appropriations</b>	<b>20,789,692</b>	<b>22,063,641</b>	<b>18,120,980</b>	<b>(3,942,661)</b>	<b>16,749,175</b>
<b>Charges to appropriation (outflows):</b>					
Services and supplies	-	-	-	-	65,644
Capital outlay	5,250,000	12,956,900	2,711,093	10,245,807	-
<b>Total charges to appropriations</b>	<b>5,250,000</b>	<b>12,956,900</b>	<b>2,711,093</b>	<b>10,245,807</b>	<b>65,644</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 15,539,692</b>	<b>\$ 9,106,741</b>	<b>\$ 15,409,887</b>	<b>\$ 6,303,146</b>	<b>\$ 16,683,531</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Balance Sheet**  
**June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<b>General Operating Fund</b>	<b>Structural Fire Entitlement</b>
<b>Assets:</b>		
Cash and investments	\$ 31,645,070	\$ 1,173,911
Receivables:		
Accounts, net	2,117,990	-
Accrued interest	54,196	-
Prepaid costs and other assets	30,565,638	-
Due from other governments, net	9,946,907	-
<b>Total assets</b>	<b>\$ 74,329,801</b>	<b>\$ 1,173,911</b>
<b>Liabilities:</b>		
Accounts payable	\$ 4,911,061	\$ 389,294
Accrued liabilities	11,540,122	-
Unearned revenue	3,012,482	-
Due to other governments	67,854	-
<b>Total liabilities</b>	<b>19,531,519</b>	<b>389,294</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue	1,000,139	-
<b>Total deferred inflows of resources</b>	<b>1,000,139</b>	<b>-</b>
<b>Fund balances:</b>		
Nonspendable - Prepaid costs	30,560,638	-
Restricted for:		
Executive Management	-	-
Operations Department	32,015	-
Community Risk Reduction Department	267	-
Committed to - SFF cities enhancements	-	784,617
Assigned to:		
Workers' compensation	-	-
Executive Management	90,529	-
Operations Department	75,416	-
Community Risk Reduction Department	-	-
Business Services Department	58,254	-
Support Services Department	90,364	-
Unassigned	22,890,660	-
<b>Total fund balances</b>	<b>53,798,143</b>	<b>784,617</b>
<b>Total liabilities, deferred inflows     of resources, and fund balances</b>	<b>\$ 74,329,801</b>	<b>\$ 1,173,911</b>

Self Insurance	Eliminations	Total General Fund	
		2014	2013
\$ 60,921,529	\$ -	\$ 93,740,510	\$ 87,493,792
-	-	2,117,990	2,944,138
-	-	54,196	32,796
-	-	30,565,638	26,727,849
-	-	9,946,907	9,674,957
<b>\$ 60,921,529</b>	<b>\$ -</b>	<b>\$ 136,425,241</b>	<b>\$ 126,873,532</b>
\$ -	\$ -	\$ 5,300,355	\$ 2,471,418
-	-	11,540,122	12,853,555
-	-	3,012,482	2,905,626
-	-	67,854	23,368
-	-	<b>19,920,813</b>	<b>18,253,967</b>
-	-	1,000,139	1,034,421
-	-	<b>1,000,139</b>	<b>1,034,421</b>
-	-	30,560,638	26,727,849
-	-	-	7,865
-	-	32,015	127,193
-	-	267	2,618
-	-	784,617	1,268,160
60,921,529	-	60,921,529	53,230,384
-	-	90,529	24,832
-	-	75,416	62,583
-	-	-	55,138
-	-	58,254	161,126
-	-	90,364	134,545
-	-	22,890,660	25,782,851
<b>60,921,529</b>	<b>-</b>	<b>115,504,289</b>	<b>107,585,144</b>
<b>\$ 60,921,529</b>	<b>\$ -</b>	<b>\$ 136,425,241</b>	<b>\$ 126,873,532</b>



**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<b>General Operating Fund</b>	<b>Structural Fire Entitlement</b>
<b>Revenues:</b>		
Taxes	\$ 190,873,689	\$ -
Intergovernmental	19,094,591	-
Charges for services	96,104,840	-
Use of money and property	221,503	6,825
Miscellaneous	1,352,043	-
<b>Total revenues</b>	<b>307,646,666</b>	<b>6,825</b>
<b>Expenditures:</b>		
Current - public safety:		
Salaries and benefits	269,959,939	-
Services and supplies	31,477,919	490,368
Capital outlay	455,496	-
Debt service:		
Interest and fiscal charges	109,274	-
<b>Total expenditures</b>	<b>302,002,628</b>	<b>490,368</b>
Excess (deficiency) of revenues over (under) expenditures	5,644,038	(483,543)
<b>Other financing sources (uses):</b>		
Transfers out	(5,370,375)	-
Sale of capital and other assets	77,077	-
Insurance recoveries	360,803	-
<b>Total other financing sources (uses)</b>	<b>(4,932,495)</b>	<b>-</b>
Net change in fund balances	711,543	(483,543)
Fund balances, beginning of year	53,086,600	1,268,160
<b>Fund balances, end of year</b>	<b>\$ 53,798,143</b>	<b>\$ 784,617</b>

<b>Self Insurance</b>	<b>Eliminations</b>	<b>Total General Fund</b>	
		<b>2014</b>	<b>2013</b>
\$ -	\$ -	\$ 190,873,689	\$ 181,720,253
-	-	19,094,591	28,004,583
12,825,909	(12,825,909)	96,104,840	94,292,648
312,652	-	540,980	25,305
-	-	1,352,043	4,785,472
<b>13,138,561</b>	<b>(12,825,909)</b>	<b>307,966,143</b>	<b>308,828,261</b>
-	(12,825,909)	257,134,030	255,301,913
5,447,416	-	37,415,703	29,849,819
-	-	455,496	250,572
-	-	109,274	115,937
<b>5,447,416</b>	<b>(12,825,909)</b>	<b>295,114,503</b>	<b>285,518,241</b>
7,691,145	-	12,851,640	23,310,020
-	-	(5,370,375)	(381,222)
-	-	77,077	58,051
-	-	360,803	53,529
-	-	<b>(4,932,495)</b>	<b>(269,642)</b>
7,691,145	-	7,919,145	23,040,378
53,230,384	-	107,585,144	84,544,766
<b>\$ 60,921,529</b>	<b>\$ -</b>	<b>\$ 115,504,289</b>	<b>\$ 107,585,144</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Original Budget**  
**Year ended June 30, 2014**

	<b>General Operating Fund</b>	<b>Structural Fire Entitlement</b>	<b>Self Insurance</b>	<b>Eliminations</b>	<b>Total General Fund 2014</b>
<b>Budgetary fund balance, July 1</b>	<b>\$ 53,086,600</b>	<b>\$ 1,268,160</b>	<b>\$ 53,230,384</b>	<b>\$ -</b>	<b>\$ 107,585,144</b>
<b>Resources (inflows):</b>					
Taxes	186,998,721	-	-	-	186,998,721
Intergovernmental	11,443,286	-	-	-	11,443,286
Charges for services	94,325,831	-	12,763,412	(12,763,412)	94,325,831
Use of money and property	221,379	296	255,764	-	477,439
Miscellaneous	782,000	-	-	-	782,000
Sale of capital and other assets	50,000	-	-	-	50,000
<b>Total resources (inflows)</b>	<b>293,821,217</b>	<b>296</b>	<b>13,019,176</b>	<b>(12,763,412)</b>	<b>294,077,277</b>
<b>Amounts available for appropriations</b>	<b>346,907,817</b>	<b>1,268,456</b>	<b>66,249,560</b>	<b>(12,763,412)</b>	<b>401,662,421</b>
<b>Charges to appropriation (outflows):</b>					
Salaries and benefits	266,528,679	-	-	(12,763,412)	253,765,267
Services and supplies	22,846,247	-	9,856,181	-	32,702,428
Capital outlay	29,444	-	-	-	29,444
Interest and fiscal charges	116,250	-	-	-	116,250
Transfers out	4,497,847	-	-	-	4,497,847
<b>Total charges to appropriations</b>	<b>294,018,467</b>	<b>-</b>	<b>9,856,181</b>	<b>(12,763,412)</b>	<b>291,111,236</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 52,889,350</b>	<b>\$ 1,268,456</b>	<b>\$ 56,393,379</b>	<b>\$ -</b>	<b>\$ 110,551,185</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Final Budget**  
**Year ended June 30, 2014**

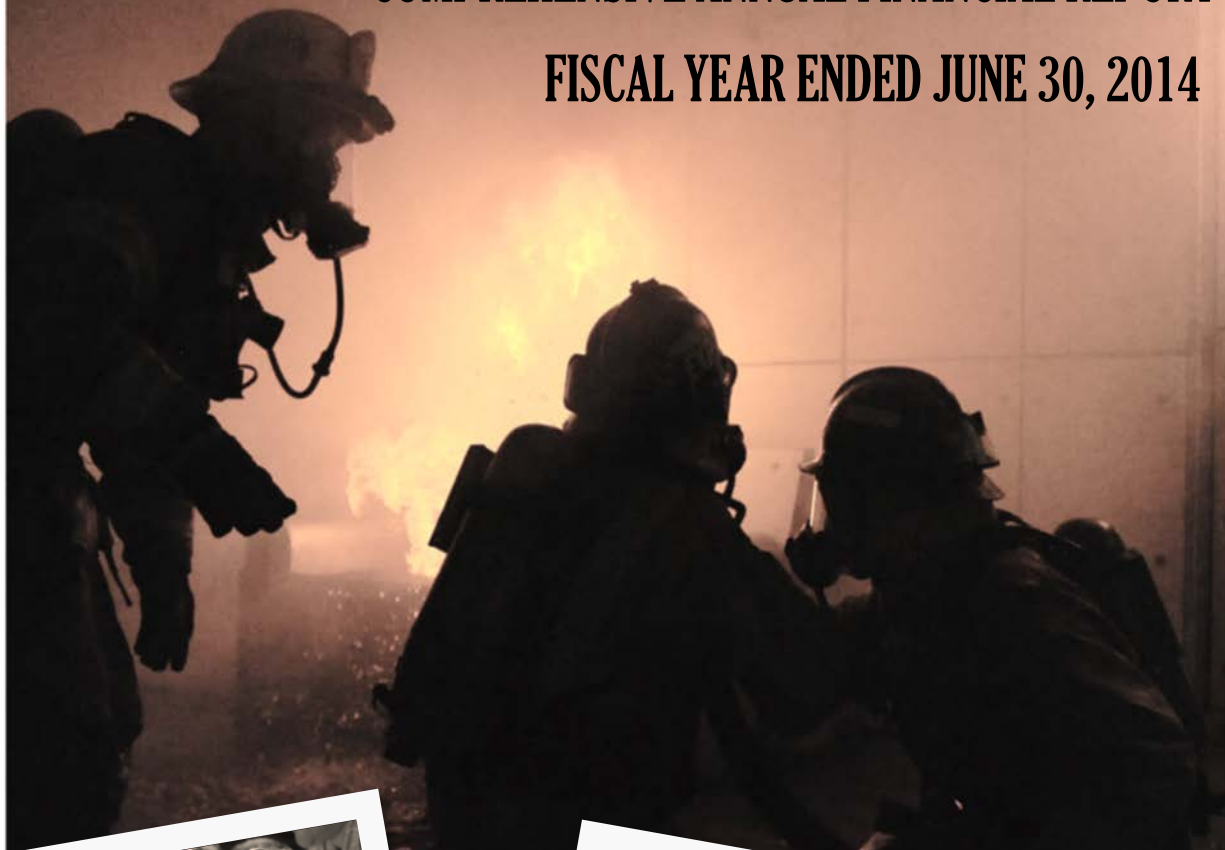
	<b>General Operating Fund</b>	<b>Structural Fire Entitlement</b>	<b>Self Insurance</b>	<b>Eliminations</b>	<b>Total General Fund 2014</b>
<b>Budgetary fund balance, July 1</b>	<b>\$ 53,086,600</b>	<b>\$ 1,268,160</b>	<b>\$ 53,230,384</b>	<b>\$ -</b>	<b>\$ 107,585,144</b>
<b>Resources (inflows):</b>					
Taxes	190,156,251	-	-	-	190,156,251
Intergovernmental	17,872,333	-	-	-	17,872,333
Charges for services	96,288,619	-	12,825,908	(12,825,908)	96,288,619
Use of money and property	128,487	3,489	170,481	-	302,457
Miscellaneous	1,160,503	-	-	-	1,160,503
Sale of capital and other assets	50,000	-	-	-	50,000
Insurance recoveries	362,128	-	-	-	362,128
<b>Total resources (inflows)</b>	<b>306,018,321</b>	<b>3,489</b>	<b>12,996,389</b>	<b>(12,825,908)</b>	<b>306,192,291</b>
<b>Amounts available for appropriations</b>	<b>359,104,921</b>	<b>1,271,649</b>	<b>66,226,773</b>	<b>(12,825,908)</b>	<b>413,777,435</b>
<b>Charges to appropriation (outflows):</b>					
Salaries and benefits	273,143,957	-	-	(12,825,908)	260,318,049
Services and supplies	32,759,280	699,758	10,503,824	-	43,962,862
Capital outlay	573,577	-	-	-	573,577
Interest and fiscal charges	116,250	-	-	-	116,250
Transfers out	5,370,375	-	-	-	5,370,375
<b>Total charges to appropriations</b>	<b>311,963,439</b>	<b>699,758</b>	<b>10,503,824</b>	<b>(12,825,908)</b>	<b>310,341,113</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 47,141,482</b>	<b>\$ 571,891</b>	<b>\$ 55,722,949</b>	<b>\$ -</b>	<b>\$ 103,436,322</b>

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# ORANGE COUNTY FIRE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014



Orange County, California  
Business Services — Finance Division



# Orange County Fire Authority Comprehensive Annual Financial Report Year ended June 30, 2014

## Board of Directors

As of June 2014

**Steven Weinberg, Chair**  
City of Dana Point

**Al Murray, Vice Chair**  
City of Tustin

**Phillip Tsunoda**  
City of Aliso Viejo

**Noel Hatch**  
City of Laguna Woods

**David Sloan**  
City of Seal Beach

**Elizabeth Swift**  
City of Buena Park

**Warren Kusumoto**  
City of Los Alamitos

**David Shawver**  
City of Stanton

**Robert Johnson**  
City of Cypress

**Trish Kelley**  
City of Mission Viejo

**Rick Barnett**  
City of Villa Park

**Jeff Lalloway**  
City of Irvine

**Chad Wanke**  
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City of Lake Forest

**Carol Gamble**  
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**Eugene Hernandez**  
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**Gerard Goedhart**  
City of La Palma

**Bob Baker**  
City of San Clemente

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County of Orange

**Randal Bressette**  
City of Laguna Hills

**Sam Allevato**  
City of San Juan Capistrano

**Todd Spitzer**  
County of Orange

**Jerry McCloskey**  
City of Laguna Niguel

**Roman Reyna**  
City of Santa Ana

**Keith Richter**  
Fire Chief

Prepared by Finance Division

# 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



**ORANGE COUNTY FIRE AUTHORITY  
Comprehensive Annual Financial Report  
Year ended June 30, 2014**

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# Introductory Section



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

October 13, 2014

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, 2014. 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.

The 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, 2014, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

**RESIDENTIAL SPRINKLERS AND SMOKE ALARMS SAVE LIVES**

### **Background Information on the OCFA**

The 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. The 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. The OCFA is managed by an appointed Fire Chief who reports to the Board of Directors.

The annual budget serves as the foundation for the 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 the Local Economy**

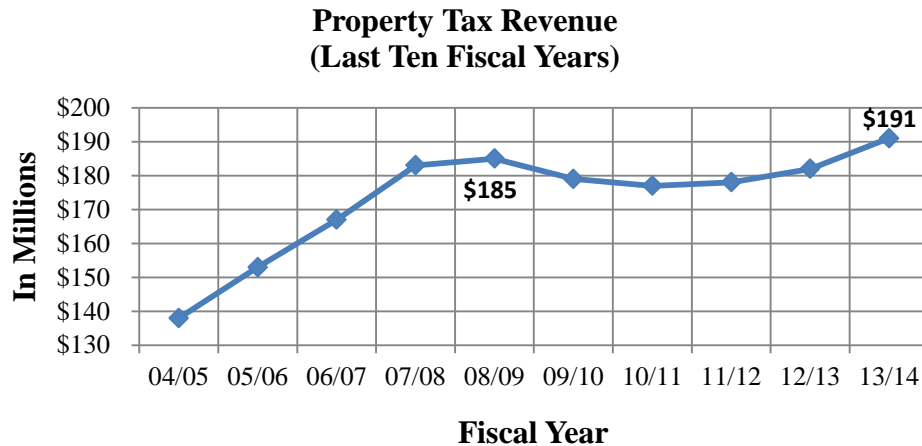
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the local economic environment within which the OCFA operates.

Orange County 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. There are thirty-four cities in Orange County, along with various unincorporated areas. OCFA provides regional fire services to twenty-three of those cities, and to the unincorporated areas throughout the county. *Forbes* magazine ranked Orange County as 97<sup>th</sup> in its "2013 Best Places for Business" regional rankings, an improvement of two places from the previous year. The ranking evaluates areas such as job growth, business and living costs, income growth, projected economic growth, educational attainment, cultural opportunities, the number of highly ranked colleges, and net migration patterns. Even though the county ranked in the top 100, it still ranked poorly in the cost of doing business. *Forbes* calculated Orange County's cost of living at 42.8% above the national average.<sup>1</sup>

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<sup>1</sup> 2014 Community Indicators Report – Orange County Ranking Inches Up, O.C. Community Indicators Project – March 2014

The most significant local economic factor impacting the OCFA is Orange County’s housing market, including fluctuations in housing prices and new construction activities. Property taxes derived from these activities comprised 61.2% of the OCFA’s total governmental funds revenues in Fiscal Year 2013/14. As shown in the chart below, OCFA’s property tax revenues in Fiscal Year 2013/14 showed a substantial increase for the first time in several years, surpassing the previous peak from Fiscal Year 2008/09 by over \$6 million. This increase is attributed primarily to the significant appreciation in Orange County’s housing prices over the past two years.



Although Orange County’s housing prices have risen substantially, they have not yet reached the same levels that existed prior to the housing downturn and U.S. “Great Recession” that began in December 2007. In December 2013, the median sales price on single family homes increased to \$677,660, up 16% from the previous year. For comparison purposes, Orange County’s price peak was \$747,260 in April 2007, and the price low was \$432,100 in January 2009. In 2013, the median home price was \$240,000 higher than the overall median home price for the State of California, and Orange County continues to remain less affordable than its peers (with the exception of the San Francisco Bay Area). In 2013, 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 \$82,180. Approximately 43% of Orange County households could afford to purchase at this price.<sup>2</sup>

As of January 2013, there were 1,056,195 housing units available to Orange County residents. Building permits are continuing to rebound since record low numbers in 2009, and are driven largely by increases in multi-family unit development. The county’s total housing stock is expected to grow 12% between the years 2010 and 2035.<sup>3</sup>

**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 eighteen 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

<sup>2</sup> 2014 Community Indicators Report – Home Prices Rise; Affordability Declines, O.C. Community Indicators Project – March 2014

<sup>3</sup> 2014 Community Indicators Report – County Profile – Land Use and Housing, O.C. Community Indicators Project – March 2014

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.<sup>4</sup>

### **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) funds.

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

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

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

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

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

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

**Assigned Fund Balance Policy** – This policy, which was adopted in April 2011, 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.

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<sup>4</sup> *Rosenow Spavacek Group, Inc. (RSG) Final Property Tax Revenue Projections*, Orange County Fire Authority Budget & Finance Committee Agenda Item No. 6 – May 14, 2014

## Major Initiatives and Accomplishments for Fiscal Year 2013/14

### Agreements, Studies and Strategic Initiatives:

- **Completion and Implementation of Equity Mitigation Measures** – 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.
- **Pay-Down of OCFA’s Unfunded Pension Liability with the Orange County Employees Retirement System** – OCFA’s Unfunded Actuarial Accrued Liability (UAAL) with the Orange County Employees Retirement system was approximately \$449.8 million as of the end of 2013, and its retirement rates include a portion to pay down that liability over approximately the next 20 years. In September 2013, the Board of Directors approved several additional strategies to accelerate funding the UAAL. Those strategies 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 of additional UAAL payments for five years beginning in Fiscal Year 2016/17. It is anticipated that these strategies will accelerate the pay-down of the unfunded pension liability, while still maintaining flexibility should the financial environment change. During Fiscal Year 2013/14, OCFA made its first lump-sum payment toward the UAAL in the amount of \$3 million. In addition, over \$2.2 million was contributed throughout the year by maintaining the higher Fiscal Year 2012/13 retirement rates even though actual required rates dropped in Fiscal Year 2013/14.
- **Determination of Business Eligible for Refunds of Hazardous Materials Disclosure Fees** – During Fiscal Year 2012/13, OCFA determined that many businesses were eligible for a refund of hazardous materials disclosure fees for inspections that were billed, but for which performance could not be verified. An internal review identified a maximum of \$1.7 million in total potential refunds pertaining to prior fiscal years. During Fiscal Year 2013/14, approximately 2,200 eligible businesses were notified and mailed claim forms to initiate the refund process. After several rounds of outreach and follow-up, OCFA refunded approximately \$1.3 million to over 1,500 of those business owners who demonstrated entitlement to the refund. In June 2014, most remaining funds were transferred to the County of Orange Health Care Agency (HCA) for use in the existing Hazardous Materials Disclosure program. All remaining funds will be transferred to the HCA by the end of 2014. With appropriate verifications, OCFA will continue to honor and refund any claims submitted.

### Staffing and Personnel:

- **Academies** – Academies are completed as part of the OCFA’s ongoing succession plan to replace retiring employees. In May 2014, 33 new Firefighters graduated as part of Career Firefighter Academy 39. Other internal promotional academies were completed during Fiscal Year 2013/14 for Battalion



Chief (July 2013), Fire Captain (August 2013), Reserve Firefighter (November 2013), and Fire Apparatus Engineer (June 2014). In addition, the OCFA Foundation sponsored a Fire Explorer Academy in July 2013, which is designed to provide teenagers and young adults the opportunity to further their education and skills in pursuit of a fire service career.

- 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 100 authorized positions were frozen as of June 30, 2014, as summarized below.

	<u>Frozen Positions</u>		<u>As of June 30</u> <u>2014</u> <u>2013</u> <u>+/-</u>
	<u>2014</u>	<u>2013</u>	
○ 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:			
✓ 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)			
✓ Fire Pilot (1 position)	34	33	1
Subtotal – Suppression	73	72	1
○ Vacancies remain frozen for twenty-seven non-suppression positions.			
✓ Executive Management/Human Resources	4	4	-
✓ Operations	1	2	(1)
✓ Community Risk Reduction	14	15	(1)
✓ Business Services	4	5	(1)
✓ Support Services	4	4	-
Subtotal – Non-Suppression	27	30	(3)
Total frozen positions	100	102	(2)

### **Facilities and Capital Improvements:**

- **Continued Progress on the Public Safety Systems Project** – OCFA is in the process of a major, multi-year project to replace its Public Safety System. 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 in November 2012, with a go-live milestone projected for early Fiscal Year 2014/15. The records management portion of the project, which includes both OCFIRS and IFP, is currently being re-evaluated and a contract is expected to be awarded in Fiscal Year 2014/15.
- **New OCFA-Built Fire Station** – Construction of Fire Station No. 56 (Village of Sendero) began during Fiscal Year 2013/14. This new station is being constructed by OCFA and funded by developer contributions from the Rancho Mission Viejo Company. This will be 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.

### **Additional Major Initiatives and Goals for the Future**

### **Agreements, Studies and Strategic Initiatives:**

- **Complete Validation of the 2<sup>nd</sup> Amendment to the Joint Powers Agreement** – Concurrent with the approval of the 2<sup>nd</sup> Amendment to the JPA in Fiscal Year 2013/14, the Board of Directors approved requesting a judicial review to seek court validation. The validation process 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. On August 7, 2014, a Superior Court judge ruled that the 2<sup>nd</sup> Amendment to the JPA is invalid. During Fiscal Year 2014/15, OCFA's Board of Directors will continue to review its legal options, including pursuing an appeal.
- **Standards of Cover and Deployment Plan** – The Standards of Cover and Deployment Plan (SOC) includes OCFA's written policies and procedures used to determine the distribution, concentration, and reliability of its response forces for fire, emergency medical, hazardous materials, and other technical responses. The plan assesses community risk, defines baseline emergency response performance standards, plans future station locations, determines fire apparatus and staffing patterns, evaluates workload and ideal unit utilization, measures service delivery system performance, and assists in the strategic planning and policy development process. A comprehensive review and update of the SOC was identified in OCFA's recently-adopted Strategic Plan, and in January 2012 the Board directed that the project be accelerated. OCFA entered into a professional service agreement with a consulting firm to oversee the development of an updated SOC, and in February 2014 a draft report was presented to the Board. Based on concerns raised by OCFA's labor groups and several Board members, no action was taken at that time to approve the report. Further action relating to the SOC is on hold, pending future strategic direction.
- **Progress Made Toward Implementation of Updated Strategic Plan** – With the adoption of OCFA's updated strategic plan in June 2010, efforts will continue to move forward with its implementation. The Strategic Plan is divided into three major goals (Service Delivery, Performance and Accountability, and

Technology), with various objectives being addressed within each goal. Multi-disciplinary project teams will continue to be assembled for each objective. OCFA's Executive Management will continue to discuss issues, priorities and needs, as well as conduct yearly planning sessions to review the plan's status and make any necessary revisions.

- **Complete Labor Negotiations for Expiring Contracts** – The Memorandum of Understanding (MOU) with Orange County Professional Firefighters Association (OCPFA) expired in June 2014, and the MOU with Orange County Employees Association (OCEA) expires in December 2014. The MOU with OCPFA has been extended through October 2014 to allow additional time for negotiations. Negotiation sessions are in progress and expected to continue in Fiscal Year 2014/15.
- **Continued Focus on Financial Health and Sustainability** – While there have been improvements in the overall economy, OCFA remains focused on the pursuit of fiscal health, seeking to ensure that the services delivered are sustainable into the future.

#### **Staffing and Personnel:**

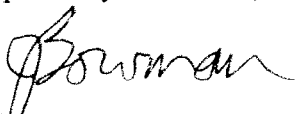
- **Recruit and Appoint a New Fire Chief** – In August 2014, the Fire Chief retired after thirty-seven years in the fire service. An Interim Fire Chief joined OCFA in September 2014, and the Board of Directors has initiated a process to recruit a new Fire Chief.
- **Firefighter Recruit Academies** – 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.

#### **Awards and Acknowledgments**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the OCFA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the sixteenth consecutive year that the OCFA has received this prestigious award. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and the applicable legal requirements. This certificate is valid for a period of one year only. We believe that our current 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 Comprehensive Annual Financial Report was made possible by the dedicated efforts of all departments of the OCFA, especially the staff of the Finance Division. We appreciate and acknowledge the support and direction provided to OCFA staff preparing the CAFR by the accounting firm of Lance, Soll & Lunghard, LLP. We would also like to express our appreciation to the Board of Directors and the OCFA 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,

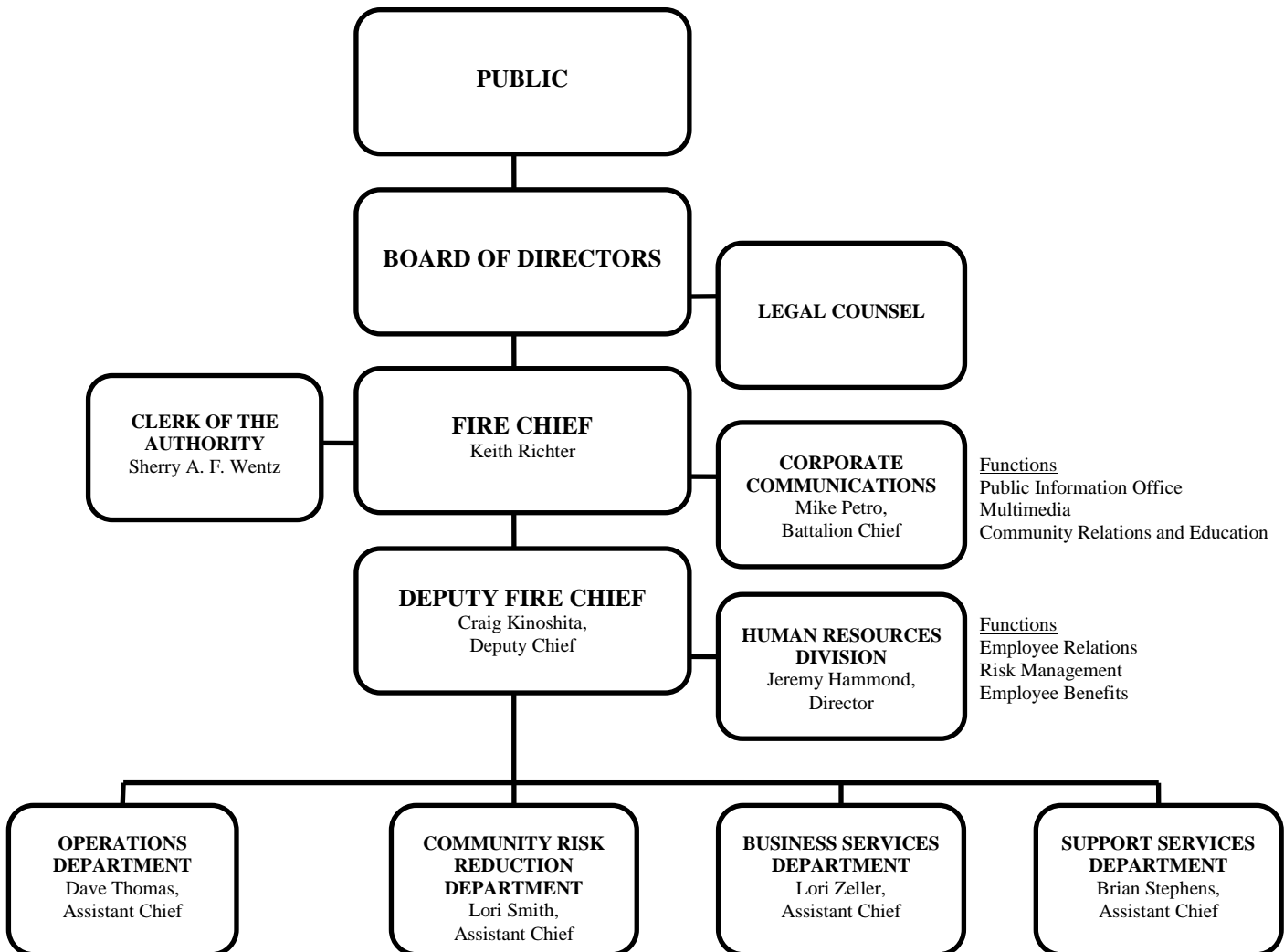


Jeff Bowman, Fire Chief



Lori Zeller, Assistant Chief of Business Service

**ORANGE COUNTY FIRE AUTHORITY**  
**Organization Chart**  
**As of June 30, 2014**



- Functions  
 Division I  
 ~ Battalion 1  
 ~ Air Operations  
 Division II  
 ~ Battalion 5  
 ~ John Wayne Airport, Hazmat, UCI  
 Division III  
 ~ Battalions 6 & 7  
 Division IV  
 ~ Battalions 2 & 3  
 ~ Community Volunteer Services  
 ~ Training & Safety Services  
 Division V  
 ~ Battalion 4  
 ~ Urban Search and Rescue  
 ~ Swift Water Rescue  
 Division VI  
 ~ Battalion 9  
 ~ Emergency Medical Services  
 Division VII  
 ~ Battalion 8  
 Emergency Planning & Coordination

- Functions  
 Investigation Services  
 Planning and Development Services  
 Pre-Fire Management  
 ~ Crews & Equipment  
 Safety & Environmental Services

- Functions  
 Finance  
 Purchasing & Materiel Management  
 Treasury & Financial Planning

- Functions  
 Emergency Command Center  
 Fleet Services  
 Information Technology  
 Legislative Services  
 Property Management  
 Strategic Services



**ORANGE COUNTY FIRE AUTHORITY**  
**Organization of Board of Directors**  
**As of June 30, 2014**

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. 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 Deputy Fire Chief serves as the Fire Chief's alternate, and the Risk Manager serves as the Human Resources Director's alternate.

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, 2013**

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO



# Financial Section



## INDEPENDENT AUDITORS' REPORT

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

### Report on 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 Orange County Fire Authority (OCFA) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise 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.

### 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 OCFA, as of June 30, 2014, and the respective changes in financial position 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 2014 OCFA adopted new accounting guidance, GASB Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

### Correction of an error

As discussed in Note 7 to the financial statements, in 2014 OCFA recorded a prior period adjustment in the government-wide statements to correct an error related to capital assets. Our opinion is not modified with respect to this matter.



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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required funding information on the Extra-Help Pension and Defined Benefit Retiree Medical Plans as listed in the table of contents 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, 2013, 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 OCFA's basic financial statements. The introductory section, combining and budget comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and budget comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014 on our consideration of 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 OCFA's internal control over financial reporting and compliance.

Brea, California  
October 13, 2014



# Management's Discussion & Analysis

**ORANGE COUNTY FIRE AUTHORITY**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2014**

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, 2014.

**Financial Highlights**

- **Governmental Activities:** The assets of the OCFA exceeded its liabilities by \$243,754,615 at the end of the current fiscal year. Net position consisted of net investment in capital assets in the amount of \$180,917,654 (74.3%); restricted for capital projects and other purposes in the amount of \$1,076,322 (0.4%); and unrestricted net position in the amount of \$61,760,639 (25.3%). The result of current fiscal year operations caused total net position to decrease by \$13,005,208 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 \$181,173,511, an increase of \$4,365,777 from the prior fiscal year. Of the total ending fund balance, \$22,890,660 (12.6%) was available for funding future operational needs (unassigned fund balance).
- **General Fund:** At the end of the current fiscal year, total fund balance for the General Fund was \$115,504,289, which included the following amounts:

❖ Prepaid costs in a nonspendable form	\$ 30,560,638
❖ Restricted for federal grants, donations, and other restricted revenue programs	32,282
❖ Committed to service enhancement projects in over-funded structural fire fund cities	784,617
❖ Assigned to future obligations for self-insured workers' compensation claims	60,921,529
❖ Assigned to various unperformed contracts for goods or services	314,563
❖ Unassigned and available for future spending:	
Set aside for future economic uncertainties	<u>22,890,660</u>
Fund balance of the General Fund as of June 30, 2014	<u>\$115,504,289</u>

**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 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 the OCFA's finances, in a manner similar to a private-sector business. All public safety activities of the OCFA 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 25-26 of this report.

**Statement of Net Position:** The statement of net position presents information on all of the OCFA's assets and liabilities, with the difference between the two 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 (e.g., uncollected taxes and earned but unused vacation leave).

**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. The OCFA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the OCFA 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.

The OCFA maintains five individual governmental funds. Information is presented separately in the fund financial statements for all five governmental funds, since the 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 28-36 of this report.

**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 37-38 of this report.

**Notes to the Financial Statements and Required Supplementary Information (RSI):** The notes and RSI provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-79 of this report, while RSI can be found on pages 82-85.

**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 88-97 of this report.

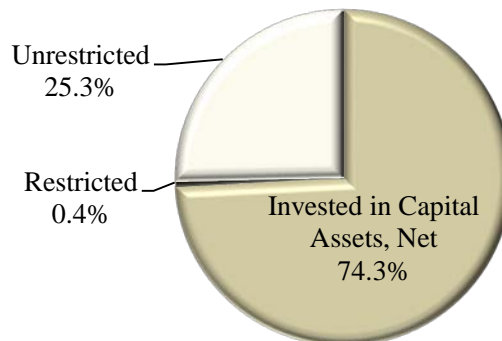
**Government-wide Financial Analysis**

**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, assets exceeded liabilities by \$243,754,615 at the end of the most recent fiscal year, a 5.4% decrease from the prior fiscal year. Following is a summary of the OCFA's net position as of June 30, 2014 and 2013:

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

Governmental Activities	June 30, 2014	June 30, 2013	Increase (Decrease)	
			Amount	%
<b>Assets:</b>				
Current and other assets	\$ 205,053,294	\$ 199,310,209	\$ 5,743,085	2.9%
Capital assets	191,641,343	194,306,205	(2,664,862)	-1.4%
<b>Total assets</b>	<b>396,694,637</b>	<b>393,616,414</b>	<b>3,078,223</b>	<b>0.8%</b>
<b>Liabilities:</b>				
Long-term liabilities	131,771,369	116,564,191	15,207,178	13.0%
Other liabilities	21,168,653	19,487,519	1,681,134	8.6%
<b>Total liabilities</b>	<b>152,940,022</b>	<b>136,051,710</b>	<b>16,888,312</b>	<b>12.4%</b>
<b>Net position:</b>				
Net investment in capital assets	180,917,654	181,363,364	(445,710)	-0.2%
<b>Restricted for:</b>				
Capital projects	1,044,040	1,553,182	(509,142)	-32.8%
Other purposes	32,282	137,676	(105,394)	-76.6%
Unrestricted	61,760,639	74,510,482	(12,749,843)	-17.1%
<b>Total net position</b>	<b>\$ 243,754,615</b>	<b>\$ 257,564,704</b>	<b>\$ (13,810,089)</b>	<b>-5.4%</b>

**Net Position of Governmental Activities at June 30, 2014**



- At the end of the current and prior fiscal years, the OCFA reported positive balances in all three categories of governmental activities net position:
  - At June 30, 2014, the largest portion of OCFA's net position (74.3%) reflects its investment in capital assets, less related outstanding debt used to acquire those assets. The 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.

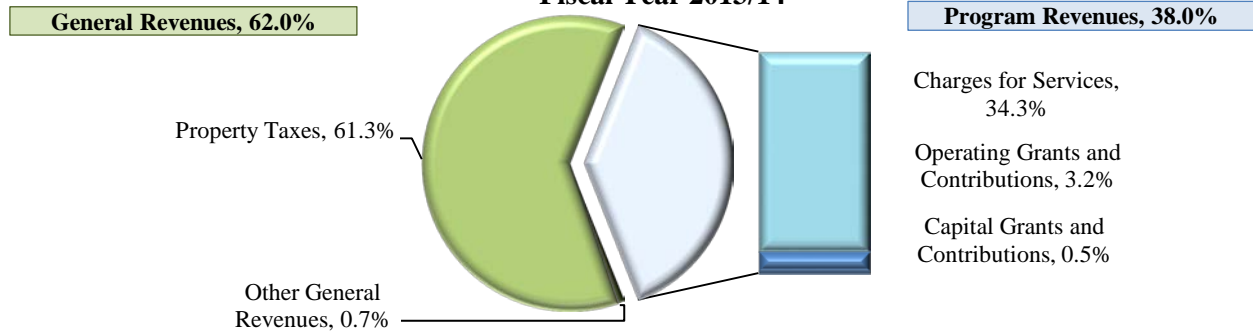
- An additional portion of OCFA’s net position (0.4%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets relate to developer contributions and CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations, as well as donations received for specific programs and unperformed purchase orders and contracts for grant-funded programs.
- The remaining balance of net position is considered unrestricted (25.3%) and may be used to meet the OCFA’s ongoing obligations to citizens and creditors.

**Changes in Net Position:** Governmental activities decreased the OCFA’s net position by \$13,810,089 during the most recent fiscal year, an indication that the OCFA’s financial position has deteriorated. 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 2013/14 and Fiscal Year 2012/13:

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

Governmental Activities	FY 2013/14	FY 2012/13	Increase (Decrease)	
			Amount	%
Program revenues:				
Charges for services	\$ 106,874,513	\$ 102,875,410	\$ 3,999,103	3.9%
Operating grants and contributions	10,339,966	19,523,853	(9,183,887)	-47.0%
Capital grants and contributions	1,462,540	2,811,180	(1,348,640)	-48.0%
General revenues:				
Property taxes	190,873,689	181,720,253	9,153,436	5.0%
Investment income	823,010	(136,493)	959,503	703.0%
Gain on sale of capital assets	21,834	11,924	9,910	83.1%
Miscellaneous	1,200,195	4,329,603	(3,129,408)	-72.3%
Total revenues	<u>311,595,747</u>	<u>311,135,730</u>	<u>460,017</u>	0.1%
Public safety expenses:				
Salaries and benefits	266,764,367	264,067,489	2,696,878	1.0%
Services and supplies	47,912,808	45,879,501	2,033,307	4.4%
Depreciation and amortization	9,612,453	9,793,491	(181,038)	-1.8%
Interest on long-term debt	311,327	367,701	(56,374)	-15.3%
Total expenses	<u>324,600,955</u>	<u>320,108,182</u>	<u>4,492,773</u>	1.4%
Change in net assets	(13,005,208)	(8,972,452)	(4,032,756)	-44.9%
Net position, beginning of year	257,564,704	268,288,200	(10,723,496)	
Prior period adjustment	(804,881)	(1,751,044)	946,163	
Net position, end of year	<u>\$ 243,754,615</u>	<u>\$ 257,564,704</u>	<u>\$ (13,810,089)</u>	-5.4%

**Revenues of Governmental Activities - by Source**  
**Fiscal Year 2013/14**



- Program revenues, which totaled \$118,677,019 for Fiscal Year 2013/14 and accounted for 38.0% of total revenues, decreased by \$6,533,424 (5.2%) 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 \$3,999,103 (3.9%) over the prior fiscal year.

Amount	Reason for Increase / Decrease
+\$2,565,000	Fee-based fire prevention revenues increased by over \$2.5 million, primarily due to planning and development fees for increased development and fire sprinkler permit activity, as well as inspection fees for assembly permits. A significant number of inspections scheduled for Fiscal Year 2012/13 were delayed pending the completion of the Hazardous Materials Disclosure inspection verification project, resulting in an increase in inspection activity during the current fiscal year.
+\$1,905,000	Fire service contracts increased by just over \$1.9 million. Charges to cash contract cities increased by \$1.33 million per terms of the Joint Powers Agreement. OCFA's contract with California Department of Forestry (CALFIRE) for the protection of State Responsibility Area (SRA) lands also increased by \$970,000, primarily due to one-time drought funding received during Fiscal Year 2013/14. These increases were offset by a \$395,000 decrease in the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport, per terms of an amended contract that went into effect in December 2012.
+\$805,000	Reimbursements for state and federal incidents increased by \$805,000. State assistance by hire services performed for CALFIRE and the California Emergency Management Agency (CAL EMA) increased by \$675,000. Reimbursements for state incidents were higher in the current fiscal year, primarily due to major Fiscal Year 2013/14 incidents such as the Mountain and Silver Fires in September 2013, and the Rim Fire in October 2013. Federal assistance by hire services performed for Cleveland National Forest increased by \$130,000, primarily due to the Falls Fire in October 2013.
-\$635,000	The Hazardous Materials Disclosure and CalARP programs were both returned to the County of Orange Health Care Agency effective July 2013, resulting in a \$635,000 decrease in Fiscal Year 2013/14 revenues.
-\$460,000	Revenues for ambulance transport and supplies reimbursement decreased by \$460,000.
-\$180,000	Road maintenance, fuel reduction, and other contract revenues generated by the hand crew decreased by \$180,000, primarily due to a decrease in the amount of work performed for Southern California Edison.
<b>+\$4,000,000</b>	<b>Charges for services – net increase</b>



- Operating grants and contributions include grants, contributions, donations and similar items that are restricted to one or more specific program. These revenues decreased by \$9,183,887 (47.0%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
-\$9,300,000	Tax increment passed through from member cities increased by \$1.2 million and one-time tax increment passed through from the County of Orange decreased by \$10.5 million. In Fiscal Year 2011/12, the State of California dissolved its 60-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.
+\$100,000	Federal operating grants increased by \$100,000, primarily due to an increase in reimbursements passed through the Orange County Sherriff's Department for medical supplies funded by a Metropolitan Medical Response System (MMRS) grant.
<b>-\$9,200,000</b>	<b>Operating grants and contributions – net decrease</b>

- Capital grants and contributions include grants, contributions, donations and similar items that are restricted to one or more specific capital-related programs. These revenues decreased by \$1,348,640 (48.0%) from the prior fiscal year.

Amount	Reason for Increase / Decrease
-\$2,110,000	Revenues from federal capital grants decreased by \$2,110,000. In Fiscal Year 2012/13, OCFA received \$1.39 million from the Assistance to Firefighters grant program for the purchase of 447 self-contained breathing apparatus; \$810,000 from the Homeland Security grant program for the purchase of two command trailers and tow vehicles; and \$70,000 from the Urban Search and Rescue program for the purchase of one pickup truck. Capital grants were lower in Fiscal Year 2013/14, with \$140,000 from the Assistance to Firefighters grant program for the purchase of 22 thermal imaging cameras, and \$20,000 of Community Development Block Grant funds passed through the City of Santa to commence improvements at six city fire stations.
+\$725,000	Revenues from developer contributions increased by \$725,000, per the terms of Secured Fire Protection Agreements with developers. In Fiscal Year 2012/13, OCFA received \$450,000 from Heritage Fields El Toro LLC for development at the Great Park in the City of Irvine. In 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 (\$825,000); Pacific Los Alisos in the City of Mission Viejo (\$200,000); and Cal I Crown Valley in the City of Laguna Niguel (\$150,000).
+\$35,000	Capital assets contributed to the OCFA increased by \$35,000 due to the acquisition of three Zoll monitors that were traded in under warranty during Fiscal Year 2013/14. There were no contributed capital assets received in Fiscal Year 2011/12.
<b>-\$1,350,000</b>	<b>Capital grants and contributions – net decrease</b>

- General revenues, which totaled \$192,918,728 for Fiscal Year 2013/14 and accounted for 62.0% of total revenues, increased by \$6,993,441 (3.8%) over the prior fiscal year. Following is a description of each general revenue type and an explanation of what contributed to the net increase or decrease from the prior fiscal year.

Amount	Reason for Increase / Decrease																
+\$9,150,000	The largest general revenue, property taxes, increased by \$9,153,436 (5.0%) over the prior fiscal year, primarily due to increases in secured and supplemental property taxes.																
+\$950,000	Investment income increased by \$959,503 (703.0%). A relatively static rate of return on the investment portfolio attributed to approximately \$8,000 of the increase. The OCFA's year-to-date effective rate of return as of June 30, 2014 was 0.30%, as compared to 0.31% as of June 30, 2013. 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 2013/14, and attributed to approximately \$951,000 of the increase in total investment income as compared to the prior fiscal year. 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. The components of investment income are summarized below: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">FY 2013/14</th> <th style="text-align: center;">FY 2012/13</th> <th style="text-align: center;">Increase (Decrease)</th> </tr> </thead> <tbody> <tr> <td>Portfolio earnings</td> <td style="text-align: right;">\$436,477</td> <td style="text-align: right;">\$ 428,067</td> <td style="text-align: right;">\$ 8,410</td> </tr> <tr> <td>Market value gain (loss)</td> <td style="text-align: right;">386,533</td> <td style="text-align: right;">(564,560)</td> <td style="text-align: right;">951,093</td> </tr> <tr> <td><b>Total fiscal year revenue</b></td> <td style="text-align: right;"><b>\$823,010</b></td> <td style="text-align: right;"><b>\$(136,493)</b></td> <td style="text-align: right;"><b>\$959,503</b></td> </tr> </tbody> </table>		FY 2013/14	FY 2012/13	Increase (Decrease)	Portfolio earnings	\$436,477	\$ 428,067	\$ 8,410	Market value gain (loss)	386,533	(564,560)	951,093	<b>Total fiscal year revenue</b>	<b>\$823,010</b>	<b>\$(136,493)</b>	<b>\$959,503</b>
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<b>Total fiscal year revenue</b>	<b>\$823,010</b>	<b>\$(136,493)</b>	<b>\$959,503</b>														
-\$3,100,000	Miscellaneous revenues decreased by \$3,129,408 (72.3%), primarily relating to amounts received in Fiscal Year 2012/13 from the Orange County Professional Firefighters Association IAFF Local 3631 in connection with the contract governing OCFA's contributions to the firefighter medical trust.																
<b>+\$7,000,000</b>	<b>General revenues – net increase</b>																

**Expenses of Governmental Activities - by Type  
Fiscal Year 2013/14**



- Total expenses increased by \$4,492,773 (1.4%) 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 \$2,696,878 (1.0%) over the prior fiscal year.

Amount	Reason for Increase / Decrease
+\$1,850,000	<p>The reasons for increases and decreases to the following categories of salaries and benefits are further explained in the <i>Major Governmental Funds – General Fund</i> portion of this Management’s Discussion and Analysis:</p> <ul style="list-style-type: none"> <li>➤ Regular pay: -\$2,000,000</li> <li>➤ Retirement: +\$1,800,000</li> <li>➤ Overtime: +\$800,000</li> <li>➤ Employee group health insurance and other benefits: +\$1,050,000</li> <li>➤ Other pay: +\$350,000</li> <li>➤ Sick leave payouts: -\$150,000</li> </ul>
+\$850,000	Other post-employment benefit (OPEB) cost for the defined benefit Retiree Medical Plan increased by \$850,000. 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.
<b>+\$2,700,000</b>	<b>Salaries and benefits – net increase</b>

- Services and supplies increased by \$2,033,307 (4.4%) over the prior fiscal year.

Amount	Reason for Increase / Decrease																
-\$6,100,000	<p>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 by \$6.1 million as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">FY 2013/14</th> <th style="text-align: center;">FY 2012/13</th> <th style="text-align: center;">Increase (Decrease)</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Actual claims paid</td> <td style="text-align: right;">\$ 5,450,000</td> <td style="text-align: right;">\$ 6,000,000</td> <td style="text-align: right;">\$ (550,000)</td> </tr> <tr> <td style="text-align: left;">Change in actuarial estimate</td> <td style="text-align: right;">7,750,000</td> <td style="text-align: right;">13,300,000</td> <td style="text-align: right;">(5,550,000)</td> </tr> <tr> <td style="text-align: left;"><b>Total fiscal year expense</b></td> <td style="text-align: right;"><b>\$13,200,000</b></td> <td style="text-align: right;"><b>\$19,300,000</b></td> <td style="text-align: right;"><b>\$(6,100,000)</b></td> </tr> </tbody> </table>		FY 2013/14	FY 2012/13	Increase (Decrease)	Actual claims paid	\$ 5,450,000	\$ 6,000,000	\$ (550,000)	Change in actuarial estimate	7,750,000	13,300,000	(5,550,000)	<b>Total fiscal year expense</b>	<b>\$13,200,000</b>	<b>\$19,300,000</b>	<b>\$(6,100,000)</b>
	FY 2013/14	FY 2012/13	Increase (Decrease)														
Actual claims paid	\$ 5,450,000	\$ 6,000,000	\$ (550,000)														
Change in actuarial estimate	7,750,000	13,300,000	(5,550,000)														
<b>Total fiscal year expense</b>	<b>\$13,200,000</b>	<b>\$19,300,000</b>	<b>\$(6,100,000)</b>														
+\$5,975,000	In September 2013, the Board of Directors approved the 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 two semi-annual equity payments totaling \$5,975,000 were due to the City of Irvine during Fiscal Year 2013/14.																
-\$1,740,000	During Fiscal Year 2012/13, OCFA used the proceeds of an Assistance to Firefighters federal grant to partially fund the purchase of 447 self-contained breathing apparatus (SCBA).																
+\$935,000	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 totaling \$935,000 that had been budgeted for use in these programs were instead returned to the County during Fiscal Year 2013/14.																
+\$550,000	Equipment and computer maintenance increased by \$550,000, primarily due to maintenance on OCFA’s fleet of vehicles. 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. In addition, overall vehicle maintenance increased as more heavy-vehicle repair work was contracted to vendors while staff positions were frozen or temporarily vacant.																

*(Continued on next page)*

Amount	Reason for Increase / Decrease
<i>(Continued)</i>	
+\$450,000	Professional services for legal counsel increased by \$450,000 in Fiscal Year 2013/14, primarily due to the validation of an amendment to the Joint Powers Agreement and several other ongoing legal matters.
+\$390,000	OCFA's 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. During Fiscal Year 2013/14, there was an increase in the number and magnitude of reimbursable projects, including the purchase of a bi-directional amplifier and the installation of a sprinkler system at the Theo Lacy Facility jail complex, which were reimbursed to the City of Irvine and the County of Orange, respectively.
+\$350,000	Medical, dental and lab supplies increased by \$350,000, primarily due to the purchase of additional medical supplies funded by the Metropolitan Medical Response System (MMRS) grant during Fiscal Year 2013/14. Other large purchases were made in the current fiscal year for needles, medical equipment supplies, and respirator masks.
+\$325,000	Utilities and communications charges increased by \$325,000, primarily due to rising electricity rates. In addition, as part of the implementation of the new Computer Aided Dispatch (CAD) system, modem accounts for the Automated Vehicle Location (AVL) system were upgraded to include full broadband communication.
+\$300,000	OCFA utilizes contracted professional services to supplement day-to-day support and operations in the Information Technology Division. During Fiscal Year 2013/14, there was an increase in the number of contractors providing service, including two assigned to Geographic Information Systems, one assigned to Communications and Workplace Support, and one assigned to Communications and Information Technology Infrastructure.
+\$200,000	Several new professional services contracts were entered into during Fiscal Year 2013/14, including two crisis management and public relations firms (\$120,000), and a labor negotiations firm to assist with the negotiation of expiring labor contracts (\$80,000). OCFA also engaged the services of Management Partners to conduct an external analysis of the structure and effectiveness of OCFA's management systems, and to provide recommendations on how oversight might be improved (\$100,000). These increases for new contracts were offset by a decrease in ongoing costs for employee physicals (\$100,000).
+\$140,000	The cost of specialty items purchased by the Service Center increased by \$140,000. Large purchases made during Fiscal Year 2013/14 included 175 carbon cylinders and valve assemblies, 50 SCBA's, and fire hose stock. During Fiscal Year 2012/13, the most significant purchases were for 70 valve assemblies, and mass casualty incident supplies funded by the Metropolitan Medical Response System (MMRS) grant.
+\$130,000	Transportation, employee travel, training, and other meeting costs increased by \$130,000. Fuel costs increased due to a rise in fuel card usage, which has a higher per-gallon cost than bulk fuel purchases. Travel, training, and other meeting costs increased due to several significant classes held in Fiscal Year 2013/14, including an Urban Search and Rescue national training event, a new Foxhole leadership training series, and the initial flight training costs for a new helicopter pilot. In addition, Board member stipend costs increased during the current fiscal year because of an increase in the number of special meetings and regularly-scheduled full Board meetings.
<i>(Continued on next page)</i>	

Amount	Reason for Increase / Decrease
<i>(Continued)</i>	
+\$130,000	Expenses increased by \$130,000 in order 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.
-\$130,000	Expenses for the purchase of portable communications and information technology equipment decreased by \$130,000. In Fiscal Year 2012/13, the most significant purchases included 100 Airlink AVL modems, over 50 mobile data computers and monitors, and batteries and other accessories for Motion J3500 tablet computers. In Fiscal Year 2013/14, the most significant purchase was for 250 Airlink AVL modems.
+\$105,000	Various expenses pertaining to the operation and maintenance of OCFA's 71 fire stations increased by \$105,000, primarily due to the purchase of higher quality chairs and office furniture. In addition, expenses were incurred for an above-ground fuel storage maintenance project that was required in order to comply with new regulations set by the California Air Resources Board.
+\$75,000	Clothing and personal supply costs increased by \$75,000. During Fiscal Year 2013/14, OCFA purchased 500 ballistic vests for \$150,000. The increase for this one-time purchase was offset by a decline in purchases of turnouts, helmets, and dress uniforms for Santa Ana firefighters who transitioned to OCFA during April 2012.
+\$75,000	Food costs increased by \$75,000, due primarily to the in-County Baker Fire in October 2013.
-\$75,000	Office expenses decreased by \$75,000 due to a replenishment of the bulk mail machine that occurred in Fiscal Year 2012/13.
-\$75,000	During Fiscal Year 2012/13, OCFA purchased various non-capital equipment items needed to outfit two new command trailers and tow vehicles that were funded with a grant from the Homeland Security grant program.
-\$50,000	New Fire Station No. 17 (Cypress) was placed into service in February 2011, with subsequent parking lot improvements placed into service in October 2011. During Fiscal Year 2012/13, various non-capital costs totaling \$50,000 were incurred after both phases of station construction were completed and operational.
+\$40,000	During Fiscal Year 2013/14, the City of Tustin completed construction of new Fire Station No. 37 (Tustin). OCFA purchased various items totaling \$40,000 in order to outfit the station – such as kitchen items, furniture, and fitness equipment – and was subsequently reimbursed by the city for those costs.
<b>+\$2,000,000</b>	<b>Services and supplies – net increase</b>

- Depreciation and amortization expense, which had no impact on the OCFA's cash balances, decreased by \$181,038 (1.8%), and pertained primarily to depreciation on vehicles. Fiscal Year 2012/13 was the final year of service for two Type 1 engines and two sport utility vehicles that were transitioned to OCFA near the end of their useful lives.
- Interest on long-term debt decreased by \$56,374 (15.3%) from the prior fiscal year. Interest expense on the 2008 helicopter lease purchase agreement decreased as principal was paid down per the debt-to-maturity schedule.

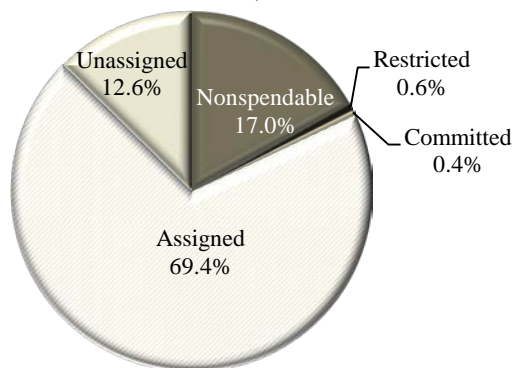
**Financial Analysis of the OCFA's Funds**

**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, which is the difference between a fund's assets and liabilities, is divided into the following five categories:

Fund Balance Category	Description
<i>Nonspendable</i>	Not in a spendable form, or legally or contractually required to remain intact
<i>Restricted</i>	Subject to externally enforceable legal restrictions
<i>Committed</i>	Use is constrained by specific limitations that the Board of Directors imposes upon itself
<i>Assigned</i>	Intended to be used by the government for specific purposes, as established by the governing body itself
<i>Unassigned</i>	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 2013/14, OCFA's governmental funds reported combined ending fund balances of \$181,173,511, an increase of \$4,365,777 in comparison with the prior fiscal year. Approximately 12.6% constitutes unassigned fund balance, which is available for spending for any purpose. The remaining 87.4% of fund balance is not available for spending on any new purpose, because it has already been restricted, committed or assigned for specific purposes, or it is in a nonspendable form.

**Fund Balances of Governmental Funds  
As of June 30, 2014**



**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 2013/14, the General Fund's fund balance totaled \$115,504,289.
  - Unassigned fund balance totaling \$22,890,660 (19.8%) is available for future spending. The remaining \$92,613,629 (80.2%) 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.

- Total fund balance of the OCFA’s General Fund increased by \$7,919,145 during the current fiscal year. The prior fiscal year’s fund balance increased by \$23,040,378, a difference of \$15,121,233.

Impact on Fund Balance	Description
+\$9,150,000	Revenue from property taxes increased by \$9,150,000, primarily due to increases in secured and supplemental property taxes.
-\$8,900,000	Intergovernmental revenue decreased by \$8.9 million. The most significant decrease pertained to one-time tax increment passed through from the County of Orange (\$10.5 million), net of increases for ongoing tax increment passed through from member cities (\$850,000). In addition, there was a net decrease in federal grant reimbursements (\$1,040,000) due primarily to a one-time SCBA grant that was received in Fiscal Year 2012/13. These decreases were offset by increases pertaining to the protection of State Responsibility Area (SRA) lands (\$970,000); state and federal assistance by hire revenues due to increased emergency response activity (\$730,000); federal reimbursements for responses to national incidents such as the Washington landslides (\$60,000); and various state reimbursements for training and readiness drills (\$30,000).
+\$1,800,000	Charges for services increased by \$1.8 million, primarily due to planning and development fees for increased development and fire sprinkler permit activity; inspection fees for assembly permits; and operating charges to cash contract cities per terms of the Joint Powers Agreement. Inspection activity increased during the current fiscal year as inspections that had been placed on hold were resumed upon completion of the Hazardous Materials Disclosures inspection verification project. These increases were offset by decreases relating to returning the Hazardous Materials Disclosure and Cal ARP programs to the County of Orange Health Care Agency; ambulance transport and supplies reimbursements; the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport; and reimbursements for road maintenance, fuel reduction, and other contract work generated by the hand crew.
+\$525,000	Use of money and property increased by \$525,000, due primarily to a market value investment gain allocated to the fund.
-\$3,450,000	Miscellaneous revenue decreased by \$3,450,000, primarily due to amounts received in Fiscal Year 2012/13 from the Orange County Professional Firefighters Association IAFF Local 3631 in connection with OCFA’s contract governing contributions to the firefighter medical trust.
-\$1,850,000	Salaries and benefits expenditures increased by \$1,850,000 over the prior fiscal year.
+\$2,000,000	➤ The \$2 million decrease in regular pay was due primarily to the retirement of several long-term personnel, with positions often left temporarily vacant while recruitments were completed.
-\$1,800,000	➤ Retirement costs increased by \$1.8 million. During Fiscal Year 2013/14, OCFA carried forward the higher safety member retirement rates from Fiscal Year 12/13 in order to pay down its unfunded pension liability. A one-time \$3 million employer contribution was also paid toward the unfunded liability. These contributions resulted in a net increase to retirement costs of \$2.1 million, which was offset by a \$300,000 decline in the annual savings achieved by pre-paying a portion of the subsequent fiscal year’s contributions to OCERS.
-\$1,050,000	➤ Employee group health insurance and other benefits increased by just over \$1.0 million, due primarily to increases in firefighter health insurance premiums.

*(Continued on next page)*

Impact on Fund Balance	Description
<i>(Continued)</i>	
-\$800,000	➤ Overtime costs increased by \$800,000, which included backfill for open/vacant suppression positions, as well as backfill for suppression personnel on workers' compensation or those utilizing leave balances.
-\$350,000	➤ Other pay – which includes pay to employees on workers' compensation, educational incentives, paramedic and EMT bonuses, bilingual pay, and other specialty pay – increased by \$350,000. This increase was due primarily to a rise in workers' compensation pay. Although the total number of employees utilizing workers' compensation remained relatively static, there were more long-term claims for large dollar amounts during the current fiscal year.
+\$150,000	➤ Sick leave payouts decreased by \$150,000, primarily due to the retirement of several long-term personnel during Fiscal Year 2012/13.
-\$7,550,000	Services and supplies expenditures increased by \$7,550,000 over the prior fiscal year.
-\$5,975,000	➤ Miscellaneous expenditures increased by \$5,975,000 due to equity payments to the City of Irvine.
-\$550,000	➤ Equipment and computer maintenance increased by \$550,000, primarily due to maintenance the fleet of vehicles and the repair of Engine 61.
-\$400,000	➤ Professional services increased by \$400,000. Significant increases pertained to legal fees; contract support in the Information Technology Division; crisis management and public relations; labor negotiations; and the Management Partners review. These increases were partially offset by decreases in employee physicals and workers' compensation claims paid.
-\$350,000	➤ 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.
-\$325,000	➤ Utilities and communications charges increased by \$325,000, primarily due to rising electricity rates and the upgrade of AVL modem accounts to include full broadband communication.
+\$275,000	➤ Special department expenditures decreased by \$275,000, which was primarily due to the purchase of 447 self-contained breathing apparatus (SCBA), valve assemblies, and mass casualty incident supplies for the Metropolitan Medical Response System (MMRS) in Fiscal Year 2012/13. In Fiscal Year 2013/14, the most significant expenditures included 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 and the County of Orange for resource enhancement projects; and carbon cylinders and valve assemblies, 50 SCBA's, and fire hose stock.
-\$150,000	➤ The cost of transportation, employee travel, training, and other meetings increased by \$150,000, due primarily to a rise in fuel card usage; an Urban Search and Rescue national training event; a new Foxhole leadership training series; the initial flight training costs for a new helicopter pilot; and Board member stipends.

*(Continued on next page)*



Impact on Fund Balance	Description
<i>(Continued)</i>	
-\$75,000	➤ Clothing and personal supply costs increased by \$75,000, primarily due to the purchase of 500 ballistic vests in Fiscal Year 2013/14. The increase for this one-time purchase was offset by a decline in purchases of turnouts, helmets, and dress uniforms for Santa Ana firefighters who transitioned to OCFA during April 2012.
-\$75,000	➤ Food costs increased by \$75,000, due primarily to the in-County Baker Fire in October 2013.
+\$75,000	➤ Office supplies expenditures decreased by \$75,000 due to a replenishment of the bulk mail machine that occurred in Fiscal Year 2012/13.
-\$200,000	Capital outlay increased by \$200,000, primarily due to twenty-two thermal imaging camera, two rapid deployment kits, and one flashover container that were purchased in Fiscal Year 2013/14. The most significant purchases in Fiscal Year 2012/13 were a pickup truck and ten portable radios for use in the Urban Search and Rescue program.
-\$5,000,000	Transfers out to other funds for the capital improvement program increased by \$5 million.
+\$25,000	Proceeds from the sale of capital and other assets increased by \$25,000, primarily due to the sale of sixteen assets in Fiscal Year 2013/14, as compared to three sold in Fiscal Year 2012/13.
+\$300,000	Insurance recoveries increased by \$300,000, primarily due to amounts recovered for a kitchen fire at Fire Station No. 62 (Buena Park) and a vehicle accident involving Engine 61.
<b>-\$15,150,000</b>	<b>General Fund – net impact on fund balance</b>

- The *Facilities Maintenance & Improvements Fund* had total fund balance of \$2,710,702 at the end of Fiscal Year 2013/14.
  - Fund balance pertaining to prepaid items (\$413) was classified as nonspendable. Remaining fund balance was assigned to the capital improvement program (\$2,680,975) and facilities projects (\$29,314).
  - Total fund balance increased by \$126,018 during the current fiscal year. The prior fiscal year’s fund balance decreased by \$695,037, a difference of \$821,055.

Impact on Fund Balance	Description
-\$40,000	Charges for services decreased by \$40,000 in accordance with the terms of the Joint Powers Agreement.
-\$260,000	Services and supplies expenditures, net of miscellaneous revenue, increased by \$260,000, primarily due to the repair or replacement of items damaged during an accidental kitchen fire at Fire Station No. 62 (Buena Park). Other significant costs in the current fiscal year included recliners, chairs, and other office furniture; an above-ground fuel storage maintenance project; and various household items necessary to outfit new Fire Station No. 37 (Tustin). The fire station outfitting costs were reimbursed by the city and reported as miscellaneous revenue.
+\$1,100,000	Transfers in from the General Fund increased by \$1,100,000.
<b>+\$800,000</b>	<b>Facilities Maintenance &amp; Improvements Fund – net impact on fund balance</b>

- The **Communications & Information Systems Fund** had total fund balance of \$18,051,752 at the end of Fiscal Year 2013/14.
  - Fund balance pertaining to prepaid items (\$142,890) was classified as nonspendable. Remaining fund balance was assigned to the capital improvement program (\$16,298,844) and communications and information technologies projects (\$1,610,018).
  - Total fund balance decreased by \$1,027,374 during the current fiscal year. The prior fiscal year's fund balance decreased by \$3,128,061, a difference of \$2,100,687.

Impact on Fund Balance	Description
+\$100,000	Use of money and property increased by \$100,000, due primarily to a market value investment gain allocated to the fund.
+\$150,000	Services and supplies expenditures decreased by \$150,000, primarily due to purchases of portable communications and information technology equipment. Significant Fiscal Year 2012/13 purchases included 100 Airlink AVL modems, over 50 mobile data computers and monitors, and batteries and other accessories for Motion J3500 tablet computers. In Fiscal Year 2013/14, the most significant purchase was for 250 Airlink AVL modems. In addition, there was a decrease in employee travel costs pertaining to research for the Public Safety Systems project.
-\$250,000	Capital outlay expenditures increased by \$250,000. Increases for the fire station alerting system project, which commenced development in Fiscal Year 2013/14, were offset by decreases for the wireless network project that was completed and placed into service in January 2014.
+\$2,100,000	Transfers in from the General Fund increased by \$2,100,000.
<b>+\$2,100,000</b>	<b>Communications &amp; Information Systems Fund – net impact on fund balance</b>

- The **Vehicle Replacement Fund** had total fund balance of \$29,496,881 at the end of Fiscal Year 2013/14.
  - Fund balance pertaining to prepaid items (\$141,046) was classified as nonspendable. Remaining fund balance was assigned to the capital improvement program (\$26,158,555) and purchase of fire apparatus and vehicles (\$3,197,280).
  - Total fund balance decreased by \$1,378,368 during the current fiscal year. The prior fiscal year's fund balance decreased by \$3,497,873, a difference of \$2,119,505.

Impact on Fund Balance	Description
-\$900,000	Intergovernmental revenue decreased by \$900,000, which related to Fiscal Year 2012/13 reimbursements for one pickup truck and two command trailers and tow vehicles that were purchased with federal grant funding via the Urban Search and Rescue and Homeland Security grant programs, respectively.
+\$25,000	Charges for services increased by \$25,000 in accordance with the terms of the Joint Powers Agreement.

*(Continued on next page)*

Impact on Fund Balance	Description
<i>(Continued)</i>	
+\$200,000	Use of money and property increased by \$200,000, due primarily to a market value investment gain allocated to the fund.
+\$75,000	Services and supplies decreased by \$75,000, primarily due to the Fiscal Year 2012/13 purchase of various non-capital equipment items needed to outfit the two new command trailers and tow vehicles.
+\$900,000	Capital outlay expenditures to purchase and outfit vehicles decreased by \$900,000. Significant purchases in Fiscal Year 2012/13 included three Type 1 wildland interface engines, two Type 3 engines, two command trailers and tow vehicles, three pickup trucks, and one dozer transport trailer. In addition, a portable satellite and two portable receivers were purchased as stand-alone equipment to outfit the two new command trailers. Significant purchases in Fiscal Year 2013/14 included four Type 1 engines and “fast fin” wing kits for Helicopters 1 and 2.
+\$1,800,000	Transfers in from the General Fund increased by \$1,800,000.
<b>+\$2,100,000</b>	<b>Vehicle Replacement Fund – net impact on fund balance</b>

- The **Facilities Replacement Fund** had total fund balance of \$15,409,887 at the end of Fiscal Year 2013/14.
  - Fund balance pertaining to developer contributions received for future fire station construction (\$1,044,040) was classified as restricted. Remaining fund balance was assigned to the capital improvement program (\$9,874,426) and fire station construction (\$4,491,421).
  - Total fund balance decreased by \$1,273,644 during the current fiscal year. The prior fiscal year’s fund balance increased by \$546,927, a difference of \$1,820,571.

Impact on Fund Balance	Description
+\$100,000	Use of money and property increased by \$100,000, due primarily to a market value investment gain allocated to the fund.
+\$725,000	Developer contributions increased by \$725,000. In Fiscal Year 2012/13, OCFA received \$450,000 from Heritage Fields El Toro LLC for development at the Great Park in the City of Irvine. In 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 (\$825,000); Pacific Los Alisos in the City of Mission Viejo (\$200,000); and Cal I Crown Valley in the City of Laguna Niguel (\$150,000).
-\$2,650,000	Services and supplies and capital outlay expenditures increased by a combined total of \$2,650,000. Fiscal Year 2012/13 costs pertained to various non-capital costs incurred after new Fire Station No. 17 (Cypress) was placed into service in October 2011. Fiscal Year 2013/14 costs included construction costs for new Fire Station No. 56 (Village of Sendero), and the purchase of the western portion of the new hangar facility at Fullerton Municipal Airport.
<b>-\$1,825,000</b>	<b>Facilities Replacement Fund – net impact on fund balance</b>

**General Fund Budgetary Highlights**

The following table summarizes the changes in General Fund appropriations, as well as the variance between the final budget and actual amounts for Fiscal Year 2013/14.

	<u>Original</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Final</u> <u>Budget</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>	<u>Actual</u> <u>Amounts</u>
Salaries and benefits	\$253,765,267	\$ 6,552,782	\$260,318,049	\$3,184,019	\$257,134,030
Services and supplies	32,702,428	11,260,434	43,962,862	6,547,159	37,415,703
Capital outlay	29,444	544,133	573,577	118,081	455,496
Interest and fiscal charges	116,250	-	116,250	6,976	109,274
Transfers out	4,497,847	872,528	5,370,375	-	5,370,375
	<u>\$291,111,236</u>	<u>\$19,229,877</u>	<u>\$310,341,113</u>	<u>\$9,856,235</u>	<u>\$300,484,878</u>

- Budgeted General Fund appropriations increased by \$19,229,877 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
City of Irvine equity payments	\$ 5,975,000
Unfunded pension liability	3,000,000
State and federal assistance by hire activities	2,675,000
Grant activities	2,550,000
Hazardous materials disclosure and Cal ARP programs	935,000
Transfers to Capital Improvement Program	875,000
Structural fire entitlement projects	700,000
Update to workers' compensation actuarial valuation	650,000
Various professional service contracts	400,000
Property tax administration fee	350,000
Repair of Engine 61	240,000
Various other appropriations	850,000
<b>Total adjustments</b>	<b>\$19,200,000</b>

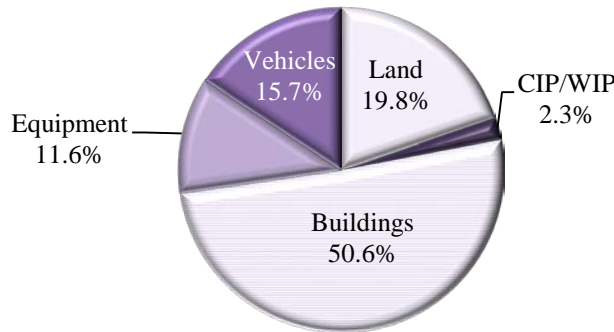
- Final budgeted General Fund expenditures exceeded actual amounts by \$9,856,235.
  - The \$3.2 million positive variance in salaries and benefits is attributed primarily to vacancies in the Operations, Community Risk Reduction, and Executive Management departments.
  - The \$6.5 million positive variance in services and supplies is attributed primarily to workers' compensation costs. 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 2013/14, actual claims paid from the General Fund were \$5 million less than the actuarial estimate. In addition, \$200,000 of structural fire fund entitlement projects were budgeted in Fiscal Year 2013/14, but were not actually completed and claimed for reimbursement by the member cities. These expenditures savings, along with \$300,000 for other uncompleted projects, will be re-budgeted as needed to Fiscal Year 2014/15. Other services and

supplies savings pertained to unspent MMRS grant proceeds; employee physical exams; and Geographic Information Systems professional service contractors.

**Capital Assets and Debt Administration**

**Capital Assets:** The OCFA’s investment in capital assets for its government activities at the end of Fiscal Year 2013/14 totaled \$180,917,654 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, equipment, vehicles, work in progress and construction in progress. Net capital assets decreased from the prior fiscal year by \$1,859,981 (1.0%). 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  
at June 30, 2014**



**Capital Assets Net of Accumulated Depreciation and Amortization  
Net Change by Category**

Governmental Activities

	Land	CIP/WIP	Buildings	Equipment	Vehicles	Total
Historical cost	\$ 37,887,850	\$ 4,317,880	\$ 131,528,877	\$ 55,555,368	\$ 72,213,263	\$ 301,503,238
Accumulated depreciation	-	-	(34,385,300)	(33,339,200)	(42,137,395)	(109,861,895)
Net as of June 30, 2014	<u>\$ 37,887,850</u>	<u>\$ 4,317,880</u>	<u>\$ 97,143,577</u>	<u>\$ 22,216,168</u>	<u>\$ 30,075,868</u>	<u>\$ 191,641,343</u>
Historical cost	\$ 37,887,850	\$ 3,384,527	\$ 129,326,927	\$ 54,832,732	\$ 69,408,222	\$ 294,840,258
Accumulated depreciation	-	-	(31,416,463)	(30,913,915)	(39,008,556)	(101,338,934)
Net as of June 30, 2013, as restated	<u>\$ 37,887,850</u>	<u>\$ 3,384,527</u>	<u>\$ 97,910,464</u>	<u>\$ 23,918,817</u>	<u>\$ 30,399,666</u>	<u>\$ 193,501,324</u>
Historical cost	\$ -	\$ 933,353	\$ 2,201,950	\$ 722,636	\$ 2,805,041	\$ 6,662,980
Accumulated depreciation	-	-	(2,968,837)	(2,425,285)	(3,128,839)	(8,522,961)
Increase (decrease)	<u>\$ -</u>	<u>\$ 933,353</u>	<u>\$ (766,887)</u>	<u>\$ (1,702,649)</u>	<u>\$ (323,798)</u>	<u>\$ (1,859,981)</u>
	0.0%	27.6%	-0.8%	-7.1%	-1.1%	-1.0%

Major capital asset additions during Fiscal Year 2013/14 included the following:

- Construction in progress (CIP) and work in progress (WIP) accounted for eighteen projects during Fiscal Year 2013/14, thirteen of which was placed into service and five 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 \$510,000 included architecture and engineering, permits, and construction management for new Fire Station No. 56 (Village of Sendero). The groundbreaking ceremony for the new station was held in March 2014, and construction is estimated to be completed in mid-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 2013/14 were for four Type 1 engines (\$2.1 million). Twelve vehicles totaling \$3.6 million were completed, placed into service, and transferred to the vehicles category during Fiscal Year 2013/14.
  - 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 were for the replacement Computer Aided Dispatch system (\$1,650,000); a Fire Station Alerting system (\$600,000); a business server replacement (\$20,000) and a Service Center inventory project (\$5,000), all of which were classified as WIP at year-end. The Wireless Project (\$370,000) was completed, placed into service, and transferred to the equipment category during Fiscal Year 2013/14.
- The most significant equipment additions during Fiscal Year 2013/14 were the Wireless Project (\$370,000); twenty-two grant-funded thermal imaging cameras (\$180,000); two helicopter “fast fin kits” (\$150,000); two rapid deployment kits (\$110,000); a flashover container (\$45,000); four switches (\$45,000); four automated external defibrillators (AED’s) (\$35,000); two searchcams (\$30,000); four cutters (\$25,000); and a trailer (\$15,000).
- Twelve vehicles were added to the OCFA’s fleet during Fiscal Year 2013/14, all of which were transferred from WIP (\$3.6 million). The vehicle additions included four Type 1 engines, three Type 3 engines, two command trailers, and four pickup trucks.

Major capital asset deletions during Fiscal Year 2013/14 included the following:

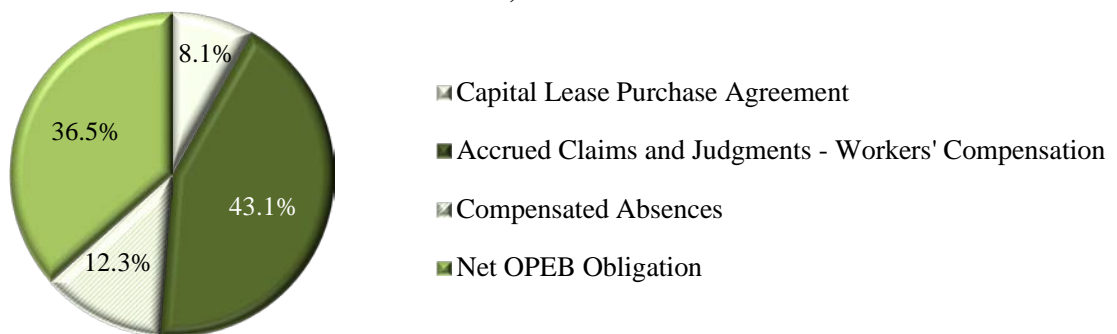
- Twenty-nine capital equipment items were sold, scrapped, or written off during Fiscal Year 2013/14, including six thermal imaging cameras (\$80,000); two transmitters (\$55,000); three AED’s (\$40,000); one trailer (\$30,000); two servers (\$25,000); three switches (\$15,000); and two chemical agent detectors (\$15,000). The net book value of all equipment disposals was approximately \$36,000, as most items had reached the end of their useful service lives and were either fully or mostly depreciated. Most equipment that was obsolete, broken, or in poor working condition was sold at public auction or sent to an e-waste recycling center. The un-repairable AED’s were still under warranty and traded into the vendor for replacements, while the grant-funded chemical agent detectors were returned to the Federal Emergency Management Agency.

- Ten vehicles were removed from OCFA’s fleet during Fiscal Year 2013/14 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. Two Type 1 engines (\$380,000), one Telesquirt (\$260,000), three sport utility vehicles (\$75,000), two crew cabs (\$70,000), and one sedan (\$70,000) were sold at public auction. One ambulance (\$100,000) was donated to Saddleback College.

Additional information pertaining to the OCFA’s capital assets can be found in Note 7 of the accompanying Notes to the Financial Statements.

**Long-term Debt:** Total long-term liabilities increased by net \$15,207,178 (13.0%) during Fiscal Year 2013/14.

**Long-term Liabilities  
at June 30, 2014**



- The most significant net increases to long-term liabilities were for the net other post-employment benefit (OPEB) obligation (\$9.7 million) and workers’ compensation (\$7.7 million).
  - The OPEB obligation pertains to OCFA’s defined benefit Retiree Medical Plan, which provides a monthly grant towards the cost of retirees’ health insurance coverage. The difference between OCFA’s actual contributions and an actuarially-determined annual cost is recorded as an addition to the liability each fiscal year. During Fiscal Year 2013/14, OCFA’s actuarial annual cost was \$14.4 million, but 4% employee withholdings contributed to the plan totaled only \$4.7 million, resulting in a \$9.7 million shortfall.
  - OCFA is self-insured for workers’ compensation, and an actuarial study is completed every year to determine OCFA’s outstanding claims liability. During Fiscal Year 2013/14, the actuarial liability for incurred claims increased by \$13.2 million, but was offset by \$5.5 million of actual claim payments made during the fiscal year. The net difference of \$7.7 million was recorded as an addition to the outstanding claims liability.
- The most significant decrease to long-term liabilities was for debt service paid on the capital lease obligation, which reduced the total outstanding liability by \$2.2 million.

Additional information on the OCFA’s long-term liabilities can be found in Note 9 of the accompanying Notes to the Financial Statements.

**Next Year's Budget**

The Fiscal Year 2014/15 General Operating Fund adopted expenditure budget is approximately \$324.6 million, which is a net increase of \$18.6 million (6.1%) from the final Fiscal Year 2013/14 General Operating Fund budget totaling \$306.0 million. (These amounts exclude unspent, encumbered appropriations from the prior fiscal year that are effectually re-appropriated in the ensuing year's budget). Highlights of the Fiscal Year 2014/15 General Operating Fund Budget are as follow:

- Budgeted salaries and benefits increased by \$24.6 million.
  - No cost-of-living increases are included in the Fiscal Year 2014/15 budget due to the “trigger formula” which ties future pay raises to OCFA’s financial health. However, it continues to include potential merit increases for eligible employees.
  - The budget reflects 103 unfunded positions, a result of the hiring freeze which remains in place for positions that do not provide frontline services to the public.
  - The retirement budget for Fiscal Year 2014/15 is based on final adopted rates provided by the Orange County Employees Retirement System (OCERS). Those rates reflect an increase as compared to Fiscal Year 2013/14, due to the impact of OCERS decreasing its assumed rate of return on investments from 7.75% to 7.25%. Retirement costs also reflect \$2.1 million in savings related to the prepayment of employer contributions six months before the start of the fiscal year.
- Budgeted services and supplies, capital outlay, and debt service decreased by \$6.0 million. Overall, budgets were held flat as compared to Fiscal Year 2013/14, 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. Any requests for increases to the base budget were evaluated on a case-by-case basis, based on critical need, contribution toward meeting Strategic Plan objectives, availability of funding, and any risks or consequences of not approving the increase.

The total number of authorized positions in the Fiscal Year 2014/15 budget is 1,353, an increase of ten positions from the final, authorized position list as of June 30, 2014. However, the budget reflects funding for only 1,250 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 2014/15 Budget	FY 2013/14 Final	Increase (Decrease)
Firefighter Unit	1,020	1,011	9
Fire Management Unit	45	45	-
General Unit	207	205	2
Supervisory Management Unit	27	27	-
Supported Employment Unit	4	4	-
Personnel & Salary Resolution	50	51	(1)
Total authorized positions	1,353	1,343	10



**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.



**MEET NEW URBAN SEARCH & RESCUE K-9 "OLLIE"**



# Government-wide Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Statement of Net Position**  
**June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>Governmental Activities</u>		<u>OCFA Foundation</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets:</b>				
Cash and investments (Note 4)	\$ 160,237,038	\$ 156,668,154	\$ 95,341	\$ 77,200
Receivables:				
Accounts, net (Note 5)	2,117,990	2,944,138	-	-
Accrued interest	127,913	101,712	-	3
Prepaid costs and other assets	30,849,987	27,080,167	15,168	162
Due from other governments, net (Note 6)	11,720,366	12,516,038	-	-
Capital assets (Note 7):				
Land	37,887,850	37,387,850	-	-
Construction in progress	509,142	-	-	-
Work in progress	3,808,738	3,384,527	-	-
Capital assets, net of accumulated depreciation/amortization	149,435,613	153,533,828	-	-
<b>Total assets</b>	<b>396,694,637</b>	<b>393,616,414</b>	<b>110,509</b>	<b>77,365</b>
<b>Liabilities:</b>				
Accounts payable	6,488,835	3,647,221	-	20
Accrued liabilities	11,540,122	12,853,555	-	-
Accrued interest	6,015	7,259	-	-
Unearned revenue (Note 8)	3,065,827	2,956,116	6,000	-
Due to other governments	67,854	23,368	-	-
Long-term liabilities (Note 9):				
Due within one year	11,676,387	13,478,367	-	-
Due beyond one year	120,094,982	103,085,824	-	-
<b>Total liabilities</b>	<b>152,940,022</b>	<b>136,051,710</b>	<b>6,000</b>	<b>20</b>
<b>Net position:</b>				
Net investment in capital assets (Note 7)	180,917,654	181,363,364	-	-
Restricted for (Note 11b):				
Capital projects	1,044,040	1,553,182	-	-
Other purposes	32,282	137,676	54,123	28,810
Unrestricted	61,760,639	74,510,482	50,386	48,535
<b>Total net position</b>	<b>\$243,754,615</b>	<b>\$257,564,704</b>	<b>\$104,509</b>	<b>\$77,345</b>

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Statement of Activities**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>Governmental Activities</u>		<u>OCFA Foundation</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Expenses:</b>				
Public safety:				
Salaries and benefits	\$ 266,764,367	\$ 264,067,489	\$ -	\$ -
Services and supplies	47,912,808	45,879,501	33,010	7,253
Depreciation and amortization (Note 7)	9,612,453	9,793,491	-	-
Interest on long-term debt	311,327	367,701	-	-
<b>Total program expenses</b>	<b>324,600,955</b>	<b>320,108,182</b>	<b>33,010</b>	<b>7,253</b>
<b>Program revenues:</b>				
Public safety:				
Charges for services	106,874,513	102,875,410	-	-
Operating grants and contributions	10,339,966	19,523,853	60,174	36,565
Capital grants and contributions	1,462,540	2,811,180	-	-
<b>Total program revenues</b>	<b>118,677,019</b>	<b>125,210,443</b>	<b>60,174</b>	<b>36,565</b>
Net program (expenses) revenues	(205,923,936)	(194,897,739)	27,164	29,312
<b>General revenues:</b>				
Property taxes	190,873,689	181,720,253	-	-
Investment income	823,010	(136,493)	-	(53)
Gain on sale of capital assets	21,834	11,924	-	-
Miscellaneous	1,200,195	4,329,603	-	-
<b>Total general revenues</b>	<b>192,918,728</b>	<b>185,925,287</b>	<b>-</b>	<b>(53)</b>
Change in net position	(13,005,208)	(8,972,452)	27,164	29,259
Net position at beginning of year, as restated (Note 7)	256,759,823	266,537,156	77,345	48,086
<b>Net position at end of year</b>	<b>\$ 243,754,615</b>	<b>\$ 257,564,704</b>	<b>\$ 104,509</b>	<b>\$ 77,345</b>

See Notes to the Financial Statements



## *Orange County Fire Authority Safety Message*

# **Learn the ABC's of Pool Safety**

## **(Part 1 of 3)**

California leads the nation in drownings. These needless tragedies are the leading cause of accidental injury and death in children under the age of five and the second leading cause of death in children under the age of 14. In Southern California, drowning prevention and water safety should be practiced on a year-round basis with special emphasis during the summer months. By learning the ABC's of water safety, you and your child will learn how to prevent drownings.

### **A – Adult Supervision**

#### **Assign a “Water Watcher”**

- ✓ Assign an adult “water watcher” who can swim to specifically watch the water.
- ✓ Designate an adult to supervise the children in and around the pool/spa area, especially during social gatherings.
- ✓ Never leave children in or around a pool unattended – not even for one second.
- ✓ Take the children out of and away from the swimming pool/spa area for any distractions such as a telephone call or to use of restroom.
- ✓ Do not rely on flotation devices. They should not be used as a substitute for adult supervision.
- ✓ Post pool address and an emergency number.



**OCFA FIRE WATCH DEMONSTRATION**



# Fund Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**  
 (With Comparative Data for Prior Year)

	<b>General Fund</b>	<b>Facilities Maintenance &amp; Improvements</b>
<b>Assets:</b>		
Cash and investments (Note 4)	\$ 93,740,510	\$ 2,798,203
Receivables:		
Accounts, net (Note 5)	2,117,990	-
Accrued interest	54,196	270
Prepaid costs and other assets	30,565,638	413
Due from other governments, net (Note 6)	9,946,907	56,453
<b>Total assets</b>	<b>\$ 136,425,241</b>	<b>\$ 2,855,339</b>
<b>Liabilities:</b>		
Accounts payable	\$ 5,300,355	\$ 133,725
Accrued liabilities	11,540,122	-
Unearned revenue (Note 8)	3,012,482	10,912
Due to other governments	67,854	-
<b>Total liabilities</b>	<b>19,920,813</b>	<b>144,637</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue (Note 8)	1,000,139	-
<b>Total deferred inflows of resources</b>	<b>1,000,139</b>	<b>-</b>
<b>Fund balances (Note 11):</b>		
Nonspendable - Prepaid costs	30,560,638	413
Restricted for:		
Capital improvement program	-	-
Executive Management	-	-
Operations Department	32,015	-
Community Risk Reduction Department	267	-
Committed to - SFF cities enhancements	784,617	-
Assigned to:		
Capital improvement program	-	2,680,975
Workers' compensation	60,921,529	-
Executive Management	90,529	-
Operations Department	75,416	-
Community Risk Reduction Department	-	-
Business Services Department	58,254	-
Support Services Department	90,364	-
Facilities projects	-	29,314
Communications and IT projects	-	-
Fire apparatus and other vehicles	-	-
Fire station construction	-	-
Unassigned	22,890,660	-
<b>Total fund balances</b>	<b>115,504,289</b>	<b>2,710,702</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 136,425,241</b>	<b>\$ 2,855,339</b>

See Notes to the Financial Statements

<b>Capital Projects Funds</b>				
<b>Communications &amp; Information Systems</b>	<b>Vehicle Replacement</b>	<b>Facilities Replacement</b>	<b>Total Governmental Funds</b>	
			<b>2014</b>	<b>2013</b>
\$ 18,944,605	\$ 29,395,203	\$ 15,358,517	\$ 160,237,038	\$ 156,668,154
-	-	-	2,117,990	2,944,138
10,510	3,065	59,872	127,913	101,712
142,890	141,046	-	30,849,987	27,080,167
-	-	-	10,003,360	10,528,244
<b>\$ 19,098,005</b>	<b>\$ 29,539,314</b>	<b>\$ 15,418,389</b>	<b>\$ 203,336,288</b>	<b>\$ 197,322,415</b>
\$ 1,046,253	\$ -	\$ 8,502	\$ 6,488,835	\$ 3,647,221
-	-	-	11,540,122	12,853,555
-	42,433	-	3,065,827	2,956,116
-	-	-	67,854	23,368
<b>1,046,253</b>	<b>42,433</b>	<b>8,502</b>	<b>21,162,638</b>	<b>19,480,260</b>
-	-	-	1,000,139	1,034,421
-	-	-	<b>1,000,139</b>	<b>1,034,421</b>
142,890	141,046	-	30,844,987	27,080,167
-	-	1,044,040	1,044,040	1,553,182
-	-	-	-	7,865
-	-	-	32,015	127,193
-	-	-	267	2,618
-	-	-	784,617	1,268,160
16,298,844	26,158,555	9,874,426	55,012,800	63,477,538
-	-	-	60,921,529	53,230,384
-	-	-	90,529	24,832
-	-	-	75,416	62,583
-	-	-	-	55,138
-	-	-	58,254	161,126
-	-	-	90,364	134,545
-	-	-	29,314	7,270
1,610,018	-	-	1,610,018	1,773,531
-	3,197,280	-	3,197,280	2,058,751
-	-	4,491,421	4,491,421	-
-	-	-	22,890,660	25,782,851
<b>18,051,752</b>	<b>29,496,881</b>	<b>15,409,887</b>	<b>181,173,511</b>	<b>176,807,734</b>
<b>\$ 19,098,005</b>	<b>\$ 29,539,314</b>	<b>\$ 15,418,389</b>	<b>\$ 203,336,288</b>	<b>\$ 197,322,415</b>



**ORANGE COUNTY FIRE AUTHORITY**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2014**  
**(With Comparative Data for Prior Year)**

	2014	2013
<b>Fund balances of governmental funds</b>	<b>\$ 181,173,511</b>	<b>\$ 176,807,734</b>
<p>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.</p>		
Capital assets	301,503,238	294,441,802
Accumulated depreciation/amortization	(109,861,895)	(100,135,597)
<p>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.</p>		
Capital lease purchase agreements	(10,723,689)	(12,942,841)
Accrued claims and judgments	(56,789,859)	(49,064,929)
Compensated absences	(16,172,504)	(16,239,283)
Long-term receivable for compensated absences	1,717,006	1,987,794
Net OPEB obligation	(48,085,317)	(38,317,138)
<p>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.</p>		
	(6,015)	(7,259)

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

	<u>2014</u>	<u>2013</u>
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 - grants	-	86,158
Due from other governments - Santa Ana start-up costs	632,175	948,263
<b>Net position of governmental activities</b>	<b><u>\$ 243,754,615</u></b>	<b><u>\$ 257,564,704</u></b>

See Notes to the Financial Statements

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**ORANGE COUNTY FIRE AUTHORITY**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<u>General Fund</u>	<u>Facilities Maintenance &amp; Improvements</u>
<b>Revenues:</b>		
Taxes	\$ 190,873,689	\$ -
Intergovernmental	19,094,591	17,220
Charges for services	96,104,840	238,129
Use of money and property	540,980	17,398
Miscellaneous	1,352,043	39,233
Developer contributions	-	-
<b>Total revenues</b>	<b>307,966,143</b>	<b>311,980</b>
<b>Expenditures:</b>		
Current - public safety:		
Salaries and benefits	257,134,030	-
Services and supplies	37,415,703	1,264,707
Capital outlay	455,496	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	109,274	-
<b>Total expenditures</b>	<b>295,114,503</b>	<b>1,264,707</b>
Excess (deficiency) of revenues over (under) expenditures	12,851,640	(952,727)
<b>Other financing sources (uses):</b>		
Transfers in (Note 12)	-	1,078,745
Transfers out (Note 12)	(5,370,375)	-
Sale of capital and other assets	77,077	-
Insurance recoveries	360,803	-
<b>Total other financing sources (uses)</b>	<b>(4,932,495)</b>	<b>1,078,745</b>
Net change in fund balances	7,919,145	126,018
Fund balances, beginning of year	107,585,144	2,584,684
<b>Fund balances, end of year</b>	<b>\$ 115,504,289</b>	<b>\$ 2,710,702</b>

See Notes to the Financial Statements

<b>Capital Projects Funds</b>				
<b>Communications</b>				
<b>&amp; Information Systems</b>	<b>Vehicle Replacement</b>	<b>Facilities Replacement</b>	<b>Total Governmental Funds</b>	
			<b>2014</b>	<b>2013</b>
\$ -	\$ -	\$ -	\$ 190,873,689	\$ 181,720,253
-	-	-	19,111,811	28,883,649
-	1,362,214	-	97,705,183	95,904,052
109,385	175,421	89,100	932,284	(20,556)
129,909	79,719	76,949	1,677,853	5,111,908
-	-	1,271,400	1,271,400	538,260
<b>239,294</b>	<b>1,617,354</b>	<b>1,437,449</b>	<b>311,572,220</b>	<b>312,137,566</b>
-	-	-	257,134,030	255,301,913
1,420,510	86,958	-	40,187,878	32,613,137
2,295,273	2,219,556	2,711,093	7,681,418	5,420,102
-	2,219,152	-	2,219,152	2,162,809
-	312,571	-	421,845	484,851
<b>3,715,783</b>	<b>4,838,237</b>	<b>2,711,093</b>	<b>307,644,323</b>	<b>295,982,812</b>
(3,476,489)	(3,220,883)	(1,273,644)	3,927,897	16,154,754
2,449,115	1,842,515	-	5,370,375	381,222
-	-	-	(5,370,375)	(381,222)
-	-	-	77,077	58,051
-	-	-	360,803	53,529
<b>2,449,115</b>	<b>1,842,515</b>	<b>-</b>	<b>437,880</b>	<b>111,580</b>
(1,027,374)	(1,378,368)	(1,273,644)	4,365,777	16,266,334
19,079,126	30,875,249	16,683,531	176,807,734	160,541,400
<b>\$ 18,051,752</b>	<b>\$ 29,496,881</b>	<b>\$ 15,409,887</b>	<b>\$ 181,173,511</b>	<b>\$ 176,807,734</b>

**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, 2014**  
**(With Comparative Data for Prior Year)**

	<b>2014</b>	<b>2013</b>
<b>Net change in fund balances - total governmental funds</b>	<b>\$ 4,365,777</b>	<b>\$ 16,266,334</b>
<p>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.</p>		
Capital outlay	7,681,418	5,420,102
Capitalized labor, included in salaries and employee benefits	71,063	455
Depreciation/amortization expense	(9,612,453)	(9,793,491)
<p>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.</p>		
	36,000	-
<p>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.</p>		
Capital asset disposals	(1,125,501)	(928,950)
Accumulated depreciation/amortization on disposals	1,089,492	918,054
<p>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.</p>		
	2,219,152	2,162,809
<p>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.</p>		
	1,244	1,213

**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)**

	2014	2013
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.		
Accrued claims and judgments - workers' compensation	(7,724,930)	(13,266,364)
Compensated absences - Santa Ana general leave	270,788	407,060
Compensated absences - other leave balances	(204,009)	(243,070)
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.	(270,788)	(407,060)
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.	(9,768,179)	(8,930,021)
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	-
Intergovernmental revenue - grants	(86,158)	23,254
Charges for services - Santa Ana start-up costs	(316,088)	(602,777)
Transactions between governmental funds are eliminated for presentation in the government-wide financial statements.		
Transfers in	(5,370,375)	(381,222)
Transfers out	5,370,375	381,222
Use of money and property	(109,274)	(115,937)
Interest and fiscal charges	109,274	115,937
<b>Change in net assets of governmental activities</b>	<b>\$ (13,005,208)</b>	<b>\$ (8,972,452)</b>

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**General Fund**  
**Budgetary Comparison Statement**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	2014			Variance with Final Budget Positive (Negative)	2013
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>Budgetary fund balance, July 1</b>	<b>\$ 107,585,144</b>	<b>\$ 107,585,144</b>	<b>\$ 107,585,144</b>	<b>\$ -</b>	<b>\$ 84,544,766</b>
<b>Resources (inflows):</b>					
Taxes	186,998,721	190,156,251	190,873,689	717,438	181,720,253
Intergovernmental	11,443,286	17,872,333	19,094,591	1,222,258	28,004,583
Charges for services	94,325,831	96,288,619	96,104,840	(183,779)	94,292,648
Use of money and property	477,439	302,457	540,980	238,523	25,305
Miscellaneous	782,000	1,160,503	1,352,043	191,540	4,785,472
Sale of capital and other assets	50,000	50,000	77,077	27,077	58,051
Insurance recoveries	-	362,128	360,803	(1,325)	53,529
<b>Total resources (inflows)</b>	<b>294,077,277</b>	<b>306,192,291</b>	<b>308,404,023</b>	<b>2,211,732</b>	<b>308,939,841</b>
<b>Amounts available for appropriations</b>	<b>401,662,421</b>	<b>413,777,435</b>	<b>415,989,167</b>	<b>2,211,732</b>	<b>393,484,607</b>
<b>Charges to appropriation (outflows):</b>					
Salaries and benefits	253,765,267	260,318,049	257,134,030	3,184,019	255,301,913
Services and supplies	32,702,428	43,962,862	37,415,703	6,547,159	29,849,819
Capital outlay	29,444	573,577	455,496	118,081	250,572
Interest and fiscal charges	116,250	116,250	109,274	6,976	115,937
Transfers out	4,497,847	5,370,375	5,370,375	-	381,222
<b>Total charges to appropriations</b>	<b>291,111,236</b>	<b>310,341,113</b>	<b>300,484,878</b>	<b>9,856,235</b>	<b>285,899,463</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 110,551,185</b>	<b>\$ 103,436,322</b>	<b>\$ 115,504,289</b>	<b>\$ 12,067,967</b>	<b>\$ 107,585,144</b>

See Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<b>Pension Trust Funds</b>	<b>Total Pension Trust Funds</b>	
	<b>Extra Help Retirement</b>	<b>2014</b>	<b>2013</b>
<b>Assets:</b>			
Cash and investments (Note 4):			
Local Agency Investment Fund -			
Domestic fixed income securities	\$ 64,464	\$ 64,464	\$ 56,895
<b>Total assets</b>	<b>64,464</b>	<b>64,464</b>	<b>56,895</b>
<b>Net position restricted for pensions</b>	<b>\$ 64,464</b>	<b>\$ 64,464</b>	<b>\$ 56,895</b>

See Notes to the Financial Statements



**ORANGE COUNTY FIRE AUTHORITY**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<b>Pension</b>		
	<b>Trust Funds</b>		
	<b>Extra Help</b>	<b>Total Pension Trust Funds</b>	
	<b>Retirement</b>	<b>2014</b>	<b>2013</b>
<b>Additions:</b>			
Contributions:			
Employer	\$ 2,117	\$ 2,117	\$ -
Plan members	13,542	13,542	15,587
Total contributions	<u>15,659</u>	<u>15,659</u>	<u>15,587</u>
Net investment income:			
Interest	586	586	2,275
Total net investment income	<u>586</u>	<u>586</u>	<u>2,275</u>
<b>Total additions</b>	<b><u>16,245</u></b>	<b><u>16,245</u></b>	<b><u>17,862</u></b>
<b>Deductions:</b>			
Benefits and refunds paid to plan members and beneficiaries	8,676	8,676	10,809
<b>Total deductions</b>	<b><u>8,676</u></b>	<b><u>8,676</u></b>	<b><u>10,809</u></b>
Change in net position	7,569	7,569	7,053
Net position, beginning of year	56,895	56,895	49,842
<b>Net position, end of year</b>	<b><u>\$ 64,464</u></b>	<b><u>\$ 64,464</u></b>	<b><u>\$ 56,895</u></b>

See Notes to the Financial Statements



**241 TOLL ROAD FIRE AIR SUPPORT**



# Notes to the Financial Statements

**ORANGE COUNTY FIRE AUTHORITY**  
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**Year ended June 30, 2014**

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*Orange County Fire Authority Safety Message*

**Learn the ABC's of Pool Safety**  
**(Part 2 of 3)**

**B – Barriers**

- ✓ Install and maintain proper fencing around the pool to isolate your swimming area from the home and play area.
- ✓ Use multiple layers of protection such as safety covers, gate alarms, door alarms, and motion detection devices. Inspect them monthly.
- ✓ Make sure all gates are self-closing, self-latching, and open outward away from the pool.
- ✓ Take away all objects that allow a child to climb up to reach the gate latch or climb over the fence.

**ORANGE COUNTY FIRE AUTHORITY**

**Notes to the Financial Statements**

**Year ended June 30, 2014**

**(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 the 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, 2014, 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 & 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.
- The **Communications & Information Systems Fund** is a capital projects fund used to account for the replacement of specialized fire communications equipment and information systems equipment.
- The **Vehicle Replacement Fund** is a capital projects fund used to account for the planned replacement of fire apparatus and vehicles.
- The **Facilities Replacement Fund** is a capital projects fund used to account for the replacement of sub-standard fire stations and the construction of new fire stations.

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, the 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.

(h) 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. Property, plant and equipment of the OCFA 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

(i) 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 does not have any items that qualify for reporting in this category.

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. Currently, unavailable revenue in the governmental funds, which arises under the modified accrual basis of accounting, is the only item that qualifies for reporting in this category. 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.

(j) 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).

(k) 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.

(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.

(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 three 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, 2014.

	Fund Balance as of <u>June 30, 2014</u>
Budgetary basis:	
General Operating Fund	\$ 53,798,143
Structural Fire Entitlement	784,617
Self Insurance	<u>60,921,529</u>
General Fund for financial statement presentation	<u>\$115,504,289</u>

The adopted budget can be amended by the Board to change both appropriations and estimated revenues as unforeseen circumstances come to management’s attention. Increases and decreases in revenue and appropriations and transfers between funds require the Board’s approval; however, 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:

<u>Fund</u>	<u>Original Budget</u>	<u>Increase/ (Decrease)</u>	<u>Final Budget</u>
General Fund	\$291,111,236	\$19,229,877	\$310,341,113
Facilities Maintenance & Improvements	1,254,884	1,040,000	2,294,884
Communications & Information Systems	12,455,748	2,026,400	14,482,148
Vehicle Replacement	9,836,143	4,045,229	13,881,372
Facilities Replacement	<u>5,250,000</u>	<u>7,706,900</u>	<u>12,956,900</u>
Total budgeted governmental funds	<u>\$319,908,011</u>	<u>\$34,048,406</u>	<u>\$353,956,417</u>

(b) Emergency Appropriations Policy

In September 2008, the Board adopted the Emergency Appropriations Policy to provide a means of increasing budgeted appropriations in the event that extraordinary fire or emergency incident activity occurs after the last Board meeting of the fiscal year, which may cause expenditures to exceed the authorized General Fund budget. The contingency appropriation, which may not exceed \$3,000,000 each fiscal year, is established for unforeseen requirements, primarily salary and employee benefits for extraordinary fire or emergency response. No expenditures may be made directly against the contingency appropriations; however, OCFA management may recommend a transfer from the contingency appropriations to a specific purpose appropriation. The Chair of the Board of Directors or the Vice Chair, in the absence of the Chair, must pre-approve any such transfers. Upon approval by the Chair or Vice Chair, notice of this transfer must be provided immediately to the full Board in writing. There were no transfers made from the contingency appropriations during the year ended June 30, 2014; 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, 2014, OCFA implemented GASB Statement No. 67 *Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 25*. This statement establishes standards for state and local government pension plans – defined benefit pension plans and defined contribution pension plans – that are administered through trusts or equivalent arrangements.

**(4) 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, 2014, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Governmental activities	\$160,237,038
Discretely presented component unit – OCFA Foundation	95,341
Statement of Fiduciary Net Position:	
Fiduciary funds	<u>64,464</u>
Total cash and investments	<u>\$160,396,843</u>

Cash and investments consist of the following as of June 30, 2014:

Petty cash / cash on hand	\$ 12,501
Demand deposits	1,860,390
Investments	<u>158,523,952</u>
Total cash and investments	<u>\$160,396,843</u>

(b) Demand Deposits

At June 30, 2014, the carrying amount of the OCFA's demand deposits was \$1,860,390 and the bank balance was \$1,404,912. The \$455,478 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.

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

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

(2) No limit on automatic overnight sweep

(d) 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 2013/14.

(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	Rating at Year-End			Fair Value
	Required	Aaa / AA+	P1 / A1+	Unrated	
Federal agency securities	N/A	\$82,734,650	\$ -	\$ -	\$ 82,734,650
Commercial paper	P1/A1/F1	-	6,998,670	-	6,998,670
Money market mutual funds	Aaa/AAA	-	-	18,775,694	18,775,694
LAIF	N/A	-	-	50,014,938	50,014,938
Total		<u>\$82,734,650</u>	<u>\$6,998,670</u>	<u>\$68,790,632</u>	<u>\$158,523,952</u>

(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, 2014, 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, 2014, 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, 2014, are summarized below.

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Federal Home Loan Bank (FHLB)	\$61,242,130	38.6%
Freddie Mac	12,508,000	7.9%
Federal Farm Credit Bank (FFCB)	8,984,520	5.7%

(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, 2014, the OCFA had the following investments and maturities:

	<u>Investment Maturities in Months</u>			<u>Fair Value</u>
	<u>6 or Less</u>	<u>7 to 12</u>	<u>13 to 60</u>	
Federal agency securities	\$45,998,310	\$ -	\$36,736,340	\$ 82,734,650
Commercial paper	6,998,670	-	-	6,998,670
Money market mutual funds	18,775,694	-	-	18,775,694
LAIF	-	50,014,938	-	50,014,938
Total	<u>\$71,772,674</u>	<u>\$50,014,938</u>	<u>\$36,736,340</u>	<u>\$158,523,952</u>

As of June 30, 2014, the OCFA's investments included the following callable investments, which are considered to be exposed to interest rate risk:

<u>Issuer</u>	<u>Call Date(s)</u>	<u>Yield to Call</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Federal Home Loan Bank (FHLB)	Anytime	0.477%	3/7/2016	5,324,480
Federal Farm Credit Bank (FFCB)	Anytime	0.424%	4/22/2016	8,984,520
Federal Home Loan Bank (FHLB)	Anytime	0.624%	8/9/2017	5,990,940
Federal Home Loan Bank (FHLB)	7/9/2014	0.584%	11/9/2017	8,928,000
Freddie Mac	7/30/2014	0.545%	1/30/2018	7,508,400

**(5) Accounts Receivable**

Accounts receivable, net of an allowance for doubtful accounts, consists of the following as of June 30, 2014:

	<u>Governmental Funds - General Fund</u>			<u>Governmental Activities</u>
	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Accounts Receivable Net</u>	
Fire prevention / late fees	\$ 453,578	\$ (80,601)	\$ 372,977	\$ 372,977
Ambulance / other reimbursements	1,743,827	(68,922)	1,674,905	1,674,905
Other / miscellaneous	70,108	-	70,108	70,108
Total	<u>\$2,267,513</u>	<u>\$(149,523)</u>	<u>\$2,117,990</u>	<u>\$2,117,990</u>

**(6) Due from Other Governments**

Amounts due from other governments, net of an allowance for doubtful accounts, consist of the following as of June 30, 2014:

	<u>Governmental Funds</u>		<u>Governmental Activities</u>
	<u>General Fund</u>	<u>Facilities Maintenance &amp; Improvements</u>	
Fire protection and other services:			
Cash contract cities – start-up costs	\$ 632,175	\$ -	\$ 632,175
Cash contract cities – leave balances	181,315	-	1,898,321
State responsibility area	2,629,470	-	2,629,470
Airport rescue firefighting	349,513	-	349,513
Other services	151,901	-	151,901
Subtotal	3,944,374	-	5,661,380
Assistance by hire / activation	1,833,301	-	1,833,301
Grants	368,285	17,220	385,505
Property taxes / tax increment	3,783,847	-	3,783,847
Other / miscellaneous	17,100	39,233	56,333
Due from other governments	9,946,907	56,453	11,720,366
Allowance for doubtful accounts	-	-	-
Due from other governments, net	<u>\$9,946,907</u>	<u>\$56,453</u>	<u>\$11,720,366</u>

**(7) Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balances, As Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Capital assets not depreciated/amortized:					
Land	\$ 37,887,850	\$ -	\$ -	\$ -	\$ 37,887,850
Construction in progress	-	509,142	-	-	509,142
Work in progress	<u>3,384,527</u>	<u>4,398,007</u>	<u>-</u>	<u>(3,973,796)</u>	<u>3,808,738</u>
Total capital assets not depreciated/amortized	<u>41,272,377</u>	<u>4,907,149</u>	<u>-</u>	<u>(3,973,796)</u>	<u>42,205,730</u>
Capital assets depreciated/amortized:					
Buildings	129,326,927	2,201,950	-	-	131,528,877
Equipment	54,832,732	679,382	(325,543)	368,797	55,555,368
Vehicles	<u>69,408,222</u>	<u>-</u>	<u>(799,958)</u>	<u>3,604,999</u>	<u>72,213,263</u>
Subtotal	<u>253,567,881</u>	<u>2,881,332</u>	<u>(1,125,501)</u>	<u>3,973,796</u>	<u>259,297,508</u>
Less accumulated depreciation/amortization for:					
Buildings	(31,416,463)	(2,968,837)	-	-	(34,385,300)
Equipment	(30,913,915)	(2,714,819)	289,534	-	(33,339,200)
Vehicles	<u>(39,008,556)</u>	<u>(3,928,797)</u>	<u>799,958</u>	<u>-</u>	<u>(42,137,395)</u>
Subtotal	<u>(101,338,934)</u>	<u>(9,612,453)</u>	<u>1,089,492</u>	<u>-</u>	<u>(109,861,895)</u>
Total capital assets depreciated/amortized, net	<u>152,228,947</u>	<u>(6,731,121)</u>	<u>(36,009)</u>	<u>3,973,796</u>	<u>149,435,613</u>
Governmental activities capital assets, net	<u>\$193,501,324</u>	<u>\$(1,823,972)</u>	<u>\$ (36,009)</u>	<u>\$ -</u>	<u>\$191,641,343</u>

**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	\$191,641,343
Capital-related debt – 2011 aircraft lease refinance	<u>(10,723,689)</u>
Net investment in capital assets	<u>\$180,917,654</u>

**Capital Assets Acquired Under Capital Lease**

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

Equipment	\$22,101,787
Vehicles	<u>15,797,372</u>
Total capital assets acquired under capital lease	<u>\$37,899,159</u>

Depreciation/Amortization Expense

Depreciation/amortization expense of \$9,612,453 was charged to Public Safety in the Statement of Activities.

Prior Period Adjustment

During the year ended June 30, 2014, OCFA restated its beginning net position of governmental activities by the amount of \$804,881, to account for corrections to capital assets, net of accumulated depreciation. When OCFA acquired a new capital asset financial reporting module in Fiscal Year 2002/03, certain capital assets with multiple components were entered incorrectly into the new system. As a result, depreciation expense was not properly calculated using the straight-line method over the subsequent ten-year period, resulting in an understatement of accumulated depreciation totaling \$1,304,881. Other adjustments have also been made to account for the receipt of land from a developer in Fiscal Year 2012/13, and to dispose of a fully-depreciated vehicle in Fiscal Year 2011/12. The impact to net position of governmental activities is as follows:

	<u>Net Position of Governmental Activities</u>
As previously reported	<u>\$257,564,704</u>
Corrections to capital assets, net of accumulated depreciation:	
Land	500,000
Buildings, net	(1,176,476)
Equipment, net	(107,990)
Vehicles, net	<u>(20,415)</u>
Subtotal	<u>(804,881)</u>
As restated	<u>\$256,759,823</u>

**(8) Unearned and Unavailable Revenue**

Unavailable revenue in the governmental funds consists of amounts that are considered *unavailable* to finance the expenditures of the current fiscal period. Only the amounts that are *unearned* are reported as liabilities of governmental activities. Unearned and unavailable revenues consist of the following as of June 30, 2014:

	<u>Governmental Funds</u>				
	<u>General Fund</u>	<u>Facilities Maintenance &amp; Improvements</u>	<u>Vehicle Replacement</u>	<u>Governmental Activities</u>	<u>OCFA Foundation</u>
Unearned revenue:					
City of Santa Ana - July 2014	\$2,987,123	\$10,912	\$42,433	\$3,040,468	\$ -
Miscellaneous cash advances	13,166	-	-	13,166	6,000
AVL & web application costs	6,475	-	-	6,475	-
Deposits	<u>5,718</u>	<u>-</u>	<u>-</u>	<u>5,718</u>	<u>-</u>
Total unearned revenue	<u>\$3,012,482</u>	<u>\$10,912</u>	<u>\$42,433</u>	<u>\$3,065,827</u>	<u>\$6,000</u>

	Governmental Funds General Fund
Unavailable revenue:	
City of Santa Ana start-up costs	\$ 632,175
Property tax increment	<u>367,964</u>
Total unavailable revenue	<u>\$1,000,139</u>

**(9) Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2014, is summarized in the table below. Accrued claims and judgments, compensated absences and the net OPEB obligation are normally liquidated by the General Fund. The capital lease purchase agreement is liquidated by the Vehicle Replacement Fund.

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Capital lease purchase agreements:					
Aircraft Lease Refinance-2011	\$ 12,942,841	\$ -	\$ (2,219,152)	\$ 10,723,689	\$ 2,276,963
Accrued claims and judgments for workers' compensation	49,064,929	13,172,346	(5,447,416)	56,789,859	6,305,074
Compensated absences	16,239,283	13,126,014	(13,192,793)	16,172,504	3,094,350
Net OPEB obligation	<u>38,317,138</u>	<u>14,461,381</u>	<u>(4,693,202)</u>	<u>48,085,317</u>	<u>-</u>
Total governmental activities	<u>\$116,564,191</u>	<u>\$40,759,741</u>	<u>\$(25,552,563)</u>	<u>\$131,771,369</u>	<u>\$11,676,387</u>

**Capital Lease Purchase Agreement – Aircraft Lease Agreement (2008) and 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, 2014, the OCFA made principal and interest payments totaling \$2,219,152 and \$312,571,

respectively. The outstanding balance of the capital lease liability was \$10,723,689 as of June 30, 2014. Future annual lease payment requirements are as follows:

<u>FYE June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,276,963	\$ 254,760	\$ 2,531,723
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	<u>1,253,718</u>	<u>12,144</u>	<u>1,265,862</u>
Total	<u>\$10,723,689</u>	<u>\$669,065</u>	<u>\$11,392,754</u>

**Compensated Absences**

OCFA is obligated to its employees for the following accumulated earned but unused leave benefits as of June 30, 2014:

	<u>Vacation</u>	<u>Comp/Other</u>	<u>Sick Leave</u>	<u>Santa Ana General Leave</u>	<u>Total</u>
Safety Members	\$ 8,937,307	\$162,378	\$1,635,712	\$1,692,687	\$12,428,084
General Members	<u>1,740,920</u>	<u>289,889</u>	<u>1,689,292</u>	<u>24,319</u>	<u>3,744,420</u>
	<u>\$10,678,227</u>	<u>\$452,267</u>	<u>\$3,325,004</u>	<u>\$1,717,006</u>	<u>\$16,172,504</u>

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.

**(10) 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, 2014, equity payments totaling \$5,976,162 had been paid to or accrued as a liability due to the City of Irvine.

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 2<sup>nd</sup> Amendment was invalid and unenforceable as a matter of law. However, OCFA disagrees with the court's decision and is continuing to review viable options, including a potential appeal of the ruling.

(b) Outstanding Encumbrances / Commitments with Vendors

As of June 30, 2014, commitments for outstanding encumbrances (unperformed purchase orders and contracts for goods and services) by major governmental fund are as follows:

General Fund	\$ 342,007
Facilities Maintenance & Improvements	40,794
Communications & Information Systems	1,610,018
Vehicle Replacement	3,197,280
Facilities Replacement	<u>4,491,421</u>
Total outstanding encumbrances	<u>\$9,681,520</u>

Significant individual commitments with vendors as of June 30, 2014 are identified below.

<u>Fund / Vendor</u>	<u>Description</u>	<u>Original Commitment</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
<u>General Fund:</u>				
Liebert Cassidy Whitmore	Labor negotiator	\$150,000	\$80,131	\$69,869
ESRI, Inc.	GIS temporary staffing	50,000	-	50,000
Allstar Fire Equipment	Turnout coats and pants	35,384	-	35,384
Roadhauler, Inc.	Trailer	15,451	-	15,451
Fisher Scientific	ARFF proximity gear	12,648	-	12,648
Port Supply	Water rescue dry suits	12,300	-	12,300
<u>Facilities Maintenance &amp; Improvements:</u>				
Pacific Compliance Services	AST compliance upgrade	\$37,649	\$9,403	\$28,246
Lewis/Schoeplein Architects	Design, specifications, and drawings for kitchen/bathroom remodels at Santa Ana fire stations	28,700	17,220	11,480

<u>Fund / Vendor</u>	<u>Description</u>	<u>Original Commitment</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
<b><u>Communications &amp; Information Systems:</u></b>				
Tritech Software Systems	Computer Aided Dispatch system	\$2,272,740	\$1,673,314	\$599,426
Westnet	Fire station alerting system	1,166,916	634,288	532,628
6 <sup>th</sup> Street Consulting	Sharepoint upgrade	377,969	56,695	321,274
Deltawrx	Public Safety Systems	541,347	476,044	65,303
Eagle Aerial Imaging	Aerial photography	63,000	-	63,000
<b><u>Vehicle Replacement:</u></b>				
KME Fire Apparatus	5 Type 1 Pumpers	\$2,573,537	-	\$2,573,537
Penske Chevrolet of Cerritos	8 Chevrolet Tahoe's	534,926	-	534,926
Tom's Truck Center, LLC	1 Isuzu	44,677	-	44,677
Los Angeles Freightliner	1 Isuzu	44,140	-	44,140
<b><u>Facilities Replacement:</u></b>				
Erickson-Hall Construction	Design and build of Fire Station 56 (Village of Sendero)	\$5,000,000	\$508,579	\$4,491,421

**(11) Fund Balance of Governmental Funds**

(a) **Nonspendable Fund Balance**

In January 2013 and 2014, OCFA prepaid a portion of its retirement contributions to the Orange County Employees Retirement System (OCERS) totaling \$25,564,031 and \$29,214,818, respectively. The prepayments produced savings of over \$1.9 million in Fiscal Year 2013/14, and are expected to produce savings of over \$2.1 million in Fiscal Year 2014/15. Due to the timing of the pay period calendar, the unamortized balance of the January 2013 prepayment totaled \$983,232 as of June 30, 2014. The entire amount of the January 2014 prepayment was unamortized as of June 30, 2014. Other prepaid items as of June 30, 2014, included various equipment warranties on mobile data computers, laptops, desktop computers, pagers, tablets, and defibrillators; and other miscellaneous amounts such as annual maintenance and support fees, subscriptions, and professional memberships.



Nonspendable fund balance consists of the following as of June 30, 2014:

	General Fund	Facilities Maintenance & Improvements	Communications & Information Systems	Vehicle Replacement	Total
Retirement contributions:					
Fiscal Year 2014/15	\$29,214,818	\$ -	\$ -	\$ -	\$29,214,818
Fiscal Year 2013/14	983,232	-	-	-	983,232
Warranties	38,000	-	93,401	141,046	272,447
Maintenance and support	216,185	413	48,866	-	265,464
Subscriptions and memberships	49,748	-	-	-	49,748
Other	58,655	-	623	-	59,278
Total	<u>\$30,560,638</u>	<u>\$413</u>	<u>\$142,890</u>	<u>\$141,046</u>	<u>\$30,844,987</u>

(b) Restricted Fund Balance

Restricted fund balance in the General Fund includes donations for specific programs (\$4,838) and grant-funded or other restricted, unexpended encumbrances outstanding at year-end (\$27,444). Restricted fund balance in the Facilities Replacement fund includes developer contributions and 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, 2014:

	General Fund			Facilities Replacement
	Operations Department	Community Risk Reduction Department	Total	
USAR grant program	\$25,132	\$ -	\$25,132	\$ -
Disaster preparation academy	4,571	-	4,571	-
California Joint Apprenticeship Committee	2,312	-	2,312	-
Smoke alarm program	-	267	267	-
Station 56 (Village of Sendero)	-	-	-	510,808
CALFIRE station(s)	-	-	-	533,232
	<u>\$32,015</u>	<u>\$267</u>	<u>\$32,282</u>	<u>\$1,044,040</u>

(c) Committed Fund Balance

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, 2014, the remaining unspent amount totaling \$784,617 was reported as a fund balance commitment in the General Fund. The funds are committed for projects in the following cities:

<u>City</u>	<u>General Fund</u>
Aliso Viejo	\$ 29,057
Dana Point	22,060
Irvine	663,200
Laguna Niguel	52,690
Rancho Santa Margarita	<u>17,610</u>
	<u>\$784,617</u>

(d) Assigned Fund Balance

Assigned fund balance pertaining to unexpended encumbrances outstanding as of June 30, 2014 is summarized below for each governmental fund:

<u>Purpose of Encumbrance</u>	<u>General Fund</u>				<u>Total</u>
	<u>Executive Management</u>	<u>Operations Department</u>	<u>Business Services Department</u>	<u>Support Services Department</u>	
Labor negotiator	\$69,869	\$ -	\$ -	\$ -	\$ 69,869
GIS temporary staffing	-	-	-	50,000	50,000
Turnout coats and pants	-	-	35,384	-	35,384
ARFF proximity gear	-	12,648	-	-	12,648
Water rescue dry suits	-	12,300	-	-	12,300
Other	<u>20,660</u>	<u>50,468</u>	<u>22,870</u>	<u>40,364</u>	<u>134,362</u>
	<u>\$90,529</u>	<u>\$75,416</u>	<u>\$58,254</u>	<u>\$90,364</u>	<u>\$314,563</u>

<u>Purpose of Encumbrance</u>	<u>Facilities Maintenance &amp; Improvements</u>	<u>Communications &amp; Information Systems</u>	<u>Vehicle Replacement</u>	<u>Facilities Replacement</u>
	Station 56 (Village of Sendero)	\$ -	\$ -	\$ -
Type 1 pumpers	-	-	2,573,537	-
Computer Aided Dispatch system	-	611,024	-	-
Sport utility vehicles	-	-	534,926	-
Fire station alerting system	-	532,628	-	-
Sharepoint upgrade	-	329,131	-	-
Other vehicles	-	-	88,817	-
Public Safety Systems	-	65,303	-	-
Aerial photography	-	63,000	-	-
AST compliance upgrade	28,246	-	-	-
Other	<u>1,068</u>	<u>8,932</u>	<u>-</u>	<u>-</u>
	<u>\$29,314</u>	<u>\$1,610,018</u>	<u>\$3,197,280</u>	<u>\$4,491,421</u>

In addition, the Board of Directors established a *Fund Balance Assignment Policy* during Fiscal Year 2010/11, authorizing the assignment of fund balance to self-insured workers' compensation claims and the Capital Improvement Program.

- The assignment to the Capital Improvement Program reflects cumulative amounts transferred from the General Fund to the OCFA's capital projects funds, net of actual cumulative project

expenditures and other revenue sources accounted for in those funds. The assignment may not exceed the net cost of future identifiable projects. Fund balance assigned for the Capital Improvement Program totaled \$55,012,800 as of June 30, 2014 and is reported in the Facilities Maintenance & Improvements Fund (\$2,680,975), Communications & Information Systems Fund (\$16,298,844), Vehicle Replacement Fund (\$26,158,555) and Facilities Replacement Fund (\$9,874,426).

- 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 \$60,921,529 as of June 30, 2014.

(e) Unassigned Fund Balance

Unassigned fund balance in the General Fund consists of the following as of June 30, 2014:

10% Operating Contingency	\$22,890,660
All other residual amounts available for any purpose	-
<b>Total</b>	<u><u>\$22,890,660</u></u>

The total amount of the 10% Operating Contingency calculation was \$25,998,331 as of June 30, 2014; however the calculated amount cannot exceed the total amount of unassigned fund balance.

**(12) Interfund Transfers**

Interfund transfers are used to move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them. During the year ended June 30, 2014, transfers totaling \$5,370,375 were made from the General Fund to the Facilities Maintenance & Improvements Fund (\$1,078,745), the Communications & Information Systems Fund (\$2,449,115) and the Vehicle Replacement Fund (\$1,842,515) for current and future capital improvement projects identified in the Capital Improvement Plan. A portion of those transfers totaling \$872,528 pertained to fee-funded programs.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$5,370,375	\$ -
Facilities Maintenance & Improvements	-	1,078,745
Communications & Information Systems	-	2,449,115
Vehicle Replacement	-	1,842,515
<b>Total</b>	<u><u>\$5,370,375</u></u>	<u><u>\$5,370,375</u></u>

**(13) Operating Leases**

(a) Operating Lease Revenue

The OCFA is the lessor under the following operating lease agreements:

- On October 30, 2013, OCFA entered into a five-year Aircraft Hangar Lease with Ladera Aircraft, LLC (Ladera), to provide space 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 \$2,153,018 as of June 30, 2014. Fiscal Year 2013/14 depreciation expense totaled \$48,932.

Rent totaling \$4,924 is due from Ladera the first of each month, paid in advance. Base rent automatically increases by 2.5% annually. Future potential rental revenue under the terms of the Ladera lease is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2014/15	\$ 60,072
2015/16	61,572
2016/17	63,108
2017/18	64,688
2018/19	<u>21,740</u>
	<u>\$271,180</u>

- 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 \$35,873 for Fiscal Year 2013/14. Future potential rental revenue, assuming rent for the three additional carriers will commence January 1, 2015, is as follows:

<u>Fiscal Year(s)</u>	<u>Carriers 1-3</u>	<u>Carriers 4-6</u>	<u>Total</u>
2014/15	\$ 40,965	\$ 18,540	\$ 59,505
2015/16	42,392	38,148	80,540
2016/17	43,866	39,300	83,166
2017/18	45,185	40,485	85,670
2018/19	46,550	41,709	88,259
2019/20 - 2023/24	254,582	228,141	482,723
2024/25 - 2028/29	295,151	264,459	559,610
2029/30 - 2033/34	342,196	306,597	648,793
2034/35 - 2037/38	<u>234,305</u>	<u>209,928</u>	<u>444,233</u>
	<u>\$1,345,192</u>	<u>\$1,187,307</u>	<u>\$2,532,499</u>

(b) Operating Lease Obligations

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:

<u>Fiscal Year(s)</u>	<u>City-Owned Stations/ Land Leases</u>	<u>Airport Land Lease</u>	<u>Airport Training Tower</u>	<u>Total</u>
2014/15	\$ 29	\$ 66,948	\$ 19,512	\$ 86,489
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 – 2023/24	145	411,924	44,874	456,943
2024/25 – 2028/29	145	477,540	-	477,685
2029/30 – 2033/34	37	553,644	-	553,681
2034/35 – 2038/39	10	641,856	-	641,866
2039/40 – 2043/44	10	744,036	-	744,046
2044/45 – 2048/49	6	862,572	-	862,578
2049/50 – 2053/54	5	285,336	-	285,341
2054/55 – 2058/59	3	-	-	3
	<u>\$506</u>	<u>\$4,332,288</u>	<u>\$144,594</u>	<u>\$4,477,388</u>

**(14) 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:

<u>Type of Coverage</u>	<u>Limit</u>
General Liability:	
Each Occurrence or Wrongful Act	\$1,000,000 each occurrence
General Annual Aggregate	\$2,000,000
Management Liability	\$1,000,000 each wrongful act
Auto Liability – Combined Single Limit	\$1,000,000
Umbrella Liability	\$10,000,000 each occurrence
Property Liability:	
Buildings and Contents	Scheduled Replacement Cost
Crime – Employee Dishonesty / Forgery or Alteration / Faithful Performance of Duty	\$500,000 each
Crime – Computer Fraud	\$100,000 each
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, 2014, 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, 2014, accrued claims and judgments for workers' compensation totaled \$56,789,859 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 June 30, 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, 2014 and 2013, including the current and long-term portions at year-end.

	<u>Fiscal Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Unpaid claims at beginning of fiscal year	\$49,064,929	\$35,798,565
Incurred claims (including IBNR's)	13,172,346	19,277,576
Claim payments	<u>(5,447,416)</u>	<u>(6,011,212)</u>
Unpaid claims at end of fiscal year	<u>\$56,789,859</u>	<u>\$49,064,929</u>
Current portion	\$ 6,305,074	\$ 8,238,869
Long-term portion	<u>50,484,785</u>	<u>40,826,060</u>
Unpaid claims at end of fiscal year	<u>\$56,789,859</u>	<u>\$49,064,929</u>
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 \$60,921,529. 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.

**(15) Retirement Plan for Full-Time Employees**

(a) Plan Description

The OCFA participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer, defined benefit pension plan covering substantially all employees of the County of Orange (County) and the following agencies: City of San Juan Capistrano; 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; Orange County Superior Court; Orange County Transportation Authority; Transportation Corridor Agencies; University of California, Irvine Medical Center and Campus. The participating entities share proportionally in all risks and costs, including benefit costs.

OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937, and provides employee members with retirement benefits. The Retirement Board consists of ten trustees. Four members of the Board of Retirement are appointed by the County Board of Supervisors; four members (including the alternate) are elected by active employee members of the system; one member is elected by the retirees; and the County Treasurer is an ex-officio member. Employee members of OCERS employed prior to September 21, 1979, without any break in service, are designated as Tier I members. Employee members of OCERS employed on or after September 21, 1979, are designated as Tier II members.

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.

(b) Funding Policy

All OCFA regular, full-time and part-time employees (over 20 hours per week) become members of OCERS upon employment, and participating agencies make 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 contributes toward two employee categories identified as Safety Members and General Members. Safety Members are defined as those employees actively involved in fire suppression work and General Members are employees not actively involved in fire suppression work. Within the two categories of Safety and General Members, there are retirement plans which separate Tier I and Tier II members. They differ in that the final retirement allowance for an employee in Tier I is calculated using the employee's single highest year of compensation, while the final retirement allowance for an employee in Tier II is calculated using the employee's average three highest years of compensation.



California Public Employees’ Pension Reform Act

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 involves new retirement formulas for newly hired employees who do not establish reciprocity with OCERS. These new formulas are 2.7% at age 57 for Safety Members and 2% at age 62 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.

Safety Member Category

Employees under the Safety Member category include those in the Firefighter Unit (represented by the Orange County Professional Firefighters Association, IAFF-Local 3631); the Fire Management Unit (represented by the Orange County Fire Authority Chief Officers Association); and unrepresented members of Executive Management occupying suppression positions. The four Safety Member plans are summarized below:

Plan	Tier	Benefit Formula	Employee Hire Date		
			Firefighter Unit	Fire Management Unit	Executive Management in Suppression Positions
E	I	3.0% at 50	Prior to July 1, 2012	Prior to July 1, 2012	Prior to July 1, 2011
F	II	3.0% at 50	Prior to July 1, 2012	Prior to July 1, 2012	Prior to July 1, 2011
R	II	3.0% at 55	July 1, 2012 – December 31, 2012	July 1, 2012 – December 31, 2012	July 1, 2011 – December 31, 2012
			- OR -	- OR -	- OR -
			On or After January 1, 2013 (with reciprocity)	On or After January 1, 2013 (with reciprocity)	On or After January 1, 2013 (with reciprocity)
V	II	2.7% at 57	On or After January 1, 2013 (without reciprocity)	On or After January 1, 2013 (without reciprocity)	On or After January 1, 2013 (without reciprocity)

OCFA assumes the contribution cost for both the employer and employee, which is memorialized in the respective Memorandums of Understanding and Personnel and Salary Resolution. However, employees have agreed 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 the OCFA. Employee reimbursement rates vary depending on the individual employee’s hire date and bargaining group, as follows:

- Employees in the Firefighter and Fire Management Units hired on or after January 1, 2011, reimburse 9% upon commencement of employment. Upon expiration of their respective Memorandums of Understanding, all employees may reimburse 50% of normal retirement

costs, regardless of hire date. Memorandums of Understanding expire on October 31, 2014, for the Firefighter Unit, and on December 11, 2015, for the Fire Management Unit.

- Executive Management occupying suppression positions who were hired on or after January 1, 2013, with no reciprocal retirement benefits, contribute 50% of normal retirement costs upon commencement of employment.
- For employees hired prior to January 1, 2011 (Firefighter and Fire Management Units), or July 1, 2011 (Executive Management), the 9% contribution/reimbursement was phased in, as summarized in the following table:

<i>Phased-In Retirement Reimbursement Rates for Safety Members</i>					
<b>Firefighter Unit (Hired Prior to January 1, 2011)</b>		<b>Fire Management Unit (Hired Prior to January 1, 2011)</b>		<b>Executive Management in Suppression Positions (Hired Prior to July 1, 2011)</b>	
<b>Effective</b>	<b>%</b>	<b>Effective</b>	<b>%</b>	<b>Effective</b>	<b>%</b>
October 2010	2.50%	January 2011	2.75%	January 2011	2.75%
October 2011	5.00%	January 2012	5.50%	January 2012	5.50%
October 2012	7.00%*	January 2013	8.25%	January 2013	9.00%
October 2013	9.00%**	February 2014	9.00%		

\* Consists of a 5.0% 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 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.

General Member Category

Employees under the General Member category include those in the General and Supervisory Management Unit (represented by the Orange County Employees Association); unrepresented employees identified as Administrative Management; and unrepresented members of Executive Management occupying non-suppression positions. The four General Member plans are summarized below:

<b>Plan</b>	<b>Tier</b>	<b>Benefit Formula</b>	<b>Employee Hire Date</b>	
			<b>General and Supervisory Management</b>	<b>Administrative Management and Executive Management in Non-Suppression Positions</b>
I	I	2.7% at 55	Prior to July 1, 2011	Prior to December 1, 2012
J	II	2.7% at 55	Prior to July 1, 2011	Prior to December 1, 2012
N	II	2.0% at 55	On or After July 1, 2011 (with reciprocity)	December 1, 2012 – December 31, 2012  - OR - On or After January 1, 2013 (with reciprocity)
U	II	2.0% at 62	On or After January 1, 2013 (without reciprocity)	On or After January 1, 2013 (without reciprocity)

OCFA assumes the contribution cost for both the employer and employee, which is memorialized in the respective Memorandums of Understanding and Personnel and Salary Resolution. However, employees have agreed to reimburse OCFA for a portion of their retirement costs. This reimbursement continues throughout an employee's entire term of employment with the OCFA.

All employees in the General Member category began reimbursing 6% of their compensation earnable to the OCFA in July 2004. Currently, employee reimbursement rates vary depending on the individual employee's hire date and bargaining group, as follows:

- Employees in the General and Supervisory Management Unit hired on or after July 1, 2011, reimburse 9% upon commencement of employment. Upon expiration of the current Memorandum of Understanding on December 18, 2014, all employees may reimburse 50% of normal retirement costs, regardless of hire date.
- Administrative Management and non-suppression Executive Management employees hired December 1, 2012 through December 31, 2012, (or those hired on or after January 1, 2013, with reciprocal retirement benefits), contribute 9% upon commencement of employment. Those hired on or after January 1, 2013, with no reciprocal retirement benefits, contribute 50% of normal retirement costs upon commencement of employment.
- Employees hired prior to July 1, 2011 (General and Supervisory Management Unit), and December 1, 2012 (Administrative Management and non-suppression Executive Management), are phasing in increases to their reimbursement rate from 6% to 9%, as summarized in the following table:

<i>Phased-In Retirement Reimbursement Rates for General Members</i>					
<b>General and Supervisory Management (Hired Prior to July 1, 2011)</b>		<b>Administrative Management (Hired Prior to December 1, 2012)</b>		<b>Executive Management in Non-Suppression Positions (Hired Prior to December 1, 2012)</b>	
<b>Effective</b>	<b>%</b>	<b>Effective</b>	<b>%</b>	<b>Effective</b>	<b>%</b>
January 2011	7.25%	January 2013	8.25%	January 2013	9.00%
July 2011	8.50%	February 2014	9.00%*		
February 2012	9.00%	February 2015	9.00%*		
		December 2015	9.00%**		

\* *If a salary adjustment is implemented*

\*\* *If not already at 9.00%*

(c) Benefits

OCFA plan members who retire at or after the age applicable to their retirement formula and with 10 or more years of service are entitled to an annual retirement allowance. In general, the amount of the member's retirement allowance is calculated using the member's age at retirement, the member's "final compensation" as defined in Section 31462 of the Retirement Law of 1937, the total years of service under OCERS and the member's status as a Tier I or Tier II employee. Benefits fully vest on reaching five years of service. OCERS also provides for death and disability benefits associated with the retirement program.

(d) Contributions

Agency members are required to contribute a percentage of their distributed annual compensation to OCERS. Each year, an actuarial valuation is performed for OCERS within each rate group and contribution rates are established for the agency member within their assigned rate group. The table below summarizes the OCFA's required contribution rates for employees (paid by the OCFA) and for the employer for the current and preceding two fiscal years.

Plan	Tier	Benefit Formula	FYE June 30, 2014 Contribution Rates		FYE June 30, 2013 Contribution Rates		FYE June 30, 2012 Contribution Rates	
			Employee (Paid by OCFA)	Employer	Employee (Paid by OCFA)	Employer	Employee (Paid by OCFA)	Employer
<b>Safety Members</b>								
E	I	3.0% at 50	n/a*	43.15%	n/a*	45.46%	n/a*	48.53%
F	II	3.0% at 50	11.55-18.63%	43.15%	10.77-18.71%	45.46%	10.78-18.73%	48.53%
R	II	3.0% at 55	10.82-17.46%	38.24%	10.20-17.71%	42.22%	n/a	n/a
V	II	2.7% at 57	10.75-17.75%	34.89%	10.75-21.50%	38.45%	n/a	n/a
<b>General Members</b>								
I	I	2.7% at 55	8.87-15.31%	32.61%	8.10-14.74%	27.99%	8.11-14.76%	26.53%
J	II	2.7% at 55	8.47-15.31%	32.61%	7.75-14.74%	27.99%	7.76-14.76%	26.53%
N	II	2.0% at 55	6.54-12.88%	34.78%	5.73-11.98%	27.25%	5.73-11.98%	25.66%
U	II	2.0% at 62	5.75-11.50%	28.27%	5.75-11.50%	23.50%	n/a	n/a

\* All Tier I safety employees have more than 30 years of service; thus, no additional employee contributions were required.

The table below summarizes the OCFA's payroll and contribution information for the current and preceding two fiscal years.

FYE June 30	OCFA Payroll		OCFA's Required Contributions		OCFA's Actual Contributions	
	Total	Covered by OCERS	Amount	% of Covered Payroll	Amount	% of Required Contributions
2012	\$152,675,870	\$111,444,130	\$55,756,764	50.1%	\$55,756,764	100.0%
2013	171,749,319	128,121,447	61,206,670	47.8%	61,206,670	100.0%
2014	171,194,140	125,869,628	57,795,043	46.0%	63,030,796	109.1%

**(16) Retirement Plan for Part-Time Employees**

(a) Summary of Significant Accounting Policies

*Method Used to Value Investments*

Investments are reported at fair value.

(b) Plan Description

*Plan 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.

*Plan Membership*

As of June 30, 2014, Plan membership consisted of the following:

<u>Plan Members (or Beneficiaries)</u>	Balance as of June 30, 2014		
	<u>\$3,500 or Less</u>	<u>More than \$3,500</u>	<u>Total</u>
Inactive; currently receiving benefits	-	-	-
Inactive; entitled to but not yet receiving benefits	10	-	10
Active	<u>55</u>	<u>4</u>	<u>59</u>
Total plan members	<u>65</u>	<u>4</u>	<u>69</u>

*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, 2014, lump sum distributions totaling \$8,676 were made to fourteen participants. Currently, there are no participants eligible to collect retirement benefits.

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. After 30 years of credited service, OCFA is responsible for the employee's Plan contributions. The contributions are credited with 5% interest compounded semi-annually. Employee contributions rates range from 2.5% to 7.5% based on age.

(c) Investments

Investment Policy

Employee 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 overseen by the Local Agency Investment Advisory Board which consists of five members, in accordance with State statute.

Concentrations

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

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments was 0.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(d) Net Pension Liability of OCFA

The components of the net pension liability of OCFA as of June 30, 2014, were as follows:

Total pension liability	\$313,389
Plan fiduciary net position	<u>(64,464)</u>
OCFA's net pension liability	<u>\$248,925</u>

Plan fiduciary net position as a percentage of the total pension liability 20.57%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary increases	3.00%, including merit, seniority, and inflation	
Discount rate	3.75%, net of pension plan investment expense, including inflation	
Measurement date	June 30, 2014, based on a valuation date of January 1, 2014, rolled forward on an actuarial basis	
Mortality	RP-2000 mortality table for combined healthy participants to 2014 for mortality improvements 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.

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 1-percentage-point lower (2.75%) or 1-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	\$248,925	\$182,260

**(17) 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.

(b) Funding Policy

All retirees and full-time employees hired prior to January 1, 2007, are eligible to participate in the Plan. 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, 2014, there were 569 eligible retirees who received monthly benefits aggregating to an annual total of \$3,532,085. In addition, there were three deferred retirees who received monthly benefits directly from the OCFA totaling \$5,164.

(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, 2014, the OCFA's annual OPEB cost was \$14,461,381, as determined by an actuarial valuation with a measurement date as of July 1, 2012, and was calculated as follows:

Annual Required Contribution (ARC)	\$14,560,117
Interest on the Net OPEB Obligation (NOPEBO)	2,135,737
Actuary's adjustment on the ARC	<u>(2,234,473)</u>
Annual OPEB Cost	<u>\$14,461,381</u>

During the year ended June 30, 2014, the OCFA's actual contributions totaled \$4,693,202 resulting in an increase to the NOPEBO of \$9,768,179 (the difference between the Annual OPEB Cost and actual contributions). The outstanding balance of the NOPEBO as of June 30, 2014, was \$48,085,317. 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	Annual	Actual	% of Annual	Net Increase to	Cumulative Net
<u>June 30</u>	<u>OPEB Cost</u>	<u>Contributions</u>	<u>OPEB Cost</u>	<u>Net OPEB</u>	<u>OPEB Obligation</u>
			<u>Contributed</u>	<u>Obligation</u>	<u>at June 30</u>
2012	\$13,141,576	\$4,557,554	34.68%	\$8,584,022	\$29,387,117
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

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:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Amounts irrevocably transferred to OCERS trust	\$3,482,518	\$3,526,937	\$3,670,501
Implicit insurance premiums paid on behalf of retirees	1,205,520	1,227,387	882,372
Amounts paid directly to retirees	<u>5,164</u>	<u>4,780</u>	<u>4,681</u>
Total actual contributions	<u>\$4,693,202</u>	<u>\$4,759,104</u>	<u>\$4,557,554</u>

(e) Funded Status and Funding Progress

The following schedule of funding progress shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

	(a)	(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
2008	\$21,525,051	\$ 94,124,900	\$ 72,599,849	22.87%	\$80,624,028	90.05%
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%

(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, 2014, was determined by an actuarial valuation of the Plan dated July 1, 2012. 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, 2012
- Actuarial cost method Entry age normal
- Amortization method 30 years beginning July 1, 2006, closed, level dollar
- Remaining amortization period 24 years as of July 1, 2012
- Asset valuation method Market value
  
- Actuarial assumptions:
  - Investment rate of return/discount rate 5.5%
  - Projected salary increases N/A
  - Inflation 3.5%
  - Increase in retiree medical grant 5.0%
  
- Plan membership:
  - Current retirees and surviving spouses 471
  - Current active members 804
  - Terminated participants entitled but not yet eligible 9

**(18) 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-Miliias-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 OCFA contributions totaled \$1,496,155 for the year ended June 30, 2014.

**(19) Subsequent Events**

(a) 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. 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 2014/15 that are lawfully available for payment of the TRAN principal and accrued interest. The TRAN matures on June 30, 2015.

(b) Accelerated Pay-down of the Unfunded Actuarial Accrued Liability (UAAL) for Retirement

As part of the an overall strategy to reduce its long-term liabilities, OCFA previously negotiated with the Orange County Professional Firefighters Association and the Orange County Employees Association to use a portion of its cash reserves to accelerate the pay-down of its unfunded retirement liability with the Orange County Employees Retirement System (OCERS). On July 1, 2014, OCFA made an accelerated UAAL payment to OCERS totaling \$18,290,238.



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*Orange County Fire Authority Safety Message*

**Learn the ABC's of Pool Safety**  
**(Part 3 of 3)**

**C – Classes – “CPR”**

- ✓ Learn CPR, first aid, and rescue techniques.
- ✓ Learn swim skills through on-going qualified instruction.
- ✓ Keep rescue equipment such as a shepherd's hook, life-saving ring, and CPR sign mounted by the pool to instruct others.
- ✓ Find out and understand the proper behavior in and around the water. Teach children the same behaviors.



## Required Supplementary Information

## **Required Supplementary Information**

### **Extra Help Retirement**

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.

### **Defined Benefit Retiree Medical Plan**

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**  
**Schedules of Required Supplementary Information**

**Extra Help Retirement**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**As of June 30, for the Last Ten Fiscal Years (A)**

	<u>2014</u>
<b>Total pension liability:</b>	
Service cost	\$ 8,030
Interest	11,484
Benefit payments, including refunds of member contributions	(8,676)
<b>Net change in total pension liability</b>	<b>10,838</b>
Total pension liability - beginning	302,551
<b>Total pension liability - ending (a)</b>	<b>313,389</b>
<b>Plan fiduciary net position:</b>	
Contributions - employer	2,117
Contributions - plan members	13,542
Net investment income	586
Benefit payments, including refunds of member contributions	(8,676)
<b>Net change in plan fiduciary net position</b>	<b>7,569</b>
Total pension net position - beginning	56,895
<b>Total pension net position - ending (b)</b>	<b>64,464</b>
<b>Net pension liability - ending (a - b)</b>	<b>\$ 248,925</b>
Plan fiduciary net position as a percentage of the total pension liability (b / a)	20.57%
Covered-employee payroll (c)	\$ 205,340
Net pension liability as a percentage of covered-employee payroll (c) / (a - b)	121.23%
<b>Employer contributions:</b>	
Required contributions	\$ 2,117
Actual contributions	\$ 2,117
Actual contributions as a percentage of required contributions	100.00%

**Notes to Schedule:**

*Benefit changes:* None

*Changes in assumptions:* None

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

**ORANGE COUNTY FIRE AUTHORITY**  
**Schedules of Required Supplementary Information**

**Extra Help Retirement**  
**Schedule of Investment Returns**  
**As of June 30, for the Last Ten Fiscal Years (A)**

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	0.97%

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**Notes to Schedule:**

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



**ORANGE COUNTY FIRE AUTHORITY**  
**Schedules of Required Supplementary Information**

**Defined Benefit Retiree Medical Plan**  
**Schedule of Funding Progress**  
**Last Three Actuarial Valuations**

	<b>Actuarial Valuation Dated</b>		
	<b>July 1, 2012</b>	<b>July 1, 2010</b>	<b>July 1, 2008</b>
Entry age actuarial accrued liability (AAL)	\$156,623,184	\$147,709,326	\$94,124,900
Actuarial value of assets	28,910,090	21,549,574	21,525,051
<b>Unfunded AAL (UAAL)</b>	<b>\$ 127,713,094</b>	<b>\$ 126,159,752</b>	<b>\$ 72,599,849</b>
<b>Funded ratio</b>	<b>18.46%</b>	<b>14.59%</b>	<b>22.87%</b>
<b>Covered payroll</b>	<b>\$ 75,432,000</b>	<b>\$ 81,391,495</b>	<b>\$ 80,624,028</b>
<b>UAAL as a percentage of covered payroll</b>	<b>169.31%</b>	<b>155.00%</b>	<b>90.05%</b>

-----  
**Notes to Schedules:**

*Benefit changes:* None

*Changes in Size or Composition of Plan members:*

	<b>Actuarial Valuation Dated</b>		
	<b>July 1, 2012</b>	<b>July 1, 2010</b>	<b>July 1, 2008</b>
Current retirees and surviving spouses	471	388	316
Current active members	804	896	960
Terminated participants entitled but not yet eligible	9	5	-
	<b>1,284</b>	<b>1,289</b>	<b>1,276</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Schedules of Required Supplementary Information**

**Defined Benefit Retiree Medical Plan**  
**Schedule of Contributions from the Employer and Other Contributing Entities**  
**Last Three Fiscal Years**

	<b>Fiscal Year Ended</b>		
	<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Annual OPEB cost	\$14,461,381	\$13,689,125	\$13,141,576
Actual contributions	4,693,202	4,759,104	4,557,554
<b>Net increase to Net OPEB obligation</b>	<b>\$ 9,768,179</b>	<b>\$ 8,930,021</b>	<b>\$ 8,584,022</b>
<b>% of annual OPEB cost contributed</b>	<b>32.45%</b>	<b>34.77%</b>	<b>34.68%</b>

-----  
**Notes to Schedule (Continued):**

***Changes in assumptions:***

- (1) The implicit subsidy for insurance premiums paid on behalf of retirees was included in the actuarial valuations effective July 1, 2008, and thereafter. The implicit subsidy was excluded from previous actuarial valuations.
  
- (2) The investment rate of return/discount rate decreased as follows:

	<b>Actuarial Valuation Dated</b>		
	<b>July 1, 2012</b>	<b>July 1, 2010</b>	<b>July 1, 2008</b>
Investment rate of return/discount rate	5.50%	5.50%	7.75%

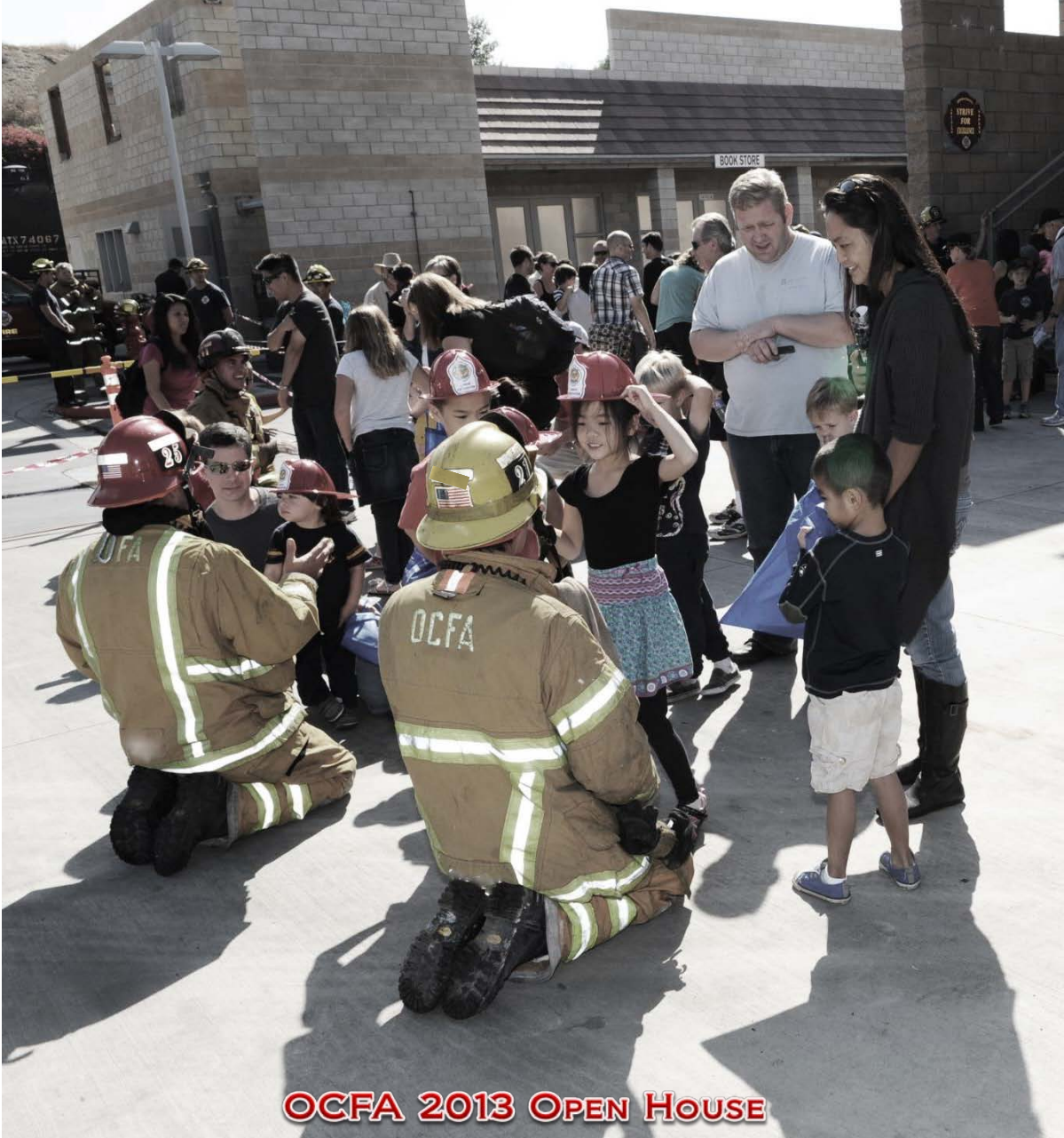


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*Orange County Fire Authority Safety Message*

## **What to do if a Child Falls into a Pool**

- ✓ Yell for help and check the scene to make sure that you can safely help the child.
- ✓ Get the child out of the pool and onto the pool deck.
- ✓ Check for consciousness by tapping and shouting, “are you okay?”
- ✓ If someone is with you, have them call 9-1-1. Determine if the child is breathing: Tilt the head back. If you don’t hear or feel breathing or see the chest rising, give two (2) rescue breaths and then check for a pulse.
- ✓ Begin rescue breathing or CPR immediately and continue until emergency help arrives.
- ✓ If you are alone and the child is not breathing and/or does not have a pulse, start rescue breathing or CPR immediately. After one minute, call 9-1-1. Return to the child and continue CPR until help arrives.



**OCFA 2013 OPEN HOUSE**



# Supplementary Schedules



## Major Governmental Funds

### *Capital Projects Funds*

#### **Facilities Maintenance & Improvements**

This fund is used to account for significant capital projects that provide for either the maintenance or improvement of OCFA's facilities.

#### **Communications & Information Systems**

This fund is used to account for the replacement of specialized fire communications equipment and information systems equipment.

#### **Vehicle Replacement**

This fund is used to account for the planned replacement of fire apparatus and vehicles.

#### **Facilities Replacement**

This fund is used to account for the replacement of sub-standard fire stations and the construction of new fire stations.

**ORANGE COUNTY FIRE AUTHORITY  
 Facilities Maintenance & Improvements  
 Budgetary Comparison Schedule  
 Year ended June 30, 2014  
 (With Comparative Data for Prior Year)**

	2014			Variance with Final Budget Positive (Negative)	2013
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>Budgetary fund balance, July 1</b>	<b>\$ 2,584,684</b>	<b>\$ 2,584,684</b>	<b>\$ 2,584,684</b>	<b>\$ -</b>	<b>\$ 3,279,721</b>
<b>Resources (inflows):</b>					
Intergovernmental	-	890,000	17,220	(872,780)	-
Charges for services	216,178	238,129	238,129	-	278,656
Use of money and property	10,238	12,497	17,398	4,901	(1,951)
Miscellaneous	-	50,000	39,233	(10,767)	-
Transfers in	1,078,745	1,078,745	1,078,745	-	-
<b>Total resources (inflows)</b>	<b>1,305,161</b>	<b>2,269,371</b>	<b>1,390,725</b>	<b>(878,646)</b>	<b>276,705</b>
<b>Amounts available for appropriations</b>	<b>3,889,845</b>	<b>4,854,055</b>	<b>3,975,409</b>	<b>(878,646)</b>	<b>3,556,426</b>
<b>Charges to appropriation (outflows):</b>					
Services and supplies	1,254,884	1,404,884	1,264,707	140,177	961,247
Capital outlay	-	890,000	-	890,000	10,495
<b>Total charges to appropriations</b>	<b>1,254,884</b>	<b>2,294,884</b>	<b>1,264,707</b>	<b>1,030,177</b>	<b>971,742</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 2,634,961</b>	<b>\$ 2,559,171</b>	<b>\$ 2,710,702</b>	<b>\$ 151,531</b>	<b>\$ 2,584,684</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Communications & Information Systems**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	2014			2013	
	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
	Original	Final			
<b>Budgetary fund balance, July 1</b>	<b>\$ 19,079,126</b>	<b>\$ 19,079,126</b>	<b>\$ 19,079,126</b>	<b>\$ -</b>	<b>\$ 22,207,187</b>
<b>Resources (inflows):</b>					
Intergovernmental	920,000	920,000	-	(920,000)	-
Use of money and property	50,445	63,073	109,385	46,312	(11,991)
Miscellaneous	-	129,909	129,909	-	148,011
Transfers in	2,234,129	2,449,115	2,449,115	-	343,435
<b>Total resources (inflows)</b>	<b>3,204,574</b>	<b>3,562,097</b>	<b>2,688,409</b>	<b>(873,688)</b>	<b>479,455</b>
<b>Amounts available for appropriations</b>	<b>22,283,700</b>	<b>22,641,223</b>	<b>21,767,535</b>	<b>(873,688)</b>	<b>22,686,642</b>
<b>Charges to appropriation (outflows):</b>					
Services and supplies	1,403,332	2,223,732	1,420,510	803,222	1,562,993
Capital outlay	11,052,416	12,258,416	2,295,273	9,963,143	2,044,523
<b>Total charges to appropriations</b>	<b>12,455,748</b>	<b>14,482,148</b>	<b>3,715,783</b>	<b>10,766,365</b>	<b>3,607,516</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 9,827,952</b>	<b>\$ 8,159,075</b>	<b>\$ 18,051,752</b>	<b>\$ 9,892,677</b>	<b>\$ 19,079,126</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Vehicle Replacement**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	2014		Actual Amounts	Variance with Final Budget Positive (Negative)	2013
	Budget Amounts				Actual
	Original	Final			Amounts
<b>Budgetary fund balance, July 1</b>	<b>\$ 30,875,249</b>	<b>\$ 30,875,249</b>	<b>\$ 30,875,249</b>	<b>\$ -</b>	<b>\$ 34,373,122</b>
<b>Resources (inflows):</b>					
Intergovernmental	-	-	-	-	879,066
Charges for services	1,355,244	1,362,214	1,362,214	-	1,332,748
Use of money and property	119,439	112,554	175,421	62,867	(18,644)
Miscellaneous	-	79,719	79,719	-	90,839
Developer contributions	643,106	643,106	-	(643,106)	-
Transfers in	1,184,973	1,842,515	1,842,515	-	37,787
<b>Total resources (inflows)</b>	<b>3,302,762</b>	<b>4,040,108</b>	<b>3,459,869</b>	<b>(580,239)</b>	<b>2,321,796</b>
<b>Amounts available for appropriations</b>	<b>34,178,011</b>	<b>34,915,357</b>	<b>34,335,118</b>	<b>(580,239)</b>	<b>36,694,918</b>
<b>Charges to appropriation (outflows):</b>					
Services and supplies	86,958	86,958	86,958	-	173,434
Capital outlay	7,217,462	11,262,691	2,219,556	9,043,135	3,114,512
Principal retirement	2,219,152	2,219,152	2,219,152	-	2,162,809
Interest and fiscal charges	312,571	312,571	312,571	-	368,914
<b>Total charges to appropriations</b>	<b>9,836,143</b>	<b>13,881,372</b>	<b>4,838,237</b>	<b>9,043,135</b>	<b>5,819,669</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 24,341,868</b>	<b>\$ 21,033,985</b>	<b>\$ 29,496,881</b>	<b>\$ 8,462,896</b>	<b>\$ 30,875,249</b>



**ORANGE COUNTY FIRE AUTHORITY**  
**Facilities Replacement**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	2014			2013	
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final		Positive (Negative)	
<b>Budgetary fund balance, July 1</b>	<b>\$ 16,683,531</b>	<b>\$ 16,683,531</b>	<b>\$ 16,683,531</b>	<b>\$ -</b>	<b>\$ 16,136,604</b>
<b>Resources (inflows):</b>					
Use of money and property	50,111	50,111	89,100	38,989	(13,275)
Miscellaneous	-	76,949	76,949	-	87,586
Developer contributions	4,056,050	5,253,050	1,271,400	(3,981,650)	538,260
<b>Total resources (inflows)</b>	<b>4,106,161</b>	<b>5,380,110</b>	<b>1,437,449</b>	<b>(3,942,661)</b>	<b>612,571</b>
<b>Amounts available for appropriations</b>	<b>20,789,692</b>	<b>22,063,641</b>	<b>18,120,980</b>	<b>(3,942,661)</b>	<b>16,749,175</b>
<b>Charges to appropriation (outflows):</b>					
Services and supplies	-	-	-	-	65,644
Capital outlay	5,250,000	12,956,900	2,711,093	10,245,807	-
<b>Total charges to appropriations</b>	<b>5,250,000</b>	<b>12,956,900</b>	<b>2,711,093</b>	<b>10,245,807</b>	<b>65,644</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 15,539,692</b>	<b>\$ 9,106,741</b>	<b>\$ 15,409,887</b>	<b>\$ 6,303,146</b>	<b>\$ 16,683,531</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Balance Sheet**  
**June 30, 2014**  
 (With Comparative Data for Prior Year)

	<b>General Operating Fund</b>	<b>Structural Fire Entitlement</b>
<b>Assets:</b>		
Cash and investments	\$ 31,645,070	\$ 1,173,911
Receivables:		
Accounts, net	2,117,990	-
Accrued interest	54,196	-
Prepaid costs and other assets	30,565,638	-
Due from other governments, net	9,946,907	-
<b>Total assets</b>	<b>\$ 74,329,801</b>	<b>\$ 1,173,911</b>
<b>Liabilities:</b>		
Accounts payable	\$ 4,911,061	\$ 389,294
Accrued liabilities	11,540,122	-
Unearned revenue	3,012,482	-
Due to other governments	67,854	-
<b>Total liabilities</b>	<b>19,531,519</b>	<b>389,294</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue	1,000,139	-
<b>Total deferred inflows of resources</b>	<b>1,000,139</b>	<b>-</b>
<b>Fund balances:</b>		
Nonspendable - Prepaid costs	30,560,638	-
Restricted for:		
Executive Management	-	-
Operations Department	32,015	-
Community Risk Reduction Department	267	-
Committed to - SFF cities enhancements	-	784,617
Assigned to:		
Workers' compensation	-	-
Executive Management	90,529	-
Operations Department	75,416	-
Community Risk Reduction Department	-	-
Business Services Department	58,254	-
Support Services Department	90,364	-
Unassigned	22,890,660	-
<b>Total fund balances</b>	<b>53,798,143</b>	<b>784,617</b>
<b>Total liabilities, deferred inflows     of resources, and fund balances</b>	<b>\$ 74,329,801</b>	<b>\$ 1,173,911</b>

Self Insurance	Eliminations	Total General Fund	
		2014	2013
\$ 60,921,529	\$ -	\$ 93,740,510	\$ 87,493,792
-	-	2,117,990	2,944,138
-	-	54,196	32,796
-	-	30,565,638	26,727,849
-	-	9,946,907	9,674,957
<b>\$ 60,921,529</b>	<b>\$ -</b>	<b>\$ 136,425,241</b>	<b>\$ 126,873,532</b>
\$ -	\$ -	\$ 5,300,355	\$ 2,471,418
-	-	11,540,122	12,853,555
-	-	3,012,482	2,905,626
-	-	67,854	23,368
-	-	<b>19,920,813</b>	<b>18,253,967</b>
-	-	1,000,139	1,034,421
-	-	<b>1,000,139</b>	<b>1,034,421</b>
-	-	30,560,638	26,727,849
-	-	-	7,865
-	-	32,015	127,193
-	-	267	2,618
-	-	784,617	1,268,160
60,921,529	-	60,921,529	53,230,384
-	-	90,529	24,832
-	-	75,416	62,583
-	-	-	55,138
-	-	58,254	161,126
-	-	90,364	134,545
-	-	22,890,660	25,782,851
<b>60,921,529</b>	<b>-</b>	<b>115,504,289</b>	<b>107,585,144</b>
<b>\$ 60,921,529</b>	<b>\$ -</b>	<b>\$ 136,425,241</b>	<b>\$ 126,873,532</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Year ended June 30, 2014**  
**(With Comparative Data for Prior Year)**

	<b>General Operating Fund</b>	<b>Structural Fire Entitlement</b>
<b>Revenues:</b>		
Taxes	\$ 190,873,689	\$ -
Intergovernmental	19,094,591	-
Charges for services	96,104,840	-
Use of money and property	221,503	6,825
Miscellaneous	1,352,043	-
<b>Total revenues</b>	<b>307,646,666</b>	<b>6,825</b>
<b>Expenditures:</b>		
Current - public safety:		
Salaries and benefits	269,959,939	-
Services and supplies	31,477,919	490,368
Capital outlay	455,496	-
Debt service:		
Interest and fiscal charges	109,274	-
<b>Total expenditures</b>	<b>302,002,628</b>	<b>490,368</b>
Excess (deficiency) of revenues over (under) expenditures	5,644,038	(483,543)
<b>Other financing sources (uses):</b>		
Transfers out	(5,370,375)	-
Sale of capital and other assets	77,077	-
Insurance recoveries	360,803	-
<b>Total other financing sources (uses)</b>	<b>(4,932,495)</b>	<b>-</b>
Net change in fund balances	711,543	(483,543)
Fund balances, beginning of year	53,086,600	1,268,160
<b>Fund balances, end of year</b>	<b>\$ 53,798,143</b>	<b>\$ 784,617</b>

Self Insurance	Eliminations	Total General Fund	
		2014	2013
\$ -	\$ -	\$ 190,873,689	\$ 181,720,253
-	-	19,094,591	28,004,583
12,825,909	(12,825,909)	96,104,840	94,292,648
312,652	-	540,980	25,305
-	-	1,352,043	4,785,472
<b>13,138,561</b>	<b>(12,825,909)</b>	<b>307,966,143</b>	<b>308,828,261</b>
-	(12,825,909)	257,134,030	255,301,913
5,447,416	-	37,415,703	29,849,819
-	-	455,496	250,572
-	-	109,274	115,937
<b>5,447,416</b>	<b>(12,825,909)</b>	<b>295,114,503</b>	<b>285,518,241</b>
7,691,145	-	12,851,640	23,310,020
-	-	(5,370,375)	(381,222)
-	-	77,077	58,051
-	-	360,803	53,529
-	-	<b>(4,932,495)</b>	<b>(269,642)</b>
7,691,145	-	7,919,145	23,040,378
53,230,384	-	107,585,144	84,544,766
<b>\$ 60,921,529</b>	<b>\$ -</b>	<b>\$ 115,504,289</b>	<b>\$ 107,585,144</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Original Budget**  
**Year ended June 30, 2014**

	<b>General Operating Fund</b>	<b>Structural Fire Entitlement</b>	<b>Self Insurance</b>	<b>Eliminations</b>	<b>Total General Fund 2014</b>
<b>Budgetary fund balance, July 1</b>	<b>\$ 53,086,600</b>	<b>\$ 1,268,160</b>	<b>\$ 53,230,384</b>	<b>\$ -</b>	<b>\$ 107,585,144</b>
<b>Resources (inflows):</b>					
Taxes	186,998,721	-	-	-	186,998,721
Intergovernmental	11,443,286	-	-	-	11,443,286
Charges for services	94,325,831	-	12,763,412	(12,763,412)	94,325,831
Use of money and property	221,379	296	255,764	-	477,439
Miscellaneous	782,000	-	-	-	782,000
Sale of capital and other assets	50,000	-	-	-	50,000
<b>Total resources (inflows)</b>	<b>293,821,217</b>	<b>296</b>	<b>13,019,176</b>	<b>(12,763,412)</b>	<b>294,077,277</b>
<b>Amounts available for appropriations</b>	<b>346,907,817</b>	<b>1,268,456</b>	<b>66,249,560</b>	<b>(12,763,412)</b>	<b>401,662,421</b>
<b>Charges to appropriation (outflows):</b>					
Salaries and benefits	266,528,679	-	-	(12,763,412)	253,765,267
Services and supplies	22,846,247	-	9,856,181	-	32,702,428
Capital outlay	29,444	-	-	-	29,444
Interest and fiscal charges	116,250	-	-	-	116,250
Transfers out	4,497,847	-	-	-	4,497,847
<b>Total charges to appropriations</b>	<b>294,018,467</b>	<b>-</b>	<b>9,856,181</b>	<b>(12,763,412)</b>	<b>291,111,236</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 52,889,350</b>	<b>\$ 1,268,456</b>	<b>\$ 56,393,379</b>	<b>\$ -</b>	<b>\$ 110,551,185</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Components of General Fund**  
**Combining Final Budget**  
**Year ended June 30, 2014**

	<b>General Operating Fund</b>	<b>Structural Fire Entitlement</b>	<b>Self Insurance</b>	<b>Eliminations</b>	<b>Total General Fund 2014</b>
<b>Budgetary fund balance, July 1</b>	<b>\$ 53,086,600</b>	<b>\$ 1,268,160</b>	<b>\$ 53,230,384</b>	<b>\$ -</b>	<b>\$ 107,585,144</b>
<b>Resources (inflows):</b>					
Taxes	190,156,251	-	-	-	190,156,251
Intergovernmental	17,872,333	-	-	-	17,872,333
Charges for services	96,288,619	-	12,825,908	(12,825,908)	96,288,619
Use of money and property	128,487	3,489	170,481	-	302,457
Miscellaneous	1,160,503	-	-	-	1,160,503
Sale of capital and other assets	50,000	-	-	-	50,000
Insurance recoveries	362,128	-	-	-	362,128
<b>Total resources (inflows)</b>	<b>306,018,321</b>	<b>3,489</b>	<b>12,996,389</b>	<b>(12,825,908)</b>	<b>306,192,291</b>
<b>Amounts available for appropriations</b>	<b>359,104,921</b>	<b>1,271,649</b>	<b>66,226,773</b>	<b>(12,825,908)</b>	<b>413,777,435</b>
<b>Charges to appropriation (outflows):</b>					
Salaries and benefits	273,143,957	-	-	(12,825,908)	260,318,049
Services and supplies	32,759,280	699,758	10,503,824	-	43,962,862
Capital outlay	573,577	-	-	-	573,577
Interest and fiscal charges	116,250	-	-	-	116,250
Transfers out	5,370,375	-	-	-	5,370,375
<b>Total charges to appropriations</b>	<b>311,963,439</b>	<b>699,758</b>	<b>10,503,824</b>	<b>(12,825,908)</b>	<b>310,341,113</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 47,141,482</b>	<b>\$ 571,891</b>	<b>\$ 55,722,949</b>	<b>\$ -</b>	<b>\$ 103,436,322</b>



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*Orange County Fire Authority Safety Message*

## **Nationwide Drowning Statistics**

- ✓ In 2007, there were 3,443 fatal unintentional drownings in the U.S., averaging ten deaths per day.
- ✓ In 2007, males were four times more likely than females to die from unintentional drownings.
- ✓ More than one in five fatal drowning victims are children 14 and under. For every child who dies from drowning, another four received emergency department care for nonfatal submersion injuries.
- ✓ Although drowning rates have declined nationwide, fatal drowning remains the second leading cause of unintentional injury related death for children ages 1 to 14 years.





# 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.



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## *Orange County Fire Authority Safety Message*

# **Fireworks and Summer Safety**

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

Each year in the United States, more than 10,000 people suffer eye injuries and burns from fireworks. Most of these incidents are related to the use of illegal fireworks, as well as state-approved fireworks that are lit by amateurs. These tips can help you be safe this 4th of July:

- ✓ Obey local laws. If fireworks are not legal where you live, do not use them.
- ✓ Buy only State Fire Marshal-approved (Safe and Sane) fireworks. They must have the State Fire Marshal's seal on them and can only be purchased at licensed fireworks stands. Only the cities of Buena Park, Costa Mesa, Fullerton, Garden Grove, Santa Ana, Stanton, Villa Park, and Westminster allow Safe and Sane Fireworks.
- ✓ Parents are liable for any damage or injuries caused by their children using fireworks.
- ✓ Always read directions and have an adult present.
- ✓ Use fireworks outdoors only and light one at a time.
- ✓ Never use near dry grass or other flammable materials.
- ✓ Have a bucket of water and a hose handy.
- ✓ Fireworks are not toys and should be handled by adults only.
- ✓ Do not wear loose fitting clothing, and always use safety goggles.
- ✓ Use common sense and keep a safe distance.
- ✓ Never point or throw fireworks at another person.
- ✓ Never attempt to re-light or "fix" fireworks.

**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			
	2005	2006	2007	2008
Governmental activities:				
Net investment in capital assets	\$ 112,367,478	\$ 122,819,640	\$ 138,152,825	\$ 163,340,815
Restricted	21,697,161	18,673,581	15,179,905	11,331,122
Unrestricted	<u>59,545,780</u>	<u>74,568,019</u>	<u>93,182,195</u>	<u>120,539,628</u>
Total governmental activities net position	<u>\$ 193,610,419</u>	<u>\$ 216,061,240</u>	<u>\$ 246,514,925</u>	<u>\$ 295,211,565</u>

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.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 172,293,178	\$ 183,717,406	\$ 186,297,543	\$ 183,584,385	\$ 181,363,364	\$ 180,917,654
7,394,371	1,623,121	1,627,233	3,252,969	1,690,858	1,076,322
<u>129,119,689</u>	<u>115,965,726</u>	<u>99,704,595</u>	<u>81,450,846</u>	<u>74,510,482</u>	<u>61,760,639</u>
<u>\$ 308,807,238</u>	<u>\$ 301,306,253</u>	<u>\$ 287,629,371</u>	<u>\$ 268,288,200</u>	<u>\$ 257,564,704</u>	<u>\$ 243,754,615</u>
(1)			(2)		

**ORANGE COUNTY FIRE AUTHORITY**

**Changes in Net Position**

**Last Ten Fiscal Years**

(accrual basis of accounting)

Governmental Activities	Fiscal Year ended June 30			
	2005	2006	2007	2008
Expenses - public safety:				
Salaries and benefits	\$ 154,532,819	\$ 166,930,470	\$ 187,129,443	\$ 199,095,873
Services and supplies	26,911,103	25,905,315	27,139,113	31,669,603
Depreciation and amortization	7,280,693	7,277,623	7,000,915	7,399,902
Interest on long-term debt	1,539,394	1,522,705	1,871,983	1,410,673
Total program expenses	<u>190,264,009</u>	<u>201,636,113</u>	<u>223,141,454</u>	<u>239,576,051</u>
Program revenues - public safety:				
Charges for services	52,968,895	56,509,909	61,130,982	69,187,051
Operating grants and contributions	4,208,541	6,650,839	5,537,722	6,835,746
Capital grants and contributions	1,445,246	2,730,652	4,172,358	22,092,218
Total program revenues	<u>58,622,682</u>	<u>65,891,400</u>	<u>70,841,062</u>	<u>98,115,015</u>
Net program revenues (expenses)	<u>(131,641,327)</u>	<u>(135,744,713)</u>	<u>(152,300,392)</u>	<u>(141,461,036)</u>
General revenues:				
Property taxes	138,076,307	152,747,044	166,639,162	182,536,717
Investment income	2,891,248	4,875,101	7,912,428	6,295,464
Gain on disposal of capital assets	-	-	-	-
Miscellaneous	608,684	573,389	903,992	730,733
Total general revenues	<u>141,576,239</u>	<u>158,195,534</u>	<u>175,455,582</u>	<u>189,562,914</u>
Changes in net assets	<u>\$ 9,934,912</u>	<u>\$ 22,450,821</u>	<u>\$ 23,155,190</u>	<u>\$ 48,101,878</u>

(1)

SOURCE: OCFA Comprehensive Annual Financial Reports

NOTES:

(1) During Fiscal Year 2007/08, three fire stations valued at \$17.9 million were contributed to OCFA by The Irvine Company and recognized as revenue (capital grants and contributions).

(2) The City of Santa Ana became a member city of OCFA during Fiscal Year 2011/12 (April 2012).

2009	2010	2011	2012	2013	2014
\$ 209,092,693	\$ 211,729,989	\$ 221,031,439	\$ 240,084,607	\$ 264,067,489	\$ 266,764,367
31,425,592	24,318,065	30,736,034	37,069,099	45,879,501	47,912,808
7,923,947	8,432,793	8,970,508	9,300,853	9,793,491	9,612,453
1,718,137	855,577	677,910	494,014	367,701	311,327
<u>250,160,369</u>	<u>245,336,424</u>	<u>261,415,891</u>	<u>286,948,573</u>	<u>320,108,182</u>	<u>324,600,955</u>
67,305,621	63,743,942	61,975,963	76,347,126	102,875,410	106,874,513
5,981,800	5,784,969	5,963,648	6,580,681	19,523,853	10,339,966
140,903	1,415,618	395,180	3,926,275	2,811,180	1,462,540
<u>73,428,324</u>	<u>70,944,529</u>	<u>68,334,791</u>	<u>86,854,082</u>	<u>125,210,443</u>	<u>118,677,019</u>
<u>(176,732,045)</u>	<u>(174,391,895)</u>	<u>(193,081,100)</u>	<u>(200,094,491)</u>	<u>(194,897,739)</u>	<u>(205,923,936)</u>
184,696,756	179,001,919	177,181,086	177,728,290	181,720,253	190,873,689
3,704,964	1,006,128	611,408	524,602	(136,493)	823,010
-	-	39,803	79,705	11,924	21,834
<u>1,925,998</u>	<u>890,127</u>	<u>835,021</u>	<u>2,420,723</u>	<u>4,329,603</u>	<u>1,200,195</u>
<u>190,327,718</u>	<u>180,898,174</u>	<u>178,667,318</u>	<u>180,753,320</u>	<u>185,925,287</u>	<u>192,918,728</u>
<u>\$ 13,595,673</u>	<u>\$ 6,506,279</u>	<u>\$ (14,413,782)</u>	<u>\$ (19,341,171)</u>	<u>\$ (8,972,452)</u>	<u>\$ (13,005,208)</u>

(2)



**ORANGE COUNTY FIRE AUTHORITY**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
 (modified accrual basis of accounting)

	Fiscal Year ended June 30			
	2005	2006	2007	2008
General Fund:				
Reserved	\$ 1,610,025	\$ 2,392,327	\$ 1,476,790	\$ 1,519,961
Unreserved	36,571,082	48,163,349	54,391,252	60,436,769
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 38,181,107</u>	<u>\$ 50,555,676</u>	<u>\$ 55,868,042</u>	<u>\$ 61,956,730</u>
All other governmental funds:				
Reserved	\$ 13,822,050	\$ 12,162,589	\$ 14,066,095	\$ 8,446,422
Unreserved, reported in:				
Special revenue funds	17,029,091	32,488,801	46,998,762	62,633,870
Capital projects funds	9,257,299	8,875,958	5,602,562	16,718,235
Debt service funds	19,267,740	16,204,380	12,648,661	8,738,484
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 59,376,180</u>	<u>\$ 69,731,728</u>	<u>\$ 79,316,080</u>	<u>\$ 96,537,011</u>

SOURCE: OCFA Comprehensive Annual Financial Reports

NOTES:

- (1) The OCFA implemented GASB Statement No. 54 during the fiscal year ended June 30, 2011. This statement eliminated the previous fund balance categories (reserved and unreserved), and replaced them with five new categories (nonspendable, restricted, committed, assigned, unassigned). Fund balance amounts as of June 30, 2010 and thereafter reflect the new categories; however, all previous fiscal years are presented using the old categories.

2009	2010	2011	2012	2013	2014
\$ 1,417,069	\$ -	\$ -	\$ -	\$ -	\$ -
67,926,629	-	-	-	-	-
-	117,473	23,186,680	22,756,709	26,727,849	30,560,638
-	111,305	111,980	1,699,787	137,676	32,282
-	861,116	797,935	1,372,789	1,268,160	784,617
-	37,621,864	35,550,989	34,715,397	53,668,608	61,236,092
-	41,985,648	25,592,531	25,751,128	25,782,851	22,890,660
<u>\$ 69,343,698</u>	<u>\$ 80,697,406</u>	<u>\$ 85,240,115</u>	<u>\$ 86,295,810</u>	<u>\$ 107,585,144</u>	<u>\$ 115,504,289</u>
\$ 14,752,366	\$ -	\$ -	\$ -	\$ -	\$ -
75,515,265	-	-	-	-	-
13,344,809	-	-	-	-	-
4,752,258	-	-	-	-	-
-	567,349	478,449	405,815	352,318	284,349
-	1,015,700	1,515,253	1,553,182	1,553,182	1,044,040
-	87,476,588	78,023,210	74,037,637	67,317,090	64,340,833
<u>\$ 108,364,698</u>	<u>\$ 89,059,637</u>	<u>\$ 80,016,912</u>	<u>\$ 75,996,634</u>	<u>\$ 69,222,590</u>	<u>\$ 65,669,222</u>

(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			
	2005	2006	2007	2008
<b>Revenues:</b>				
Taxes	\$ 138,076,307	\$ 152,747,044	\$ 166,639,162	\$ 182,536,717
Intergovernmental	9,279,498	12,737,022	15,643,174	24,168,953
Charges for services	47,912,985	50,431,293	53,191,997	53,510,278
Use of money and property	2,891,248	5,284,539	8,379,245	7,336,664
Miscellaneous	608,684	581,708	428,475	982,487
Developer contributions	1,445,246	2,730,652	1,096,262	1,744,392
<b>Total revenues</b>	<b>200,213,968</b>	<b>224,512,258</b>	<b>245,378,315</b>	<b>270,279,491</b>
<b>Expenditures:</b>				
<b>Current - public safety:</b>				
Salaries and benefits	151,938,290	166,670,733	186,074,623	195,481,030
Services and supplies	27,100,196	23,188,784	27,146,936	31,386,487
Capital outlay	8,013,300	10,838,654	9,714,765	13,323,621
<b>Debt service:</b>				
Principal retirement	4,889,349	5,033,119	5,186,766	4,867,453
Interest and fiscal charges	1,620,267	1,985,533	2,414,453	2,526,877
Issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>193,561,402</b>	<b>207,716,823</b>	<b>230,537,543</b>	<b>247,585,468</b>
Excess (deficiency) of revenues over (under) expenditures	6,652,566	16,795,435	14,840,772	22,694,023
<b>Other financing sources (uses):</b>				
Transfers in	24,457,025	18,435,635	24,350,337	29,914,910
Transfers out	(24,457,025)	(18,435,635)	(24,350,337)	(29,914,910)
Issuance of long-term debt	-	5,841,858	-	-
Refinanced long-term debt	-	-	-	-
Sale of capital and other assets	66,547	92,824	55,946	93,807
Insurance recoveries	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>66,547</b>	<b>5,934,682</b>	<b>55,946</b>	<b>93,807</b>
<b>Net change in fund balances</b>	<b>\$ 6,719,113</b>	<b>\$ 22,730,117</b>	<b>\$ 14,896,718</b>	<b>\$ 22,787,830</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>3.5%</b>	<b>3.6%</b>	<b>3.4%</b>	<b>3.2%</b>

SOURCE: OCFA Comprehensive Annual Financial Reports

2009	2010	2011	2012	2013	2014
\$ 184,696,756	\$ 179,001,919	\$ 177,181,086	\$ 177,728,290	\$ 181,720,253	\$ 190,873,689
18,898,459	14,202,209	11,080,619	12,894,882	28,883,649	19,111,811
54,125,964	55,325,007	56,582,867	65,556,905	95,904,052	97,705,183
4,148,889	1,341,991	822,002	660,621	(20,556)	932,284
2,517,891	1,333,170	1,320,856	2,753,421	5,111,908	1,677,853
-	551,365	43,200	10,140	538,260	1,271,400
<u>264,387,959</u>	<u>251,755,661</u>	<u>247,030,630</u>	<u>259,604,259</u>	<u>312,137,566</u>	<u>311,572,220</u>
203,790,256	206,942,045	211,801,889	228,452,010	255,301,913	257,134,030
28,561,308	28,521,125	28,207,018	30,737,551	32,613,137	40,187,878
32,624,294	9,647,853	9,899,979	932,034	5,420,102	7,681,418
5,933,911	13,370,586	1,911,912	2,139,694	2,162,809	2,219,152
2,119,347	1,459,383	890,067	635,351	484,851	421,845
-	-	-	286,599	-	-
<u>273,029,116</u>	<u>259,940,992</u>	<u>252,710,865</u>	<u>263,183,239</u>	<u>295,982,812</u>	<u>307,644,323</u>
<u>(8,641,157)</u>	<u>(8,185,331)</u>	<u>(5,680,235)</u>	<u>(3,578,980)</u>	<u>16,154,754</u>	<u>3,927,897</u>
30,257,506	10,608,277	4,137,811	-	381,222	5,370,375
(30,257,506)	(10,608,277)	(4,137,811)	-	(381,222)	(5,370,375)
21,515,238	-	-	16,756,078	-	-
-	-	-	(16,377,093)	-	-
93,480	162,533	434,914	146,317	58,051	77,077
81,576	71,445	8,405	89,095	53,529	360,803
<u>21,690,294</u>	<u>233,978</u>	<u>443,319</u>	<u>614,397</u>	<u>111,580</u>	<u>437,880</u>
<u>\$ 13,049,137</u>	<u>\$ (7,951,353)</u>	<u>\$ (5,236,916)</u>	<u>\$ (2,964,583)</u>	<u>\$ 16,266,334</u>	<u>\$ 4,365,777</u>
3.3%	5.9%	1.2%	1.1%	0.9%	0.9%



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*Orange County Fire Authority Safety Message*

## **Fireworks and Summer Safety (Part 2 of 2)**

- ***Beach Fire Pits:*** After a barbeque at the beach, many picnickers cover red-hot coals with sand thinking it will extinguish the hot briquettes. Instead, the sand acts as an insulator making the coals even hotter. The result of this action can lead to children walking over the covered fire pit several hours later and severely burning their feet. Every year, six to twelve youngsters suffer very deep burns on their hands and feet, which require skin grafts and months of recuperation.
- ***Barbeque Mishaps:*** Beware of mixing oil with fire! Every year, thousands of backyard chefs become impatient when their charcoal briquettes are slow to heat. To speed up this operation they apply more charcoal lighter fluid to smoldering coals directly from the can. The result of this action is that the hot briquettes ignite the stream of lighter fluid in an instant, racing to the can, and bursting into flames in the cook's hand.
- ***What to do if you get burned:***
  - ✓ Cool the burn with cool water, not ice.
  - ✓ Seek medical treatment or call 9-1-1.
  - ✓ Do not apply butter or ointments.

## 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 2004/05	FY 2005/06	FY 2006/07	FY 2007/08
Buena Park	\$ 5,651,721	\$ 6,112,028	\$ 6,750,905	\$ 7,351,653
Placentia	3,792,066	4,189,586	4,628,986	4,991,175
San Clemente	8,748,299	9,999,404	11,366,168	12,486,976
Santa Ana (4)	n/a	n/a	n/a	n/a
Seal Beach	2,968,854	3,189,870	3,585,301	3,875,902
Stanton	1,590,290	1,774,670	1,972,744	2,184,177
Tustin	6,507,163	7,046,325	8,170,655	9,070,627
Westminster	5,188,197	5,589,577	6,215,306	6,640,057
Total cash contract cities (3)	<u>34,446,590</u>	<u>37,901,460</u>	<u>42,690,065</u>	<u>46,600,567</u>
Aliso Viejo	5,673,714	6,176,940	6,968,167	7,499,861
Cypress	4,380,633	4,704,566	5,085,127	5,421,886
Dana Point	6,250,662	6,998,388	7,693,012	8,532,709
Irvine	29,634,708	33,764,042	39,280,256	44,382,983
Laguna Hills	4,508,804	4,909,424	5,313,973	5,736,525
Laguna Niguel	9,496,924	10,355,469	11,347,524	12,073,542
Laguna Woods	1,793,619	1,963,825	2,118,937	2,262,295
Lake Forest	8,567,664	9,258,757	10,165,487	10,896,488
La Palma	1,304,664	1,397,213	1,509,520	1,636,875
Los Alamitos	1,221,543	1,333,656	1,416,837	1,515,499
Mission Viejo	10,514,195	11,473,222	12,449,764	13,246,125
Rancho Santa Margarita	5,502,550	5,989,888	6,575,282	6,977,082
San Juan Capistrano	4,424,780	4,780,297	5,260,585	5,794,133
Villa Park	1,069,950	1,148,109	1,234,034	1,311,588
Yorba Linda	7,938,555	8,865,186	9,969,593	10,909,311
Unincorporated	15,890,882	17,991,705	19,843,722	21,846,485
Total SFF jurisdictions (2)	<u>118,173,847</u>	<u>131,110,687</u>	<u>146,231,820</u>	<u>160,043,387</u>
Percentage change from prior year	8.92%	10.95%	11.53%	9.44%
Total assessed valuation	<u>\$152,620,437</u>	<u>\$169,012,147</u>	<u>\$188,921,885</u>	<u>\$206,643,954</u>
Total direct tax rate	0.12%	0.12%	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](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.

<u>FY 2008/09</u>	<u>FY 2009/10</u>	<u>FY 2010/11</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>
\$ 7,611,793	\$ 7,438,787	\$ 7,478,553	\$ 7,484,717	7,602,927	7,886,342
5,070,123	4,967,651	4,969,023	5,007,558	5,080,849	5,203,417
12,855,038	12,631,337	12,431,717	12,356,019	12,506,118	12,824,727
n/a	n/a	n/a	20,100,864	20,339,779	21,119,683
4,256,884	4,241,221	4,282,032	4,434,345	4,480,557	4,580,472
2,195,788	2,070,815	2,042,112	2,063,293	2,073,752	2,144,270
9,958,561	9,501,069	9,419,294	9,378,899	9,502,173	9,732,381
6,775,451	6,698,153	6,779,972	6,935,762	7,023,383	7,176,141
<u>48,723,638</u>	<u>47,549,033</u>	<u>47,402,703</u>	<u>67,761,457</u>	<u>68,609,538</u>	<u>70,667,433</u>
7,792,144	7,553,177	7,459,562	7,511,408	7,605,524	7,877,812
5,604,677	5,529,005	5,514,794	5,560,190	5,666,354	5,854,809
8,879,909	8,763,402	8,687,748	8,735,352	8,844,364	9,126,750
47,257,608	47,212,001	46,538,576	47,136,231	48,646,093	51,002,248
5,692,646	5,589,417	5,460,470	5,463,649	5,513,066	5,643,545
12,227,117	11,883,056	11,892,951	11,991,939	12,116,601	12,402,919
2,295,254	2,273,717	2,214,363	2,186,990	2,193,624	2,237,288
11,189,197	10,915,562	10,744,518	10,721,083	10,885,724	11,238,775
1,685,812	1,695,126	1,698,469	1,698,169	1,718,007	1,744,907
1,582,738	1,589,309	1,616,120	1,603,255	1,638,193	1,674,933
13,357,566	13,104,698	13,157,979	13,226,115	13,320,574	13,639,460
6,921,865	6,617,903	6,605,397	6,623,819	6,679,191	6,759,144
5,961,050	5,835,957	5,817,501	5,799,444	5,833,269	6,039,344
1,355,557	1,359,734	1,353,409	1,372,687	1,398,666	1,466,599
11,165,576	10,897,981	10,936,312	11,262,427	11,484,958	11,857,840
<u>22,212,379</u>	<u>21,447,511</u>	<u>21,485,307</u>	<u>21,509,471</u>	<u>21,332,072</u>	<u>21,915,863</u>
<u>165,181,095</u>	<u>162,267,556</u>	<u>161,183,476</u>	<u>162,402,229</u>	<u>164,876,280</u>	<u>170,482,236</u>
3.21%	-1.76%	-0.67%	0.76%	1.52%	3.40%
<u>\$213,904,733</u>	<u>\$209,816,589</u>	<u>\$208,586,179</u>	<u>\$230,163,686</u>	<u>\$ 233,485,818</u>	<u>\$ 241,149,669</u>
0.11%	0.11%	0.11%	0.11%	0.11%	0.11%

(5) In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1 % based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.



**ORANGE COUNTY FIRE AUTHORITY**  
**Property Tax Rates of Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

	County of Orange (B)			OCFA (B)
	Overlapping	Direct		Direct
	Basic Operating			Basic Operating
	Levy	Debt Service	Total	Levy
2005	1.00000	0.00000	1.00000	0.0012
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
	(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](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)

Property Tax Payer	Fiscal Year 2004/05			Fiscal Year 2013/14		
	Actual Taxes	Rank	Percent of Total Taxes	Actual Taxes	Rank	Percent of Total Taxes
	Levied		Levied	Levied		Levied
Irvine Company	\$ 44,074	1	1.23%	\$ 114,098	1	2.22%
Walt Disney Parks & Resorts US (Walt Disney World Company)	\$ 34,454	2	0.96%	\$ 51,566	2	1.00%
So Cal Edison Company	\$ 16,239	4	0.45%	\$ 33,028	3	0.64%
Heritage Fields El Toro			0.00%	\$ 10,107	4	0.20%
Pacific Bell Telephone Company (AT&T; SBC California)	\$ 7,749	6	0.22%	\$ 8,223	5	0.16%
United Laguna Hills Mutual	\$ 6,108	7	0.17%	\$ 7,072	6	0.14%
Oxy USA Inc.				\$ 6,175	7	0.12%
Linn Western Operating Inc.				\$ 4,690	8	0.09%
OC/SD Holdings LLC				\$ 4,653	9	0.09%
Southern California Gas Company				\$ 4,356	10	0.08%
Irvine Apartment Communities	\$ 18,640	3	0.52%			
American Airlines Inc.	\$ 8,283	5	0.23%			
Irvine Co. of W. VA.	\$ 5,199	8	0.14%			
Irvine Community Development	\$ 4,873	9	0.14%			
McDonnell Douglas Corporation	\$ 4,127	10	0.11%			

**SOURCES:**

OCFA Comprehensive Annual Financial Report for Fiscal Year 2004/05  
County of Orange, Treasurer-Tax Collector, Tax Collector Top 10 Taxpayer List for Fiscal Year 2013/14  
(<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)

Fiscal Year ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of		Collection of Prior Year		Collection of		Total Collection to Date	Collection of Property Tax Increment (4)			
		Levy	% of Levy	Levies	Teeter Plan	Delinquencies and Other	Penalties and Interest		Penalties	Interest	RDA	H&S
2005	\$ 138,864	\$ 136,787	98.5%	(1)	\$ 250		(2)	(1)	\$ 137,037	98.7%	\$ -	\$ -
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	

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

***Computation of Direct and Overlapping Bonded Debt*** – Presents information about the OCFA’s direct bonded debt and its relationship to overlapping debt of other governments.

The following schedules are not included in the OCFA’s CAFR:

***Computation of Legal Debt Margin*** – The OCFA is not subject to a legal debt margin.

***Pledged Revenue Coverage*** – Debt of the OCFA is not secured by a pledged revenue stream.

**ORANGE COUNTY FIRE AUTHORITY**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
 (dollars in thousands)

Fiscal Year ended June 30	Governmental Activities (A)			(B)	Debt as a Percentage of Household Income	(C)	Debt per Capita
	Revenue Bonds	Capital Lease Purchase Agreements	Total Outstanding Debt	County of Orange Median Household Income		Population (OCFA Jurisdiction Only)	
2005	\$ 19,665	\$ 6,148	\$ 25,813	\$76	33964.5%	1,331	\$19
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

**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)

Fiscal Year ended June 30	(A) Population (OCFA Jurisdiction Only)	(B) Assessed Value	(C) Gross Bonded Debt	(D) Amounts Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2005	1,331	\$ 152,620,437	\$ 19,665	\$ 2,806	\$ 16,859	0.01%	\$ 13
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%	\$ -

**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](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**  
**Computation of Direct and Overlapping Bonded Debt**  
**June 30, 2014**

2013-14 Assessed Valuation			<u>\$220,029,986,297</u>
<u>Overlapping Tax and Assessment Debt</u>	<u>Total Debt</u>	<u>% Applicable (1)</u>	<u>OCFA's Share</u>
Metropolitan Water District	\$ 132,275,000	10.065%	\$ 13,313,479
Coast Community College District	632,413,698	10.873	68,762,341
North Orange County Joint Community College District	201,239,001	39.616	79,722,843
Rancho Santiago Community College District	285,430,201	17.370	49,579,226
Capistrano Unified School District SFID No. 1	35,109,930	99.989	35,106,068
Los Alamitos Unified School District SFID No. 1	100,990,124	98.854	99,832,777
Placentia-Yorba Linda Unified School District	257,071,375	73.173	188,106,837
Saddleback Valley Unified School District	126,840,000	100.000	126,840,000
Santa Ana Unified School District	289,561,562	27.941	80,906,396
Tustin Unified School District SFID Nos. 2002-1, 2008-1 and 2012-1	160,454,645	Various	140,058,826
Anaheim Union High School District	100,323,955	31.235	31,336,187
Other School Districts	1,176,378,181	Various	227,540,677
City of San Juan Capistrano	29,965,000	100.000	29,965,000
Irvine Ranch Water District Improvement Districts	486,603,270	Various	472,468,701
Moulton-Niguel Water District Improvement Districts	21,315,000	100.000	21,315,000
Santa Margarita Water District Improvement Districts	142,120,000	100.000	142,120,000
South Coast Water District	1,920,000	62.531	1,200,595
County Community Facilities Districts	326,014,621	100.000	326,014,621
School Community Facilities Districts	953,124,818	100.000	953,124,818
City and Special District Community Facilities Districts	357,215,000	100.000	357,215,000
1915 Act Special Assessment Tax Bonds	850,527,000	100.000	847,189,000
Total Overlapping Tax and Assessment Debt			<u>\$4,291,718,392</u>
<u>Direct and Overlapping General Fund Debt</u>			
Orange County General Fund Obligations	\$ 145,476,000	49.732%	\$ 72,348,124
Orange County Pension Obligation Bonds	32,195,288	49.732	16,011,361
Orange County Board of Education Certificates of Participation	15,500,000	49.732	7,708,460
<b>Orange County Fire Authority</b>	<b>0</b>	<b>100.000</b>	<b>0</b>
Municipal Water District of Orange County Water Facilities Corporation	7,775,000	59.544	4,629,546
Unified School District Certificates of Participation	400,298,506	Various	182,073,373
Union High School Districts Certificates of Participation	118,354,185	Various	23,834,112
Elementary School District General Fund Obligations	61,991,299	Various	23,503,344
City General Fund Obligations	98,414,640	100.000	98,414,640
Moulton-Niguel Water District Certificates of Participation	81,795,000	100.000	81,795,000
Other Special District General Fund Obligations	290,000	Various	290,000
Total Gross Direct and Overlapping General Fund Debt			\$ 510,607,960
Less: MWDOC Water Facilities Corporation Certificates of Participation			(4,629,546)
Total Net Direct and Overlapping General Fund Debt			<u>\$ 505,978,414</u>
<u>Overlapping Tax Increment Debt (Successor Agencies)</u>	\$ 528,547,865	0.002-100.000%	<u>\$ 482,799,969</u>
<b>Total direct debt</b>			<b>\$0</b>
Total gross overlapping debt / gross combined total debt (2)			\$5,285,126,321
Total net overlapping debt / net combined total debt			\$5,280,496,775

- (1) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the OCFA divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations.
- (3) "SFID" School Facilities Improvement District

<u>Ratios to 2013-14 Assessed Valuation:</u>	<u>Ratios to Redevelopment Incremental Valuation (\$18,274,180,689):</u>
Total Overlapping Tax and Assessment Debt..... 1.95%	Total Overlapping Tax Increment Debt..... 2.64%
<b>Total Direct Debt ..... 0.00%</b>	
Gross Combined Total Debt..... 2.40%	
Net Combined Total Debt..... 2.40%	

SOURCE: California Municipal Statistics, Inc.

**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)	(B)		(C)
	Population (Orange County)	Total Personal Income	Per Capita Income	Unemployment Rate
2005	3,044	\$ 133,031,800	\$ 43,703	5.0
2006	3,062	\$ 141,169,400	\$ 46,104	4.4
2007	3,078	\$ 153,446,600	\$ 49,853	4.8
2008	3,104	\$ 155,068,400	\$ 49,958	6.9
2009	3,135	\$ 145,247,400	\$ 46,331	10.9
2010	3,166	\$ 147,195,100	\$ 46,492	11.8
2011	3,030	\$ 154,768,500	\$ 51,079	11.4
2012	3,056	\$ 161,743,800	\$ 52,927	10.1
2013	3,082	\$ 168,778,500	\$ 54,763	9.0
2014	3,114	\$ 175,177,200	\$ 56,255	7.7

**SOURCES:**

- (A) California Department of Finance, Population and Housing Estimates as of January 2014  
<http://www.dof.ca.gov/research/demographic/reports/estimates>
- (B) Chapman University Economic & Business Review, Annual History and Forecast  
 June 2007 (2005-2006 data); June 2011 (2007-2008 data); June 2013 (2009 data)  
 June 2014 (2010-2014 data). Most recent year is an estimate.
- (C) Bureau of Labor Statistics ([www.bls.gov/lau](http://www.bls.gov/lau)), Local Area Unemployment  
 Statistics, Los Angeles-Long Beach-Santa Ana, CA Metropolitan Statistical  
 Area (The 2007-2013 figures reflect revised inputs, reestimation, and new  
 statewide control. The 2014 figure is a six-month average for a partial year  
 January - June.)

**NOTE:**

Data presented on this schedule is for the County of Orange and is not limited to the cities/county unincorporated areas served by the OCFA.

**ORANGE COUNTY FIRE AUTHORITY**  
**Population and Housing Statistics**  
**Current Year and Nine Years Ago**

Jurisdiction	Population			Housing Units		
	2005	2014	% Change	2005	2014	% Change
Aliso Viejo	44,825	49,951	11.4%	17,968	19,342	7.6%
Buena Park	80,670	82,344	2.1%	23,868	24,711	3.5%
Cypress	48,625	48,886	0.5%	16,446	16,128	-1.9%
Dana Point	36,584	34,037	-7.0%	15,909	15,964	0.3%
Irvine	183,218	242,651	32.4%	68,916	90,562	31.4%
Laguna Hills	33,090	30,857	-6.7%	11,139	10,995	-1.3%
Laguna Niguel	65,800	64,460	-2.0%	24,723	25,424	2.8%
Laguna Woods	18,279	16,581	-9.3%	13,629	13,079	-4.0%
Lake Forest	77,638	79,139	1.9%	26,385	27,257	3.3%
La Palma	16,034	15,896	-0.9%	5,131	5,234	2.0%
Los Alamitos	11,945	11,729	-1.8%	4,368	4,380	0.3%
Mission Viejo	99,333	95,334	-4.0%	34,277	34,300	0.1%
Placentia	50,074	52,094	4.0%	16,075	17,066	6.2%
Rancho Santa Margarita	49,006	48,834	-0.4%	16,684	17,284	3.6%
San Clemente	65,031	64,874	-0.2%	26,214	26,025	-0.7%
San Juan Capistrano	35,901	35,900	0.0%	11,692	12,160	4.0%
Santa Ana (A)	349,986	331,953	-5.2%	75,222	77,133	2.5%
Seal Beach	25,387	24,591	-3.1%	14,476	14,539	0.4%
Stanton	38,622	38,963	0.9%	11,071	11,299	2.1%
Tustin	70,524	78,360	11.1%	25,927	26,957	4.0%
Villa Park	6,201	5,935	-4.3%	2,020	2,020	0.0%
Westminster	91,815	91,652	-0.2%	27,300	27,727	1.6%
Yorba Linda	65,297	67,069	2.7%	21,111	22,856	8.3%
Unincorporated	117,109	121,473	3.7%	38,100	39,506	3.7%
Total OCFA, adjusted (A)	1,680,994	1,733,563	3.1%	548,651	581,948	6.1%
Total non-OCFA	1,362,675	1,380,428	1.3%	464,983	481,018	3.4%
Total Orange County	3,043,669	3,113,991	2.3%	1,013,634	1,062,966	4.9%
Total OCFA, adjusted	1,680,994			548,651		
Less: Santa Ana	(349,986)			(75,222)		
Total OCFA, actual	1,331,008	1,733,563	30.2%	473,429	581,948	22.9%

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 an 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**

Employer	Fiscal Year 2004/05			Fiscal Year 2013/14		
	(A,C)		(D)	(B,C)		(E)
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Walt Disney Co.	21,000	1	1.45%	25,000	1	1.72%
University of California, Irvine	15,500	3	1.07%	21,800	2	1.50%
County of Orange	17,751	2	1.23%	17,632	3	1.21%
St. Joseph Health	8,975	5	0.62%	11,679	4	0.80%
Boeing Co.	11,160	4	0.77%	6,873	5	0.47%
Kaiser Permanente				6,300	6	0.43%
Bank of America Corp.				6,000	7	0.41%
MemorialCare Health System				5,545	8	0.38%
Target Corp.	5,436	10	0.38%	5,400	9	0.37%
Cedar Fair LP				5,200	10	0.36%
Albertsons Inc.	8,700	6	0.60%			
Tenet Healthcare Corp.	8,389	7	0.58%			
SBC Communications, Inc.	5,658	9	0.39%			
YUM! Brands Inc	6,500	8	0.45%			

**SOURCES:**

- (A) County of Orange, 2005 Facts & Figures Booklet; Based on O.C. Business Journal, 2004 Book of Lists; for all employers other than the County of Orange
- (B) O.C. Business Journal, 2013 Book of Lists; for all employers other than the County of Orange
- (C) County of Orange Fiscal Year 2012/13 Comprehensive Annual Financial Report; for County of Orange employee data as of Fiscal Years 2012/13 and 2003/04.
- (D) Chapman University Economic & Business Review, Annual History and Forecasts, June 2003 Book, Based on total payroll employment forecast as of December 31, 2004
- (E) Chapman University Economic & Business Review, Annual History and Forecasts, June 2014 Book, Based on total payroll employment as of December 31, 2013

**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

***Full-time and Part-time Employees 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.

***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 Major Category Definitions*** – Provides OCFA's definitions for categories of major incidents.

***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.

***Capital Equipment by Category*** – Presents the historical cost and quantity of capital equipment by category for each of the last four fiscal years.

***Capital Vehicles by Category*** – Presents the historical cost and quantity of capital vehicles by category for each of the last four fiscal years.

***List of Stations by Member Agency*** – Presents a list of OCFA fire stations and street addresses by member agency.

***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.

***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 (Executive Management, Operations, Fire Prevention, Business Services and Support Services).

**ORANGE COUNTY FIRE AUTHORITY**  
**Authorized Positions by Function/Fund/Department**  
**Last Ten Fiscal Years**

Public Safety	Funded and Authorized Positions as of June 30										
Fund/Department	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Notes
Funded positions:											
Executive Management	43	44	44	45	45	45	35	33	33	40	
Operations	852	857	877	892	902	878	881	1,001	994	968	(B,D)
Community Risk Reduction	76	76	74	76	72	65	67	76	76	96	(D)
Business Services	67	74	77	77	77	73	48	47	47	48	(A)
Support Services	33	33	35	35	35	34	55	88	88	88	(A,B)
General Operating Fund	1,071	1,084	1,107	1,125	1,131	1,095	1,086	1,245	1,238	1,240	
Facilities Replacement	1	1	1	1	1	1	-	-	-	-	
RFOTC	1	-	-	-	-	-	-	-	-	-	
Structural Fire Entitlement	2	2	2	-	-	-	-	-	-	-	
<b>Total funded positions</b>	<b>1,075</b>	<b>1,087</b>	<b>1,110</b>	<b>1,126</b>	<b>1,132</b>	<b>1,096</b>	<b>1,086</b>	<b>1,245</b>	<b>1,238</b>	<b>1,240</b>	<b>(C)</b>
Unfunded positions:											
Limited term and/or grant-funded positions	1	-	-	-	-	-	-	1	3	3	
Frozen positions (below)	14	4	1	1	50	86	95	93	102	100	
<b>Total unfunded positions</b>	<b>15</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>50</b>	<b>86</b>	<b>95</b>	<b>94</b>	<b>105</b>	<b>103</b>	
<b>Total authorized positions</b>	<b>1,090</b>	<b>1,091</b>	<b>1,111</b>	<b>1,127</b>	<b>1,182</b>	<b>1,182</b>	<b>1,181</b>	<b>1,339</b>	<b>1,343</b>	<b>1,343</b>	
Frozen positions:											
Suppression:											
Firefighter	-	-	-	-	15	15	18	18	18	18	
Fire Apparatus Engineer	3	-	-	-	3	13	18	18	24	24	
Fire Captain	3	-	-	-	3	16	24	24	27	27	
Battalion Chief (Staff Position)	-	-	-	-	-	2	2	2	2	2	
Fire Pilot	-	-	-	-	-	-	-	-	-	1	
Hand Crew Firefighter	-	-	-	-	22	22	-	-	-	-	
Heavy Fire Equipment Operator	2	1	-	-	-	-	1	1	1	1	
<b>Subtotal - Suppression</b>	<b>8</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>68</b>	<b>63</b>	<b>63</b>	<b>72</b>	<b>73</b>	
Non-Suppression:											
Executive Management	1	-	-	-	-	-	6	4	4	4	
Operations	-	-	-	-	-	-	-	1	2	1	
Community Risk Reduction	-	1	1	1	6	12	16	15	15	14	
Business Services	4	1	-	-	1	5	6	6	5	4	
Support Services	1	1	-	-	-	1	4	4	4	4	
<b>Subtotal - Non-Suppression</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>18</b>	<b>32</b>	<b>30</b>	<b>30</b>	<b>27</b>	
<b>Total frozen positions</b>	<b>14</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>50</b>	<b>86</b>	<b>95</b>	<b>93</b>	<b>102</b>	<b>100</b>	

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

NOTE:

- (A) Information Technology was transferred from Business Services to Support Services in Fiscal Year 2010/11.
- (B) The Emergency Command Center was transferred from Operations to Support Services in Fiscal Year 2011/12.
- (C) The net increase of 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) The Crews & Equipment program was transferred from Operations to Community Risk Reduction in Fiscal Year 2013/14.

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

Unit	Authorized Positions as of June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Firefighter	774	778	792	808	863	863	863	1,010	1,011	1,011
Fire Management	40	40	41	41	41	41	41	45	45	45
General	197	192	198	197	197	197	196	203	205	205
Supervisory Management	27	27	27	28	28	28	28	28	28	27
Supported Employment	4	4	4	4	4	4	4	4	4	4
Personnel & Salary Resolution	48	50	49	49	49	49	49	49	50	51
Total authorized positions	1,090	1,091	1,111	1,127	1,182	1,182	1,181	1,339	1,343	1,343

(A)

SOURCE: OCFA Treasury & Financial Planning Division, Budget Section

(A) The net increase of total authorized positions during Fiscal Year 2011/12 included 163 authorized positions for employees transitioning from the City of Santa Ana (147 Firefighter Unit, 4 Fire Management Unit, 11 General Unit, and 1 Supervisory Management Unit).

**ORANGE COUNTY FIRE AUTHORITY  
Jurisdiction Information  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	(A)	(B)	(C)	(A)	New and Closed Station(s)	
	Number of Member Agencies	Square Mile Area Served	Population Served	Number of Stations	+/-	Description
2005	23	551	1,331,008	60	-	New Station 55 (Irvine/Orchard Hills) Closed Station 20 (County/Heritage Fields)
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	-	

**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 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, Support Services Department, Strategic Services



**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

SOURCE: Orange County Fire Authority, Support Services Department, Strategic Services

NOTES:

- (1) Response statistics are normally reported on a calendar year basis in other reports. These statistics have been reported on the fiscal year basis, July through June.
- (2) Beginning in Fiscal Year 2010/11, totals were revised to include incidents outside of OCFA jurisdiction that involved OCFA units and personnel (Auto/Mutual Aid Given).
- (3) The City of Santa Ana joined the OCFA effective April 20, 2012. Fiscal Year 2011/12 data includes the portion of the fiscal year during which the city was a member of OCFA. Fiscal Year 2012/13 data includes the first full year of Santa Ana activity.

**ORANGE COUNTY FIRE AUTHORITY**  
**Incidents by Member Agency**  
**Last Ten Fiscal Years**

Member Agency	Fiscal Year ended June 30 (1)									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Aliso Viejo	1,802	1,993	1,939	2,060	1,998	2,005	2,094	2,071	2,226	2,194
Buena Park	5,530	5,368	5,431	5,528	5,668	5,676	5,652	5,836	5,849	6,057
Cypress	2,359	2,489	2,518	2,552	2,504	2,600	2,490	2,556	2,699	2,633
Dana Point	2,441	2,490	2,660	2,700	2,650	2,787	2,870	2,772	2,950	2,925
Irvine	10,341	10,797	11,216	11,632	11,385	11,981	12,214	11,969	12,485	12,896
La Palma	761	772	798	760	760	754	778	750	808	925
Laguna Hills	2,211	2,373	2,494	2,434	2,421	2,558	2,614	2,542	2,579	2,584
Laguna Niguel	2,866	2,944	3,017	3,101	3,079	3,094	3,255	3,358	3,476	3,685
Laguna Woods	3,955	4,300	4,275	4,349	4,350	4,399	4,560	4,717	4,748	4,306
Lake Forest	4,171	4,103	4,289	4,170	4,272	4,320	4,334	4,230	4,459	4,297
Los Alamitos	971	1,012	1,033	1,032	1,083	1,080	1,055	1,101	1,199	1,123
Mission Viejo	5,577	5,809	5,794	6,139	6,424	6,363	6,379	6,355	6,760	6,791
Placentia	2,577	2,797	2,678	2,829	2,699	2,696	2,837	2,714	2,846	2,806
Rancho Santa Margarita	1,914	1,946	1,879	2,002	1,965	2,009	2,015	2,105	1,983	2,111
San Clemente	3,594	3,619	3,684	3,863	3,678	3,961	3,813	3,999	4,187	4,334
San Juan Capistrano	2,418	2,452	2,554	2,569	2,526	2,429	2,580	2,617	2,701	2,934
Santa Ana (3)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,654	18,915	19,303
Seal Beach	3,049	3,257	3,283	3,453	3,388	3,503	3,375	3,617	3,571	3,343
Stanton	2,307	2,368	2,343	2,438	2,420	2,401	2,597	2,660	2,878	2,879
Tustin	3,645	3,608	3,845	3,865	3,761	3,744	4,055	4,196	4,582	4,614
Villa Park	292	309	319	324	329	336	388	363	392	338
Westminster	5,798	5,950	5,684	5,795	5,835	5,724	5,882	6,012	6,486	6,201
Yorba Linda	2,676	2,814	2,991	3,100	3,134	2,937	2,928	3,125	3,277	3,185
Unincorporated	6,013	6,092	5,997	6,235	6,220	6,084	6,087	5,991	6,312	6,073
	<u>77,268</u>	<u>79,662</u>	<u>80,721</u>	<u>82,930</u>	<u>82,549</u>	<u>83,441</u>	<u>84,852</u>	<u>89,310</u>	<u>108,368</u>	<u>108,537</u>
Auto/Mutual Aid Given (2)	n/a	n/a	n/a	n/a	n/a	n/a	3,375	3,350	3,521	4,488
Total	<u>77,268</u>	<u>79,662</u>	<u>80,721</u>	<u>82,930</u>	<u>82,549</u>	<u>83,441</u>	<u>88,227</u>	<u>92,660</u>	<u>111,889</u>	<u>113,025</u>

SOURCE: Orange County Fire Authority, Support Services 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**  
**Capital Equipment by Category**  
**Last Seven Fiscal Years**

Category	June 30, 2008		June 30, 2009		June 30, 2010	
	Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity
Air fill station	\$ 53,179	2	\$ 53,179	2	\$ 53,179	2
Aboveground storage tank	678,014	8	678,014	8	678,014	8
Audio visual equipment	784,559	25	784,559	25	768,132	23
Boat	36,504	4	36,504	4	23,412	2
Camera, thermal imaging	1,205,722	89	1,205,722	89	1,205,722	89
Camera, other	47,387	4	47,387	4	41,577	3
Communications equipment	1,456,590	37	1,465,264	38	1,465,264	38
Computer	85,459	5	91,328	6	82,126	5
Defibrillator	1,324,920	74	1,341,790	75	1,149,858	90
Exercise equipment	34,177	5	44,260	6	35,622	5
Fleet equipment	162,771	16	162,771	16	162,771	16
Forklift	114,243	4	114,243	4	114,243	4
Generator	564,051	25	553,049	24	553,049	24
GPS equipment (AVL regional interoperability projects)	1,391,000	2	1,391,000	2	1,391,000	2
Hazmat equipment	248,782	20	248,782	20	248,782	20
Helicopters and improvements:						
Helicopter	7,294,218	2	28,854,977	4	28,854,977	4
Helicopter, rotor blades	-	-	151,573	2	319,149	4
Helicopter, fast fin kits	-	-	-	-	-	-
Helicopter equipment	421,615	16	670,576	37	747,865	40
Hydraulic tool	97,746	18	97,746	18	97,746	18
Kitchen equipment	33,403	4	33,403	4	33,403	4
Laptop	53,782	9	53,782	9	62,732	10
Manikin	73,144	12	73,144	12	73,144	12
Miscellaneous equipment	373,793	26	436,640	28	484,685	30
Mobile radio project (FY 2003/04 - FY 2004/05)	2,424,594	1	2,424,594	1	2,424,594	1
Mobile radio	110,199	17	116,008	18	116,008	18
Network equipment	976,386	29	976,386	29	967,465	28
Office equipment	500,659	7	635,138	8	648,440	8
Portable building	179,863	9	219,564	12	226,348	13
Portable radio	-	-	25,640	5	25,640	5
Printer	99,499	9	99,499	9	77,218	7
Projector	34,565	5	34,565	5	25,838	4
Router	25,980	2	37,405	4	37,405	4
Search equipment	192,378	13	192,377	13	211,366	15
Server	1,224,377	72	1,090,643	80	1,148,057	88
Software	6,636,035	47	6,709,908	52	7,068,488	55
Switch	232,515	11	232,515	11	264,893	14
Tent	122,237	12	122,237	12	122,237	12
Trailer	419,725	16	433,283	17	423,376	16
Workstation	1,634,122	24	1,641,243	25	1,641,243	25
	<u>\$ 31,348,193</u>	<u>681</u>	<u>\$ 53,580,698</u>	<u>738</u>	<u>\$ 54,075,068</u>	<u>766</u>

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

NOTE: Previous CAFR's presented only the quantities of select front-line equipment. Beginning in the FY 2010/11 CAFR, the historical cost and quantities of all capital equipment are presented. Data is only available in this format beginning in Fiscal Year 2007/08, but additional years will be added as they become available in the future.

June 30, 2011		June 30, 2012		June 30, 2013		June 30, 2014	
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
754,726	23	716,800	18	716,800	18	716,800	18
23,412	2	31,515	4	31,515	4	31,515	4
1,223,802	91	1,251,757	104	1,117,422	97	1,214,725	113
41,577	3	11,171	1	11,171	1	11,171	1
1,488,213	41	1,512,740	42	1,533,009	44	1,458,744	39
82,126	5	82,126	5	82,126	5	82,126	5
1,149,858	90	1,528,398	105	1,528,398	105	1,526,069	105
35,622	5	35,622	5	35,622	5	35,622	5
170,441	16	172,042	16	172,042	16	172,042	16
99,347	3	104,426	4	104,426	4	104,426	4
510,078	23	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
248,782	20	337,453	24	336,275	23	432,282	23
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
770,085	42	778,885	42	787,062	43	780,245	42
195,119	31	368,216	55	377,287	56	401,133	60
33,403	4	33,403	4	33,403	4	33,403	4
56,632	9	44,108	7	29,058	5	29,058	5
67,452	11	67,452	11	67,452	11	67,452	11
548,312	34	585,918	39	642,286	46	659,742	49
2,424,594	1	2,424,594	1	2,424,594	1	2,424,594	1
116,008	18	107,671	17	107,671	17	107,671	17
967,465	28	804,981	27	952,374	30	1,321,172	31
648,440	8	648,440	8	638,472	7	632,865	6
226,348	13	226,348	13	226,348	13	264,161	13
25,640	5	25,640	5	79,452	15	79,452	15
77,218	7	72,039	7	72,039	6	72,039	6
25,838	4	10,372	2	10,372	2	10,372	2
37,405	4	37,405	4	37,405	4	37,405	4
204,105	14	163,944	11	163,944	11	196,302	13
1,049,533	82	1,027,950	81	1,022,818	81	997,288	79
7,068,488	55	7,074,050	55	7,117,506	56	7,117,506	56
282,393	16	282,393	16	282,393	16	312,760	17
122,237	12	122,237	12	122,237	12	122,237	12
423,376	16	437,742	16	527,629	18	512,761	18
1,641,243	25	1,641,243	25	1,641,243	25	1,641,243	25
<u>\$ 54,135,637</u>	<u>781</u>	<u>\$ 54,569,962</u>	<u>828</u>	<u>\$ 54,832,732</u>	<u>843</u>	<u>\$ 55,555,368</u>	<u>863</u>

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

Category	June 30, 2008		June 30, 2009		June 30, 2010	
	Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity
Air Utility	\$ 629,011	3	\$ 629,011	3	\$ 629,011	3
Ambulance	464,082	5	464,082	5	935,731	8
Battalion Chief Vehicle	1,203,251	25	1,300,458	26	1,300,458	26
Brush Chipper	34,289	2	34,289	2	34,289	2
Crew Cab	176,403	4	176,403	4	139,057	3
Crew-Carrying Vehicle	297,336	4	297,336	4	297,336	4
Dump Truck	66,366	1	66,366	1	66,366	1
Fire Command	402,755	2	402,755	2	402,755	2
Fire Dozer	445,205	4	723,403	4	723,403	4
Foam Tender	152,245	1	152,245	1	152,245	1
Fuel Tender	226,392	2	226,392	2	226,392	2
Hazmat Unit	674,962	2	674,962	2	674,962	2
Heavy Rescue Unit	-	-	649,343	1	658,107	1
Hose Tender	103,189	1	103,189	1	103,189	1
Lift Truck	-	-	-	-	71,780	1
Paramedic Van	1,449,569	22	1,449,569	22	1,393,496	21
Parade Engine	35,000	2	35,000	2	35,000	2
Patrol	1,539,901	19	1,539,901	19	1,539,901	19
Patrol, Compressed Air Foam System (CAFS)	-	-	488,603	7	858,456	12
Pickup Truck	1,352,388	42	1,562,434	41	1,590,978	41
Road Grader	102,396	1	102,396	1	102,396	1
Sedan	123,991	7	123,991	7	83,753	4
Squad	578,998	7	578,998	7	578,998	7
Stakeside	34,289	1	34,289	1	34,289	1
Sport Utility Vehicle (SUV)	2,849,285	104	2,809,830	103	2,866,442	107
Telesquirt	2,617,035	8	2,617,035	8	2,358,138	7
Transport Tractor	399,409	5	506,673	5	506,673	5
Truck, 90', 100' and 110' Tractor Drawn Aerial	1,737,166	3	4,428,314	5	4,428,314	5
Truck, 75' Quint	2,717,185	6	2,717,185	6	2,717,185	6
Truck, 90' Quint	4,827,476	10	4,429,851	9	4,429,851	9
Truck, 100' Quint	-	-	-	-	-	-
Truck, Other	427,613	5	427,613	5	427,613	5
Truck, Compressed Air Foam System (CAFS)	-	-	-	-	-	-
Type 1 Engine	22,538,064	87	21,865,361	82	26,065,677	91
Type 1 Wildland Urban Interface Engine	-	-	-	-	1,702,359	4
Type 2 Engine	1,862,087	13	1,752,417	12	1,020,651	7
Type 3 Engine	914,455	8	4,673,626	18	4,105,746	13
Utility	176,422	5	176,422	5	161,801	4
Van	681,041	29	648,591	27	639,778	25
Water Tender	753,535	5	753,535	5	753,535	5
	<u>\$ 52,592,791</u>	<u>445</u>	<u>\$ 59,621,868</u>	<u>455</u>	<u>\$ 64,816,111</u>	<u>462</u>

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

NOTE: Previous CAFR's presented only the quantities of select front-line vehicles. Beginning in the FY 2010/11 CAFR, the historical cost and quantities of all capital vehicles are presented. Data is only available in this format beginning in Fiscal Year 2007/08, but additional years will be added as they become available in the future.

June 30, 2011		June 30, 2012		June 30, 2013		June 30, 2014	
Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity
\$ 629,011	3	\$ 820,733	4	\$ 820,733	4	\$ 820,733	4
776,283	6	776,283	6	776,283	6	674,739	5
1,488,518	28	1,518,914	29	1,518,914	29	1,518,914	29
34,289	2	34,289	2	34,289	2	34,289	2
139,057	3	69,009	2	69,009	2	-	-
297,336	4	452,373	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	820,829	4
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	376,164	3	376,164	3	376,164	3
674,962	2	1,077,646	3	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
1,860,604	22	1,860,604	22	1,860,604	22	1,860,604	22
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	1,796,208	49	1,943,905	51	2,081,006	53
102,396	1	102,396	1	102,396	1	102,396	1
61,256	3	61,256	3	61,256	3	44,994	2
578,998	7	578,998	7	578,998	7	578,998	7
34,289	1	34,289	1	34,289	1	34,289	1
2,820,880	104	2,658,508	98	2,637,875	97	2,560,913	94
2,099,242	6	2,344,077	7	1,995,305	6	1,736,407	5
506,673	5	506,673	5	506,673	5	506,673	5
4,428,314	5	4,943,110	8	4,938,110	7	4,938,110	7
3,536,736	7	3,124,257	6	3,124,257	6	3,124,257	6
4,429,851	9	3,562,035	7	3,562,035	7	3,562,035	7
-	-	2,354,146	2	2,354,146	2	2,354,146	2
427,613	5	427,538	5	427,538	5	592,188	7
-	-	21,649	1	44,058	2	44,058	2
25,031,630	84	26,638,285	90	26,638,285	90	28,363,285	92
2,127,949	5	2,127,949	5	3,451,627	8	3,451,627	8
305,219	2	152,610	1	152,610	1	152,610	1
4,105,746	13	4,105,746	13	3,871,874	11	4,653,221	13
161,801	4	145,169	3	145,169	3	145,169	3
623,608	24	623,608	24	623,608	24	623,608	24
753,535	5	753,535	5	753,535	5	753,535	5
<u>\$ 64,464,368</u>	<u>447</u>	<u>\$ 68,624,259</u>	<u>458</u>	<u>\$ 69,509,766</u>	<u>459</u>	<u>\$ 72,213,263</u>	<u>461</u>

**ORANGE COUNTY FIRE AUTHORITY**  
**List of Stations by Member Agency**  
**June 30, 2014**

**City of Aliso Viejo**

Station 57, 57 Journey, 92656

**City of Buena Park**

Station 61, 8081 Western Ave. 90620

Station 62, 7780 Artesia Blvd. 90621

Station 63, 9120 Holder St. 90620

**City of Cypress**

Station 17, 4991 Cerritos Ave. 90630

**City of Dana Point**

Station 29, 26111 Victoria Blvd. 92624

Station 30, 23831 Stonehill Dr. 92629

**City of Irvine**

Station 4, 2 California Ave. 92612

Station 6, 3180 Barranca Pkwy. 92606

Station 20, 6933 Trabuco Rd., 92618

Station 26, 4691 Walnut Ave. 92604

Station 27, 12400 Portola Springs 92618

Station 28, 17862 Gillette Ave. 92614

Station 36, 301 E. Yale Loop 92604

Station 38, 26 Parker 92618

Station 47, 47 Fossil 92603

Station 51, 18 Cushing 92618

Station 55, 4955 Portola Pkwy. 92620

**Cities of Laguna Hills and Laguna Woods**

Station 22, 24001 Paseo de Valencia, Laguna Hills 92653

**City of Laguna Niguel**

Station 5, 23600 Pacific Island Dr. 92677

Station 39, 24241 Avila Rd. 92677

Station 49, 31461 St. of the Golden Lantern 92677

**City of Lake Forest**

Station 19, 23022 El Toro Rd. 92630

Station 42, 19150 Ridgeline Rd., 92679

Station 54, 19811 Pauling Ave., 92610

**City of La Palma**

Station 13, 7822 Walker St. 90623

**City of Los Alamitos**

Station 2, 3642 Green Ave. 90720

**City of Mission Viejo**

Station 9, #9 Shops at Mission Viejo 92691

Station 24, 25862 Marguerite Pkwy. 92692

Station 31, 22426 Olympiad Rd. 92692

**City of Placentia**

Station 34, 1530 N. Valencia 92870

Station 35, 110 S. Bradford 92870

**City of Rancho Santa Margarita**

Station 45, 30131 Aventura 92688

**City of San Clemente**

Station 50, 670 Camino de Los Mares 92672

Station 59, 48 Avenida La Pata 92673

Station 60, 100 Avenida Victoria 92672

**ORANGE COUNTY FIRE AUTHORITY**  
**List of Stations by Member Agency**  
**(Continued)**

**City of San Juan Capistrano**

Station 7, 31865 Del Obispo 92675

**City of Santa Ana**

Station 70, 2301 Old Grand 92701

Station 71, 1029 West 17th St. 92706

Station 72, 1668 East 4th St. 92701

Station 73, 419 Franklin 92703

Station 74, 1427 South Broadway 92707

Station 75, 120 West Walnut 92701

Station 76, 950 West MacArthur 92707

Station 77, 2317 South Greenville 92704

Station 78, 501 North Newhope 92703

Station 79, 1320 East Warner 92705

**City of Seal Beach**

Station 44, 718 Central Ave. 90740

Station 48, 3131 N. Gate Rd. 90740

**City of Stanton**

Station 46, 7871 Pacific St. 90680

**County of Orange, Unincorporated**

Station 8, 10631 Skyline Dr., Santa Ana 92705

Station 11, 259 Emerald Bay, Laguna Beach 92651

Station 14, P.O. Box 12, Silverado 92676

Station 15, 27172 Silverado Canyon Rd., Silverado 92676

Station 16, 28891 Modjeska Canyon Rd., Silverado 92676

**City of Tustin**

Station 37, 15011 Kensington Park Dr. 92780

Station 43, 11490 Pioneer Way 92782

**City of Villa Park**

Station 23, 5020 Santiago Canyon Rd. 92869

**City of Westminster**

Station 64, 7351 Westminster Blvd. 92683

Station 65, 6061 Hefley St. 92683

Station 66, 15061 Moran St. 92683

**City of Yorba Linda**

Station 10, 18422 E. Lemon Dr. 92886

Station 32, 20990 Yorba Linda Blvd. 92887

Station 53, 25415 La Palma Ave. 92887

**Specialty Stations**

Station 41, 3900 W. Artesia Ave., Fullerton 92633

(Helicopter Operations)

Station 33, 374 Paularino, Costa Mesa 92626

(Aircraft Rescue & Firefighting)

Station 18, 30942 Trabuco Cyn Rd., Trabuco Cyn 92679

Station 21, 1241 Irvine Blvd., Tustin 92780

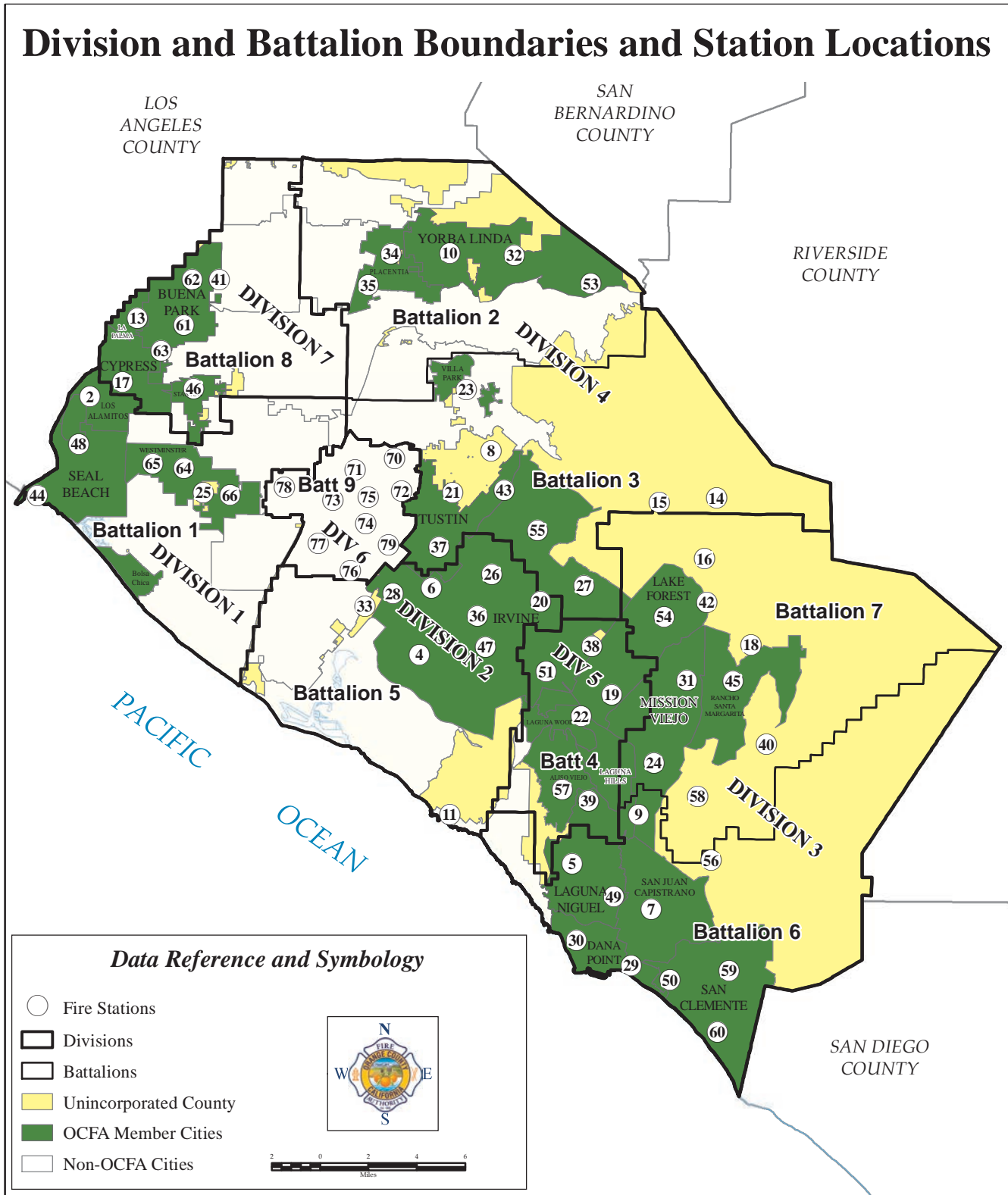
Station 25, 8171 Bolsa Ave., Midway City 92655

Station 40, 25082 Vista del Verde, Coto de Caza 92679

Station 58, 58 Station Way, Ladera Ranch 92694



ORANGE COUNTY FIRE AUTHORITY



SOURCE: Information Technology Division, Geographic Information Systems

**ORANGE COUNTY FIRE AUTHORITY**  
**Description of the Organization, Programs and Service Delivery**  
**June 30, 2014**

**EXECUTIVE MANAGEMENT**

The Orange County Fire Authority (OCFA) is managed by an appointed Fire Chief, a Deputy Fire Chief and four Assistant Chiefs. Service activities are organized into four departments – Operations, Community Risk Reduction, Business Services, and Support Services.

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/sections report directly to the Fire Chief or Deputy Fire Chief and are not included in one of the four departments:

**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.

**Corporate Communications** – Corporate Communications is responsible for serving as a liaison to member cities, media relations, community relations, and multimedia services. In addition, Corporate Communications provides support to the Fire Chief and Executive Management team in special projects designed to keep the general public and other governmental agencies informed about the programs and services offered by OCFA. The section is organized into three groups – the Public Information Office (PIO), Multimedia Services, and Community Relations and Education.

**Human Resources Division** – The Human Resources Division includes Employee Relations, Risk Management, and Employee Benefits and Services. These sections provide programs and services designed to support the OCFA and its employees in the achievement of its mission and objectives.

- Employee Relations oversees classification and compensation studies, recruitment and selection, labor negotiations, and Memorandum of Understanding (MOU) administration.
- Risk Management administers OCFA’s general liability insurance, workers’ compensation self-insurance program, and occupational safety and health programs.
- 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.

**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, emergency planning and coordination, training and safety, and air operations.

**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 71 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.

<b>Division I</b>	<ul style="list-style-type: none"> <li>• <b>Battalion 1</b> primarily serves the cities of Los Alamitos, Seal Beach, and Westminster, as well as the unincorporated communities of Midway City and Rossmoor.</li> <li>• <b>Air Operations</b> is responsible for coordination of the OCFA’s helicopters. OCFA currently maintains firefighting helicopters used for emergency responses throughout the year for wildland and wildland urban interface fires and special rescues such as swift and still water rescues, medical rescue support and disaster mitigation.</li> <li>• Division I also assists with the provision of emergency services to Seal Beach Naval Weapons Station and the Joint Forces Training Base in Los Alamitos.</li> </ul>
<b>Division II</b>	<ul style="list-style-type: none"> <li>• <b>Battalion 5</b> primarily serves the city of Irvine and the unincorporated community of Emerald Bay.</li> <li>• Division II provides emergency services to the University of California, Irvine (UCI), John Wayne Airport (JWA), and the Orange County Great Park. The division also provides administration, oversight, and training for the Hazardous Materials Response Team (HMRT), the Fire and Law Enforcement Joint Hazard Assessment Team (JHAT), Airport Rescue Fire Fighting (ARFF) services, and the Fire Exploring Program.</li> </ul>

<p style="text-align: center;"><b>Division III</b></p>	<ul style="list-style-type: none"><li>• <b>Battalion 6</b> primarily serves the cities of Dana Point, San Clemente, and San Juan Capistrano, as well as other unincorporated areas of southern Orange County.</li><li>• <b>Battalion 7</b> primarily serves the cities of Mission Viejo and Rancho Santa Margarita, as well as the unincorporated communities of Coto de Caza, Trabuco Canyon, Modjeska Canyon, Ladera Ranch, and other unincorporated areas of southern Orange County.</li><li>• Division III is also responsible for the ongoing oversight and management of the Staffing Program, which ensures correct, 27/7 staffing levels at all stations; the Staffing Committee; and the employee transfer process within the Operations Department.</li></ul>
<p style="text-align: center;"><b>Division IV</b></p>	<ul style="list-style-type: none"><li>• <b>Battalion 2</b> primarily serves the cities of Placentia and Yorba Linda, as well as the unincorporated communities of Tonner Canyon, Carbon Canyon, and Chino Hills State Park.</li><li>• <b>Battalion 3</b> 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.</li><li>• <b>Community Volunteer Services (CVS)</b> is responsible for the coordination of Reserve Firefighters (RFF) who provide emergency medical aid, fire suppression and support services responding out of three stand-alone fire stations, five combination fire stations (both RFF and career personnel assigned), one RFF Fire Crew location, and one RFF Helicopter Crew location. CVS also administers and coordinates the OCFA Chaplain Program.</li><li>• <b>Operations Training and Safety (Training)</b> 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.</li></ul>

<p style="text-align: center;">Division V</p>	<ul style="list-style-type: none"> <li>• <b>Battalion 5</b> primarily serves the cities of Aliso Viejo, Laguna Hills, Laguna Niguel, Laguna Woods, and Lake Forest, as well as portions of Irvine.</li> <li>• Division V oversees specialized emergency response capabilities and equipment for the <b>Urban Search and Rescue</b> task force, which includes the Swift Water Rescue program and the Mass Casualty Unit.</li> </ul>
<p style="text-align: center;">Division VI</p>	<ul style="list-style-type: none"> <li>• <b>Battalion 9</b> primarily serves the city of Santa Ana.</li> <li>• <b>Emergency Medical Services (EMS)</b> manages the delivery of medical services by OCFA’s emergency medical technicians (EMT) and paramedics. This includes the implementation of the continuing quality improvement program; continuing education for both career and reserve personnel; ongoing review of patient care; supply and equipment evaluation and purchasing; monitoring and tracking of paramedic licensure and EMT certifications; ambulance contract administration oversight; and paramedic recruitment, selection, evaluation, and accreditation. In addition, EMS serves as a liaison to county and state regulatory agencies, hospitals, ambulance providers, and other EMS groups.             <ul style="list-style-type: none"> <li>○ The <b>Wellness and Fitness (WEFIT)</b> 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.</li> </ul> </li> </ul>
<p style="text-align: center;">Division VII</p>	<ul style="list-style-type: none"> <li>• <b>Battalion 8</b> primarily serves the cities of Buena Park, Cypress, La Palma, and Stanton.</li> <li>• Division VII also provides oversight for the OCFA Equipment Committee.</li> </ul>
<p style="text-align: center;">Emergency Planning and Coordination (EPAC)</p>	<ul style="list-style-type: none"> <li>• <b>Emergency Planning and Coordination (EPAC)</b> 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.</li> </ul>

## 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 **Risk Analysis and Mitigation Evaluation (RAME)** program identifies areas of risk-enabling mitigation strategies that will make the most significant impact on community fire losses. RAME uses data from emergency incident reports to identify fire and safety trends within the communities and collaborates internally and externally to develop best practice strategies to effectively minimize or eliminate those recurring issues.

- The **Ready, Set, Go!** 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 financial functions; purchasing, receiving, shipping, warehousing and mail operations; and treasury and financial planning services.

**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; government liaison and legislative advocacy; facility design, construction, repair and maintenance; and long-range analysis of impacts on resources associated with future land use, development and increases in service demands.

**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, and is preparing for the transition to Automatic Vehicle Location (AVL)-based dispatching with the anticipated implementation of a new CAD system in Fiscal Year 2014/15.

**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.

**Legislative Services** – The Legislative Services Division monitors legislation and regulations and advocates the OCFA's position before federal, state and local governing and regulating agencies. Responsibilities include seeking federal and state appropriations, providing analysis of proposed legislation for consideration by executive staff and the Board of Directors, and serving as liaison between the OCFA and elected officials at all levels. As OCFA's grant coordinator, Legislative Services also applies for and tracks grants, and develops overall grant policies and procedures.

**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.

**Strategic Services** – The Strategic Services Division is responsible for the coordination and management of advance and strategic planning efforts within the 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.

October 13, 2014

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 Orange County Fire Authority (OCFA) for the year ended June 30, 2014. 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 2, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practice***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by OCFA are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by 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.

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.



To the Board of Directors  
Orange County Fire Authority

During fiscal year 2014, certain adjustments were made by OCFA to correctly state the beginning balances for capital assets relating to land and accumulated depreciation. The net effect of these restatements was \$804,881 and was detected by management of OCFA. This adjustment only effects the government-wide financial statements because they are reported under the full accrual basis. This restatement has been identified in our report dated October 13, 2014, in accordance with Generally Accepted *Government Auditing Standards* (GAGAS).

### ***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 13, 2014.

### ***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 governmental unit'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 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.

### **Other Matters**

We applied certain limited procedures to management's discussion and analysis and required funding information on the Extra-Help Pension 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 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



To the Board of Directors  
Orange County Fire Authority

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 2013-2014 audit:

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB of GASB Statement No. 25* - OCFA properly implemented this pronouncement.

GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees* - OCFA was not affected by this pronouncement at this time.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in your next fiscal year 2014-2015 audit and should be reviewed for proper implementation by management:

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*.

**Restriction on Use**

This information is intended solely for the use of the Board of Directors and management of the OCFA and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Brea, California

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## 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 improvement funds in accordance with the *Financial Stability Budget Policy*, net of actual cumulative project expenditures and other revenue sources accounted for in those 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, 2014**

	Source	Facilities Maintenance & Fund 122	Comm. & Info. Systems Fund 124	Vehicle Replacement Fund 133	Facilities Replacement Fund 123	Total
<b><u>Actual Fund Balance Available for CIP Assignment</u></b>						
Total actual fund balance @ 6/30/2014	FYE 6/30/2014 CAFR, pages 28-29	2,710,702	18,051,752	29,496,881	15,409,887	65,669,222
Less nonspendable fund balance (prepaid items)	FYE 6/30/2014 CAFR, pages 28-29	(413)	(142,890)	(141,046)	-	(284,349)
Less restricted fund balance:						
Station 56 (Village of Sendero)	FYE 6/30/2014 CAFR, pages 28-29, 61	-	-	-	(510,808)	(510,808)
CALFIRE station(s)	FYE 6/30/2014 CAFR, pages 28-29, 61	-	-	-	(533,232)	(533,232)
Less outstanding encumbrances:						
Pertaining to assigned resources	FYE 6/30/2014 CAFR, pages 28-29	(29,314)	(1,610,018)	(3,197,280)	(4,491,421)	(9,328,033)
<b>Actual fund balance available for CIP assignment @ 6/30/2014 (A)</b>		<b>2,680,975</b>	<b>16,298,844</b>	<b>26,158,555</b>	<b>9,874,426</b>	<b>55,012,800</b>
<b><u>Possible CIP Expenditures, Net of Offsetting Revenues and Funding Sources</u></b>						
<b><u>Possible CIP Expenditures</u></b>						
Re-budgeted appropriations	Board of Directors approval 9/25/2014, Item #4	861,300	6,753,008	5,807,347	5,749,437	19,171,092
Subtotal		861,300	6,753,008	5,807,347	5,749,437	19,171,092
Planned project expenditures:						
Projects in five-year CIP plan	FY 2014/15 Adopted Budget, pages 194-198	6,656,428	32,787,963	38,151,531	-	77,595,922
Projects beyond five-year plan - helicopter lease debt service	FYE 6/30/2014 CAFR, page 58	-	-	-	-	-
Subtotal		6,656,428	32,787,963	38,151,531	-	77,595,922
Deferred project expenditures:						
Deferred five-year CIP plan	FY 2014/15 Adopted Budget, page 199	-	1,527,500	4,252,545	24,000,000	29,780,045
Subtotal		-	1,527,500	4,252,545	24,000,000	29,780,045
<b>Possible CIP expenditures</b>		<b>7,517,728</b>	<b>41,068,471</b>	<b>48,211,423</b>	<b>29,749,437</b>	<b>126,547,059</b>
<b><u>Offsetting Revenues and Funding Sources</u></b>						
Re-budgeted revenues	Board of Directors approval 9/25/2014, Item #4	(872,780)	-	(643,106)	(4,056,050)	(5,571,936)
Subtotal		(872,780)	-	(643,106)	(4,056,050)	(5,571,936)
Restricted fund balance for projects in 5-year CIP and deferred plans:						
Station 56 (Village of Sendero)	FYE 6/30/2014 CAFR, pages 28-29, 61	-	-	-	(510,808)	(510,808)
CALFIRE station(s)	FYE 6/30/2014 CAFR, pages 28-29, 61	-	-	-	(533,232)	(533,232)
Subtotal		-	-	-	(1,044,040)	(1,044,040)
Cash Contract City revenues:						
Station maintenance charges (5 years)	Maximum annual fee per JPA, capped at planned exp.	(1,350,000)	-	-	-	(1,350,000)
Vehicle replacement charges (5 years)	CCC annual vehicle charge, as prepared by GA Unit	-	-	(7,221,041)	-	(7,221,041)
Subtotal		(1,350,000)	-	(7,221,041)	-	(8,571,041)
Other budgeted developer/grant/CALFIRE funding:						
Station 20 - developer funded vehicle	Cost-reimbursable budgeted costs	-	-	(1,509,314)	-	(1,509,314)
Station 67 - developer funded vehicles	Cost-reimbursable budgeted costs	-	-	(2,406,250)	-	(2,406,250)
Subtotal		-	-	(3,915,564)	-	(3,915,564)
<b>Possible offsetting revenues</b>		<b>(2,222,780)</b>	<b>-</b>	<b>(11,779,711)</b>	<b>(5,100,090)</b>	<b>(19,102,581)</b>
<b>Possible CIP expenditures, net of offsetting revenues (B)</b>		<b>5,294,948</b>	<b>41,068,471</b>	<b>36,431,712</b>	<b>24,649,347</b>	<b>107,444,478</b>
<b>Over (under) funded as of 6/30/2014 (A-B)</b>		<b>(2,613,973)</b>	<b>(24,769,627)</b>	<b>(10,273,157)</b>	<b>(14,774,921)</b>	<b>(52,431,678)</b>
<b><u>Final Fund Balance Assignment</u></b>						
Actual fund balance available for CIP assignment @ 6/30/2014		2,680,975	16,298,844	26,158,555	9,874,426	55,012,800
Less: Over funded amount to be transferred back to the General Fund		-	-	-	-	-
<b>Final fund balance assignment @ 6/30/2014</b>		<b>2,680,975</b>	<b>16,298,844</b>	<b>26,158,555</b>	<b>9,874,426</b>	<b>55,012,800</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Fund Balance Assigned for Workers Compensation**  
**Final Calculation**  
**As of June 30, 2014**

**Attachment 6B**

Description	Source	Self Insurance Fund		
		Final Budget	Positive (Negative) Variance	Actual
<b>Revenues:</b>				
Interest	FYE 6/30/2014 CAFR, pages 94,97	\$ 170,481	142,171	\$ 312,652
Workers' compensation charges	FYE 6/30/2014 CAFR, pages 94,97	12,825,908	1	12,825,909
Subtotal - revenues		<b>12,996,389</b>	<b>142,172</b>	<b>13,138,561</b>
<b>Expenditures:</b>				
Workers' compensation claims paid	FYE 6/30/2014 CAFR, pages 94,97	(10,503,824)	5,056,408	(5,447,416)
Subtotal - expenditures		<b>(10,503,824)</b>	<b>5,056,408</b>	<b>(5,447,416)</b>
<b>Total change in fund balance</b>		<b>\$ 2,492,565</b>	<b>\$ 5,198,580</b>	<b>\$ 7,691,145</b>
		(A)	(B)	
<b>Assignment for Workers' Compensation:</b>				
Actual assignment @ 6/30/2013	FYE 6/30/2013 CAFR, page 26		\$ 53,230,384	
Budgeted change in fund balance	(A)		2,492,565	
Budgeted assignment @ 6/30/2014			55,722,949	
Variance between final budget and actual amounts	(B)		5,198,580	
Actual assignment @ 6/30/2014	FYE 6/30/2014 CAFR, page 28		<b>\$ 60,921,529</b>	



**DISCUSSION CALENDAR - AGENDA ITEM NO. 6**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**November 5, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Updated Cost Reimbursement Rates and Methodologies**

Summary:

This agenda item is submitted to review and approve the proposed changes to the Cost Reimbursement rates and methodologies.

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 20, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Adopt the updated Equipment Cost Reimbursement Rate schedule effective November 21, 2014.
2. Approve and adopt the proposed Resolution authorizing suppression (safety) personnel to be reimbursed portal to portal for time assigned on an in or out of county incident.

Background:

On June 26, 2014 the OCFA Board of Directors approved updated personnel and equipment reimbursement schedules for the upcoming fiscal year. Since the approval, two additional items require Board approval. Approval of both these items will allow OCFA to continue recovering the costs of resources and equipment performing contract work or responding to an In or Out of County incident.

***Update to the Cost Reimbursement Rate Schedule- Equipment***

Recently, the OCFA Hand Crew has seen a significant increase in the amount of requests to perform fuels (brush clearing) contract work from both Cal Fire and OC Parks. As part of the contracts, both agencies have agreed to reimburse OCFA for specialized equipment that is used while performing the contract work. In order to be reimbursed, the specialized equipment must be added to the Equipment Cost Reimbursement Rate schedule. The proposed additional equipment rates are consistent with the California Fire Assistance Agreement (CFAA) methodologies and formulas participating agencies (including OCFA) agreed to use when developing reimbursement rates. Listed below are the equipment and rates staff is recommending to add to the Equipment Cost Reimbursement Rates schedule (Attachment 1):

Compact Track Loader	\$22.00/hr.
Chipper	\$21.75/hr.

Upon approval of the updated equipment rate schedule, included as Attachment 1, the OCFA Finance/Cost Recovery Section will use these rates for all future billings, when applicable.

***Reimbursement for Suppression (Safety) Personnel-the Need for a Board Resolution***

Through the Fire and Rescue Mutual Aid System (administered by Cal OES), or at the request of CAL FIRE, federal fire agencies or local governments, OCFA personnel can be, and have historically been, dispatched throughout the State or Country in the event of an emergency. Recently, all California Fire and Rescue Mutual Aid System Agencies (including OCFA) have been notified that **suppression personnel**, that are requested to respond to an incident (In or Out of County), will only be reimbursed for actual time worked at an incident, not portal to portal, unless a MOU or governing body resolution indicates that suppression personnel are to be paid portal to portal for both In or Out of County incidents. The Board adopted a resolution for non-safety personnel (dispatchers, mechanics, GIS etc.) to be reimbursed portal to portal on July 26, 2012, based on a similar requirement from Cal OES and CAL FIRE.

The CFAA requirement states:

*“Suppression personnel are to be billed for “actual hours worked” and not portal-to-portal unless their MOU or governing body resolution requires them to pay specific positions portal-to-portal for the total time committed to an In or Out of County incident. The MOU or resolution cannot be contingent solely on State or Federal reimbursements but part of our normal pay practices. If so, we must send a copy of our MOU to Cal OES to be kept on file. And when the MOU expires, we need to submit a new one timely. If Cal OES doesn’t have a current MOU on file, suppression personnel will be paid for actual hours.”*

OCFA has historically compensated suppression employees assigned to an incident, regardless if it is reimbursable or not, based on portal to portal hours. The past practice of the ordering agencies, such as Cal OES or CAL FIRE, has always been to reimburse suppression personnel based on portal to portal hours. The proposed Resolution formalizes this practice and provides the documentation required by these ordering agencies to continue reimbursing OCFA.

OCFA is recommending that, to ensure that Suppression/Safety employees are compensated portal to portal when they are required to respond to an In or Out of County incident and OCFA be reimbursed the same, the Board adopt the proposed Resolution (Attachment 2). Without an approved Resolution, suppression resources responding to an In or Out of County incident, will continue to be paid portal to portal, but OCFA will not be reimbursed for the full amount from the ordering agencies.

**Impact to Cities/County:**

Not Applicable.

**Fiscal Impact:**

The fiscal impact of the new rates will be based on the number of incidents that occur throughout the year and will be incorporated into the mid-year budget update. Without an approved Resolution, approving portal to portal pay, OCFA will only be reimbursed for actual time employees work on an incident and not reimbursed for portal to portal compensation paid to the employees.

Staff Contacts for Further Information:

Jim Ruane, Finance Manager/Auditor  
Business Services Department  
[jimruane@ocfa.org](mailto:jimruane@ocfa.org)  
(714) 573-6304

Stephan Hamilton, Senior Accountant/Cost Accounting Manager  
Business Services Department  
[stephanhamilton@ocfa.org](mailto:stephanhamilton@ocfa.org)  
(714) 573-6316

Attachments:

1. Proposed Cost Reimbursement Rates - Equipment
2. Proposed Resolution – Suppression Pay Policy

**ORANGE COUNTY FIRE AUTHORITY  
COST REIMBURSEMENT HOURLY RATES  
EQUIPMENT  
EFFECTIVE NOVEMBER 21, 2014**

DESCRIPTION	2014/15 RATE
TYPE 1 ENGINE	\$85.00
TYPE 2 ENGINE	\$70.00
TYPE 3 ENGINE	\$70.00
TRUCK/QUINT	\$85.00
PATROL UNIT ( Type 6/ Swift Water Rescue)	\$70.00
AIRPORT CRASH UNIT	\$85.00
CREW CARRYING VEHICLE	\$20.00
DOZER TRANSPORT	\$65.25
DOZER	\$65.00
DOZER TRAILER	\$12.50
DOZER TENDER	\$20.00
GRADER	\$58.00
LOADER	\$40.00
DUMP TRUCK	\$65.00
CHIPPER	\$21.75
COMPACT TRACK LOADER	\$22.00
MEDIC UNIT	\$4.54
MECHANIC SERVICE TRUCK	\$3.58
WATER TENDER	\$31.00
FUEL TENDER	\$31.00
AIR/LIGHT UTILITY	\$24.00
FIRE COMMAND UNIT	\$20.00
SPORT UTILITY VEHICLE	\$4.00
PICKUP	\$3.58
SEDAN	\$1.96
VAN	\$4.54
HAZMAT (Unit 4)	\$85.00
HAZMAT (Unit 79)	\$85.00
HAZMAT (Unit 204)	\$20.00
HELICOPTER - BELL SUPER HUEY	\$1,473.29
HELICOPTER - BELL 412	\$5,090.51

New

New

**RESOLUTION NO. 2014-XX**

**A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY  
BOARD OF DIRECTORS AUTHORIZING OCFA  
SUPPRESSION/SAFETY PERSONNEL TO BE COMPENSATED  
PORTAL TO PORTAL FOR INCIDENT RELATED ACTIVITY**

*WHEREAS*, through the California Fire and Rescue Mutual Aid System (Cal OES), CAL FIRE, federal fire agencies or at the request of local governments, OCFA personnel could be dispatched to locations throughout California and the Country in the event of a local, state, or federal emergency; and

*WHEREAS*, the past practice of OCFA has been to compensate employees portal to portal, regardless of reimbursement, for OCFA personnel assigned to these emergency incidents; and

*WHEREAS*, the California Fire Assistance Agreement (CFAA) (which outlines the requirement for an agency to be reimbursed) currently states that, rather than portal to portal for suppression/safety personnel requested at an In or Out of County incident, all suppression/safety personnel will now be reimbursed for actual time worked on the incident unless there is an MOU or governing body resolution that indicates that specific position is to be reimbursed portal to portal for the total time assigned to the incident; and

*WHEREAS*, as a result of this new requirement, OCFA is adopting this resolution to memorialize the current practice of compensating suppression/safety personnel portal to portal regardless of reimbursement, ensuring that suppression personnel are compensated in the same manner as non-safety personnel when they are requested and approved to respond to emergency incidents.

*NOW THEREFORE BE IT RESOLVED*, that the Board of Directors of the Orange County Fire Authority does hereby, effective November 21, 2014, authorize all OCFA suppression/safety personnel to be compensated portal to portal for the total time assigned to an In or Out of County incident.

*PASSED, APPROVED, AND ADOPTED* this 20<sup>th</sup> day of November 2014.

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ELWYN A. MURRAY, CHAIR  
Board of Directors

ATTEST:

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SHERRY A.F. WENTZ, CMC  
Clerk of the Authority

**DISCUSSION CALENDAR - AGENDA ITEM NO. 7**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**November 5, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **FY 2013/14 Backfill/Overtime and Total Earnings/Compensation Analysis**

Summary:

This agenda item is submitted to provide an overview and analysis of Fiscal Year 2013/14 Backfill and Overtime earnings along with employee total compensation for Calendar Year 2013.

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 20, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Direct staff to pursue reductions in overtime by filling *permanent* vacancies (exceeding those required by MOU) as quickly as possible after the positions become vacant.
2. Direct staff to continue using overtime to fill *temporary* vacancies rather than hiring additional personnel, recognizing this as a cost-effective practice for temporary needs.
3. Direct staff to continue implementation of the overtime cap (recently approved as part of the Firefighter Unit MOU) to limit the number of overtime hours an employee can work per year.
4. Direct staff to report back to the Board in November 2015 on actual savings achieved by no longer including sick/vacation leave as hours worked for purposes of calculating overtime.

Background:

The Orange County Fire Authority's annual General Fund budget consists primarily of labor costs with approximately 89.4% of the final FY 2013/14 budget allocated to salaries and employee benefits. For 2013/14, final backfill/overtime expenditures were \$39,228,557. The primary factors driving OCFA's backfill/overtime costs are:

- ♦ OCFA's Constant Staffing Policy
- ♦ Major Emergency Incident Response
- ♦ Training Requirements
- ♦ Frozen Positions

***OCFA's Constant Staffing Policy (Non-Discretionary)***

The OCFA maintains a Constant Staffing Policy that requires suppression personnel to backfill (i.e., work overtime) for any suppression post-position<sup>1</sup> that is vacant. Situations that result in a backfill requirement to maintain constant staffing include:

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<sup>1</sup> A suppression post-position is a seat on a fire or EMS response unit (including engines, trucks and paramedic vans) that must be filled to meet the staffing requirement of that unit.

- ♦ Positions temporarily vacant due to personnel on leave (sick, vacation, jury duty, military leave, bereavement, workers' compensation, etc.)
- ♦ Positions vacant due to cost control measures (open positions per MOU side agreement)
- ♦ Positions vacant as a result of retirements, promotions, or the opening of a new station (open positions pending recruitment)
- ♦ Positions temporarily vacant due to personnel responding to major in/out of county incidents

All backfill/overtime costs associated with the Constant Staffing Policy are considered non-discretionary. For FY 2013/14, \$31M (81.8%) of the total backfill/overtime expenditures was attributable to the Constant Staffing Policy.

***Major Emergency Incident Response (Non-Discretionary)***

Another form of non-discretionary overtime incurred by OCFA is for major emergency incident response. OCFA responds to emergency incidents at the request of surrounding fire agencies (Mutual Aid), California Department of Forestry (CAL FIRE), Cleveland National Forest Service (CNF), and the California Office of Emergency Services (OES). Backfill/overtime costs for responding to major emergency incidents in FY 2013/14 totaled \$3.1M and represented approximately 8% of total backfill/overtime expenditures. Approximately 90-100% of these emergency related incident response costs (except Mutual Aid) are reimbursable.

All backfill/overtime costs associated with the Constant Staffing Policy and Major Emergency Incident responses as stated above are considered non-discretionary. For FY 2013/14, the sum of these two expenditures represents \$34.1M (89%) of the total backfill / overtime expenditures.

***Training Requirements (Discretionary & Non-Discretionary)***

OCFA incurs additional backfill/overtime costs related to various training requirements for suppression personnel. Examples include mandatory training requirements for federal, state, and local programs including Urban Search and Rescue (US&R), Airport Rescue Firefighting (ARFF), Weapons of Mass Destruction (WMD), and Incident Command. Additionally, OCFA historically incurs overtime and backfill costs to provide training academies for new and/or promoted Dispatchers, Firefighters, Engineers, Captains, Battalion Chiefs, and Reserve Firefighters. Backfill/overtime costs as a result of training activities in FY 2013/14 totaled \$2.4M and represented 6% of the total backfill/overtime expenditures. Approximately \$996,000 of the training costs resulted from promotional and new recruit academies.

***Discretionary Backfill/Overtime***

For FY 2013/14, total discretionary backfill/overtime was \$1.3M or 3.4%, including:

- ♦ Employees staffing special events, participating on project teams, and Fire Explorer program activities
- ♦ Information systems, GIS, automotive, communications services, and fire prevention personnel requested to work outside their normal work schedule

***Compensation Cost Transparency***

In September 2012, the OCFA Board approved staff's response to the Grand Jury Report on Compensation Cost Transparency, including a commitment that annual employee compensation costs would be posted and readily available on the OCFA website. Prior to the Grand Jury Report, the State Controller's employee compensation data (which defines compensation differently than the Grand Jury requirement) was posted on the OCFA website. While the State Controller again made changes to the employee compensation reporting requirements this year, it still varies from the Grand Jury reporting requirements.

The Grand Jury Report includes all earnings, regardless of pretax deductions, segregated by base salary, overtime, payouts, special pay, and other. Additionally, OCFA paid retirement and benefits are also included in the employee compensation report posted on the website. The Grand Jury Report was posted to the OCFA website on November 4, 2014, and the State Controller Report was submitted to the State on October 17, 2014, in compliance with the October 20, 2014, due date. Summary information covering OCFA backfill/overtime, employee earnings, and total compensation for each employee group is included in Attachment 2.

***Actions Taken to Reduce Overtime Costs***

The OCFA has taken the following steps to control overtime and backfill cost:

- OCFA recently approved an MOU with the Firefighter Unit in which sick/vacation leave will no longer count as hours worked for FLSA (overtime) purposes
- The Firefighter Unit MOU includes an overtime cap which will limit the number of overtime hours a firefighter can work per year
- Firefighter, Fire Apparatus Engineer, Fire Captain and Battalion Chief Academies were conducted in FY 2013/14 to fill existing and anticipated vacancies, with additional academies in process and planned for FY 2014/15

Staff will track activities over the next year and report back to the Board in November 2015 on savings achieved, and/or additional actions identified to continue mitigating these costs.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

The change to the Firefighter Unit MOU in which sick/vacation leave will no longer count as hours worked for FLSA (overtime) purposes is anticipated to reduce costs by \$1.7 million.

Staff Contact for Further Information:

Jim Ruane, Finance Manager/ Auditor, Business Services Department

[jimruane@ocfa.org](mailto:jimruane@ocfa.org)

(714) 573-6304

Attachments:

1. Frequently Asked Questions and Responses
2. FY 2013/14 OCFA Firefighter Backfill/Overtime and Total Earnings Compensation Analysis



**FY 2013/14 BACKFILL/OVERTIME ANALYSIS  
FREQUENTLY ASKED QUESTIONS**

**1. What is a firefighter's standard work schedule?**

Firefighters assigned to suppression positions work 24-hour shifts which equate to a 56-hour average work week or 2,912 hours per year. When firefighters are assigned to staff positions on a 40-hour work week, they average 2,080 regular hours per year.

**2. What is the difference between backfill and overtime?**

The OCFA maintains constant staffing levels. This means that everyday, all authorized Operations post-positions are staffed. A post-position is a seat on a fire or EMS response unit (including engines, trucks and paramedic vans) that must be filled to meet the staffing requirement of that unit. Backfill occurs when there is a vacancy in a position that requires constant staffing and the employee either volunteers or is forced to work to fill the vacancy. Overtime is used for work done above and beyond the constant staffing requirements. Examples of overtime include strike team or overhead assignments to emergency incidents, either in or out of the County, and mandatory training classes that occur on other than the employee's regularly assigned shift.

**3. Because our backfill/overtime budget is significant, does that mean we are understaffed?**

OCFA's backfill/overtime budget is significant due to the reasons outlined in #2 above. Due to retirements, promotions, and the hiring freeze, there are positions that have gone unfilled. In addition, a labor agreement includes provisions to hold 15 positions (subject to Manager approval) open for each rank in the firefighter labor group. As of June 2014, there were 68 positions being filled and required constant staffing on an Overtime/Backfill basis. Recent academies and promotional exams are intended to reduce the number of vacancies and open positions.

**4. How many continuous hours may a firefighter work?**

The maximum number of continuous hours (regular and backfill/overtime) an employee may work with the Assistant Chief of Operations approval is 96. Employees enter their availability to work into the OCFA's Staffing System. The staffing system hires employees based upon the premise of an equal distribution of overtime and agreed upon hiring list procedures. The Assistant Chief of Operations may suspend the 96-hour rule to ensure sufficient incident response capability and adequate station coverage. Personnel assigned to out of county strike teams or to overhead positions are often deployed for periods of 14 days or more. When assigned to these extended incidents, employees work within established work/rest cycles.

**5. Is the OCFA concerned about employee fatigue as the result of the continuous work hour rules?**

The OCFA recognizes that employee fatigue is a factor that impacts employee performance. Severe fatigue may increase the dangers inherent in the performance of emergency operations. The OCFA takes steps to protect employees from these dangers. The OCFA ensures that firefighters are trained, equipped and supervised to work as safely as possible. There is an additional emphasis on employee health and wellness provided through the WEFIT Program. Supervisors have the means by which to ensure employees are either adequately rested or relieved of duty where appropriate. Firefighters on extended incidents adhere to specified work/rest periods.

**6. What impact will the new Labor Agreement have on Backfill/Overtime costs?**

As part of the new agreement with the Orange County Professional Firefighters Association (OCPFA), the following revisions were made to the contract:

- Sick and Vacation no longer counts as hours worked for FLSA (overtime) purposes.
- Implementation of an overtime CAP (with certain exceptions) on the number of shifts a firefighter can work annually.

# ORANGE COUNTY FIRE AUTHORITY

FY 2013/14

## Backfill/Overtime & Total Earnings/Compensation Analysis



Budget & Finance Committee Meeting  
November 5, 2014

Presented by:

Jim Ruane, Finance Manager/Auditor

# Definitions & Background

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## Constant Staffing Policy

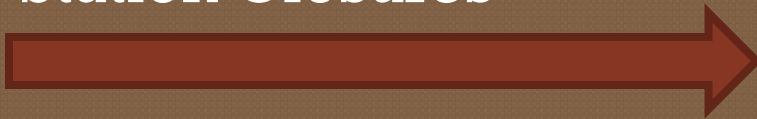
- Maintains the minimum staffing level required to keep a suppression unit operational
- Required by Memorandum of Understanding

### ➤ Alternatives

- Units out of service
- Station Closures

### ➤ Impact

- Longer response times
- Decreased resources available for response to incidents



# Definitions & Background

## Backfill

Requires suppression personnel, in addition to the normal work schedule, to backfill a position primarily due to the following reasons:

Non - Discretionary

Position vacant / Pending new hire  
(Open Position)

Personnel on leave such as sick, vacation, military leave, workers' compensation

On duty personnel responding to major incidents  
(In or out-of-county)

# Definitions & Background

## *Discretionary vs. Non-Discretionary*

### Overtime Definition:

Requires suppression personnel to work outside the normal work schedule due primarily to the following reasons:

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#### Discretionary

- **Participate in community events, meetings, public education (generally discretionary)**
- **Includes public safety fairs, prevention and education programs, etc.**

#### Non-Discretionary

- **Respond to a major emergency incident, generally out-of-county (non-discretionary)**
- **The majority of overtime costs falling into these categories are generally reimbursable to the OCFA**

#### Both

- **Attend specialized /mandated training (can be discretionary or non-discretionary)**

# Definitions & Background

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## Backfill/Overtime Distribution

- Memorandum of Understanding (MOU) requires distribution be “fair and equitable”
- Staffing requirements are managed by:

Standard Operating Procedure  
(SOP)



Automated Staffing System

Staffing Committee:

\*Finance \*Human Resources \*Information Systems \*Operations

# Definitions & Background

## Backfill/Overtime Distribution

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Equitable  
Distribution  
of Backfill/  
Overtime is  
based on:

**Employee  
availability**

**Special qualifications  
required of the position**  
(Paramedic, Hazmat, etc.)

**Backfill/Overtime hours  
previously worked**  
(Subject to overtime cap)

# Backfill/Overtime Monitoring

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- Staff prepares quarterly overtime reports to monitor backfill/overtime activity by section and cause
- Staff presents annual Backfill/Overtime and Total Employee Compensation Reports to the Budget & Finance Committee and Board of Directors
- Total employee compensation is posted annually to the State Controller's and OCFA websites



# Actions to Reduce OT Costs

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- New MOU with the FF Unit - sick/vacation leave will no longer count as hours worked for overtime purposes
- FF MOU includes an overtime cap which limits the overtime hours a firefighter can work per year
- Firefighter, Fire Apparatus Engineer, Fire Captain and Battalion Chief academies were conducted in FY 2013/14 to fill existing and anticipated vacancies
- Additional academies are in process and planned for FY 2014/15

# Regular vs. Overtime Analysis

RANK	HOURS	(A)	(B)	(C)	(D)	TOTAL HOURLY S&EB	FY 2013/14	
		BASE HOURLY RATE	OTHER PAYS	BENEFITS	OT PREMIUM		\$ DIFFERENCE	% DIFFERENCE FROM FTE
Firefighter (FF)	<b>REGULAR</b>	28.41	4.92	27.23		60.56	14.90	<b><u>24.60%</u></b>
	<b>OVERTIME</b>	28.41		3.04	14.21	45.66		

**NOTES:**

(A) Salaries based on top step

(B) Other Pays include Holiday Pay, Education Incentive, EMT, FLSA

(C) Benefits include Retirement, Health Insurance, Medicare, and Worker's Compensation

REGULAR HOURS	FF
Retirement	\$17.56
Workers Comp	2.84
Unemployment	0.01
Health Insurance	6.34
Medicare	0.48
<b>Total Benefits</b>	<b>\$27.23</b>

OVERTIME HOURS	FF
Retirement	\$0.00
Workers Comp	2.42
Unemployment	0.00
Health Insurance	0.00
Medicare	0.62
<b>Total Benefits</b>	<b>\$3.04</b>

# Regular vs. Overtime Analysis

## FY 2013/14 Firefighter Unit Estimated Cost Savings

Classification	Actual Overtime		Estimated** FTE Cost	Estimated ** Overtime Cost	Estimated** Cost Saving by Utilizing Overtime/Backfill
	Hours Worked FY 13/14	<u>FTE Equivalent*</u>			
Fire Captain	181,737	62.4	\$ 13,959,219	\$ 10,893,316	\$ 3,065,903
Engineer	199,512	68.5	\$ 13,341,367	\$ 10,215,014	\$ 3,126,353
Firefighter	323,165	111.0	\$ 19,570,872	\$ 14,755,714	\$ 4,815,159
		<u>241.9</u>	\$ 46,871,459	\$ 35,864,044	\$ <b>11,007,415</b>

\* Assumes 2,912 hours worked per year.

\*\* Utilizes estimated hourly rates for top step within a classification.

- **The \$11,007,415 savings is a direct result of utilizing overtime/backfill rather than full-time employees at a savings of 21-24% .**

# Backfill/Overtime Historical Review

## Backfill / Overtime as a % of Total Budget

<b>Final Approved Fiscal Year Budget</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
			<i>Reflects addition of Santa Ana personnel</i>		
S&EB as a Percentage of Total General Fund	<b>90.9%</b>	<b>91.5%</b>	<b>90.7%</b>	<b>91.6%</b>	<b>89.4%</b>
<b>Actual Backfill/Overtime Expenditures</b>	\$28,327,471	\$29,651,858	\$34,917,079	\$38,157,263	\$39,228,557
<b>Actual Total S&amp;EB Expenditures</b>	\$211,783,330	\$215,354,060	\$233,571,264	\$265,194,626	\$269,959,939
Backfill/Overtime as a % of Total Budget	<b>12.1%</b>	<b>12.5%</b>	<b>13.4%</b>	<b>13.1%</b>	<b>12.8%</b>

# Backfill/Overtime

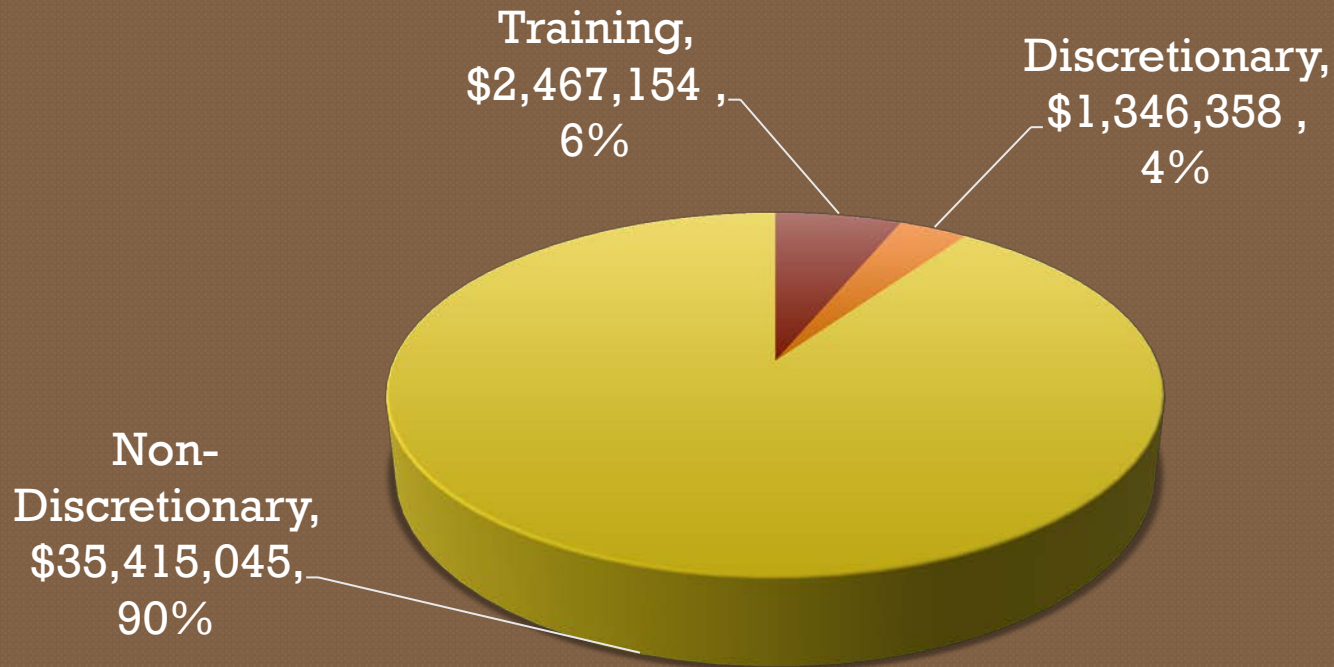
Categories of Backfill/Overtime	FY 2012/13		FY 2013/14		Change from Prior Year
	Expenditures	% of Total	Expenditures	% of Total	Dollar
<b><u>Non-Discretionary</u></b>					
Vacation	4,612,948	12.1%	4,531,716	11.6%	(81,232)
Sick Leave	5,973,224	15.7%	5,329,444	13.6%	(643,780)
Workers' Comp.	3,432,663	9.0%	4,362,621	11.1%	929,958
Open Positions	14,741,477	38.6%	15,526,658	39.6%	785,181
Other Leaves	803,877	2.1%	781,508	2.0%	(22,369)
Other Non-Discretionary	2,240,094	5.9%	1,782,943	4.5%	(457,151)
Emergency *	2,640,732	6.9% *	3,100,155	7.9% *	459,423
<b>Total Non-Discretionary</b>	<b>34,445,015</b>	<b>90.3%</b>	<b>35,415,045</b>	<b>90.3%</b>	<b>970,030</b>
<b><u>Training</u></b>					
Academies	783,919	2.1%	680,743	1.7%	(103,176)
Emergency Preparedness	913,614	2.4%	996,185	2.5%	82,571
Specialty Training	627,559	1.6%	725,647	1.8%	98,088
Reserve Program	77,080	0.2%	64,579	0.2%	(12,501)
<b>Total Training</b>	<b>2,402,172</b>	<b>6.3%</b>	<b>2,467,154</b>	<b>6.3%</b>	<b>64,982</b>
<b><u>Discretionary</u></b>					
Special Activity	423,160	1.1%	399,544	1.0%	(23,616)
Other Discretionary	800,331	2.1%	810,497	2.1%	10,166
Administrative	86,585	0.2%	136,317	0.3%	49,732
<b>Total Discretionary</b>	<b>1,310,076</b>	<b>3.4%</b>	<b>1,346,358</b>	<b>3.4%</b>	<b>36,282</b>
<b>Total</b>	<b>38,157,263</b>	<b>100.0%</b>	<b>39,228,557</b>	<b>100.0%</b>	<b>1,071,294</b>

\* Emergency overtime is generally 90%-100% reimbursable.

# Backfill/Overtime Summary

## 2013/14 Overtime Summary by Type

**Total = \$39,228,557**

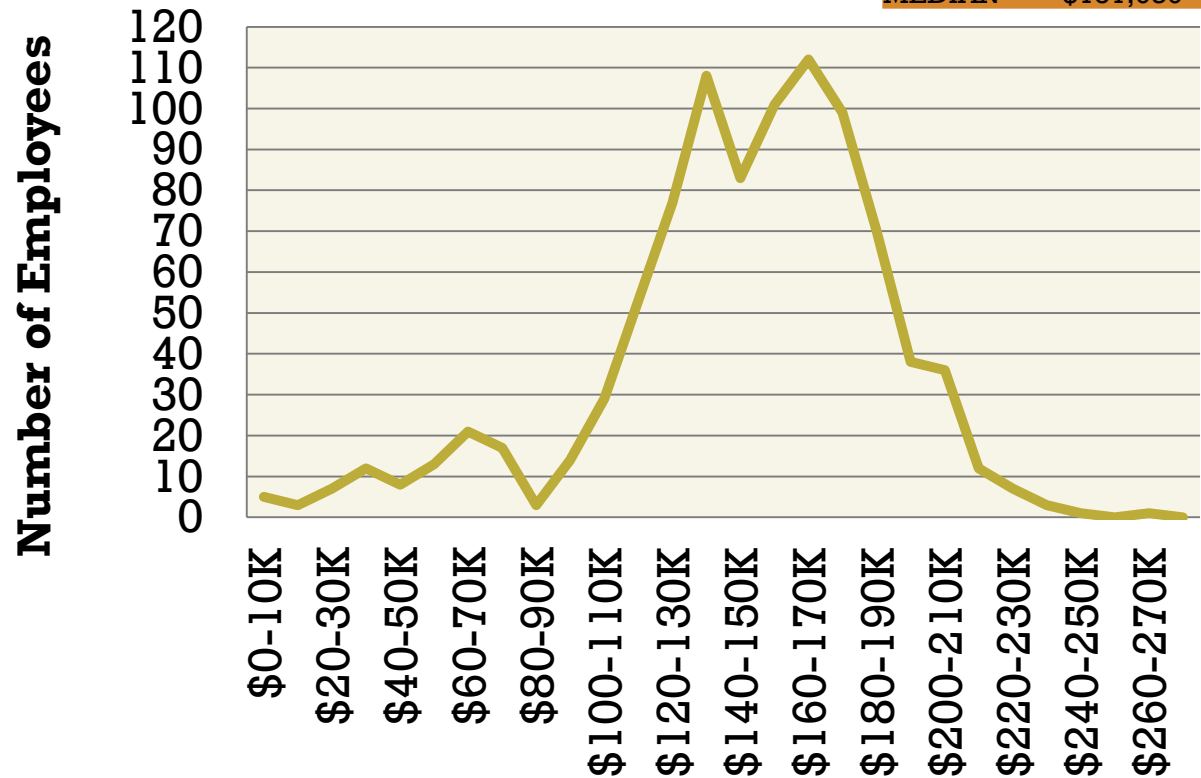


# 2013 Firefighter Unit Earnings Analysis

\$10,000 Increments	# of Employees
\$0-10K	5
\$10-20K	3
\$20-30K	7
\$30-40K	12
\$40-50K	8
\$50-60K	13
\$60-70K	21
\$70-80K	17
\$80-90K	3
\$90-100K	14
\$100-110K	29
\$110-120K	53
\$120-130K	77
\$130-140K	108
\$140-150K	83
\$150-160K	101
\$160-170K	112
\$170-180K	99
\$180-190K	70
\$190-200K	38
\$200-210K	36
\$210-220K	12
\$220-230K	7
\$230-240K	3
\$240-250K	1
\$250-260K	0
\$260-270K	1
Total	933

## Calendar Year 2013 Firefighter Earnings Summary

AVERAGE = \$145,768  
 MEDIAN = \$151,030



Median=50% of earnings fall below this amount and 50% of earnings fall above this amount.

\* Does not include benefits

# 2013 Firefighter Unit Earnings Analysis

## Summary by Classification - 2013

Classification	# of Employees (1)	Standard Work Week (2)	Average Base Earnings (3)	Average Total Earnings	Average Hourly Rate (4)	Annual Average Hours Worked (5)	Weekly Average Hours Worked
Fire Captain	256	56	\$104,074	\$171,018	\$49.10	3,483	69.98
Fire Apparatus Engineer	226	56	\$91,401	\$151,847	\$41.52	3,657	70.33
Firefighter	426	56	\$80,510	\$133,619	\$37.80	3,535	67.98
Hand Crew Firefighter	25	40	\$29,146	\$39,267	\$18.88	2,080	40.00
<b>Total</b>	933						

### Notes:

- (1) Represents total Fire Captain, Engineer, Firefighter, & Hand Crew Firefighter paid during Calendar Year 2013
- (2a) Firefighters assigned to a suppression position work 2,912 base hours a year (56 hours per week).
- (2b) Firefighters assigned to a staff position work 2,080 base hours a year (40 hours per week).
- (3) Base Earnings Includes: Regular, Sick, Vacation Hours, Workers Compensation and Leaves.
- (4) Average rate is calculated by dividing total earnings by hours worked.
- (5) Employees may work a combination of staff and suppression hours during a year.



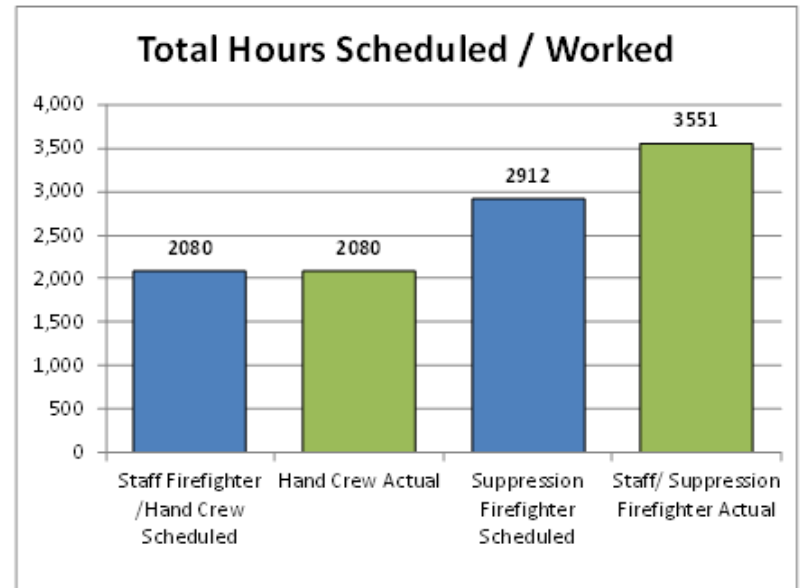
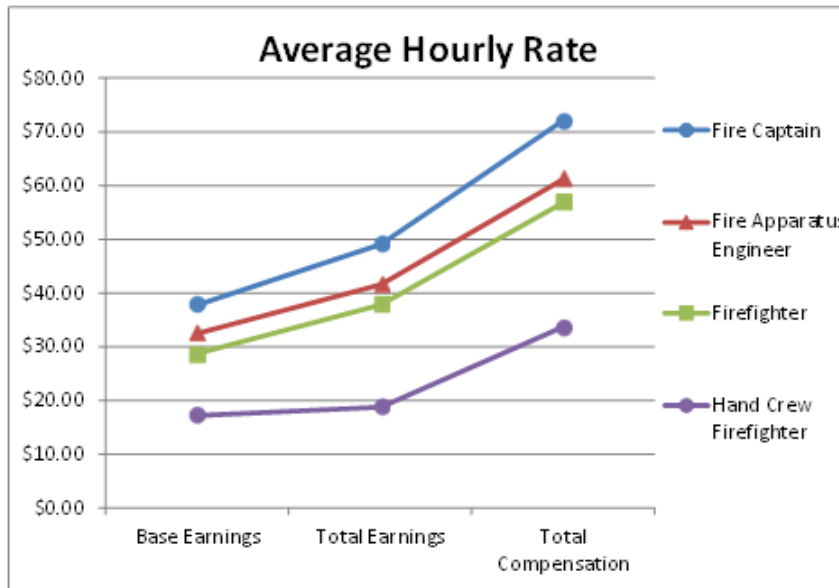
# Top 10 2013 Firefighter Unit Earnings Analysis

	<b>Title/ Assignment</b>	<b>Base Earnings</b>	<b>Total Earnings</b>	<b>Base Hours</b>	<b>Other Hours</b>	<b>Total Hours</b>	<b>Average Hourly Rate</b>
1	Fire Captain	\$ 111,647	\$ 267,158	2,912	1,997	4,909	\$ 54.42
2	Fire Captain	\$ 111,676	\$ 245,640	2,912	1,627	4,539	\$ 54.12
3	Fire Apparatus Engineer	\$ 95,248	\$ 234,912	2,912	2,197	5,109	\$ 45.98
4	Fire Captain	\$ 111,335	\$ 234,218	2,912	1,771	4,683	\$ 50.02
5	Fire Captain	\$ 111,652	\$ 230,187	2,912	1,300	4,212	\$ 54.65
6	Fire Apparatus Engineer	\$ 95,176	\$ 226,150	2,912	2,088	5,000	\$ 45.23
7	Fire Apparatus Engineer	\$ 95,366	\$ 225,151	2,912	1,917	4,829	\$ 46.63
8	Fire Captain	\$ 111,598	\$ 223,754	2,912	1,242	4,154	\$ 53.87
9	Fire Captain	\$ 111,632	\$ 222,985	2,912	1,286	4,198	\$ 53.12
10	Fire Captain	\$ 111,628	\$ 222,180	2,912	1,202	4,114	\$ 54.01

# 2013 Firefighter Unit Total Compensation

Calendar Year 2013 Firefighter Hourly Rate Breakdown

Classification	BASE EARNINGS			TOTAL EARNINGS			TOTAL COMPENSATION		
	Average Base Earnings	Regularly Scheduled Hours	Average Hourly Rate	Average Total Earnings	Average Actual Hours Worked	Average Hourly Rate	Average Total Compensation	Average Actual Hours Worked	Average Hourly Rate
Fire Captain	\$104,074	2912	\$35.74	\$171,018	3483	\$49.10	\$251,098	3483	\$72.09
Fire Apparatus Engineer	\$91,401	2912	\$31.39	\$151,847	3657	\$41.52	\$224,381	3657	\$61.36
Firefighter	\$80,510	2912	\$27.65	\$133,619	3535	\$37.80	\$201,272	3535	\$56.94
Hand Crew Firefighter	\$29,146	2080	\$14.01	\$39,267	2080	\$18.88	\$68,049	2080	\$32.72



# Top 10

## 2013 Firefighter Unit Total Compensation

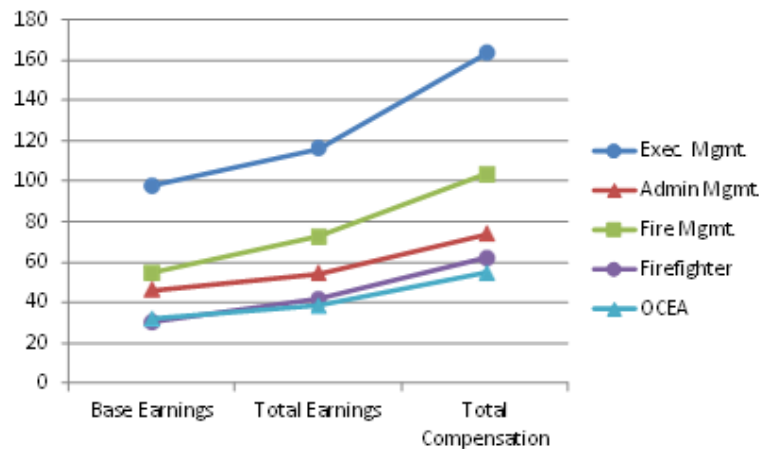
	<b>Title/ Assignment</b>	<b>Total Earnings</b>	<b>Total Compensation</b>	<b>Base Hours</b>	<b>Other Hours</b>	<b>Total Hours</b>	<b>Average Hourly Rate</b>
1	Fire Captain	\$ 111,647	\$ 346,338	2,912	1,997	4,909	\$ 70.55
2	Fire Captain	\$ 111,676	\$ 339,758	2,912	1,627	4,539	\$ 74.85
3	Fire Captain	\$ 111,652	\$ 321,551	2,912	1,300	4,212	\$ 76.34
4	Fire Apparatus Engineer	\$ 95,248	\$ 316,394	2,912	2,197	5,109	\$ 61.93
5	Fire Captain	\$ 111,632	\$ 313,439	2,912	1,286	4,198	\$ 74.66
6	Fire Captain	\$ 111,513	\$ 312,632	2,912	1,273	4,185	\$ 74.70
7	Fire Captain	\$ 111,647	\$ 310,816	2,912	1,141	4,053	\$ 76.69
8	Fire Apparatus Engineer	\$ 95,366	\$ 309,968	2,912	1,917	4,829	\$ 64.19
9	Fire Captain	\$ 111,335	\$ 306,545	2,912	1,771	4,683	\$ 65.46
10	Fire Captain	\$ 112,913	\$ 304,906	2,936	1,106	4,042	\$ 75.43

# 2013 Total Employee Compensation

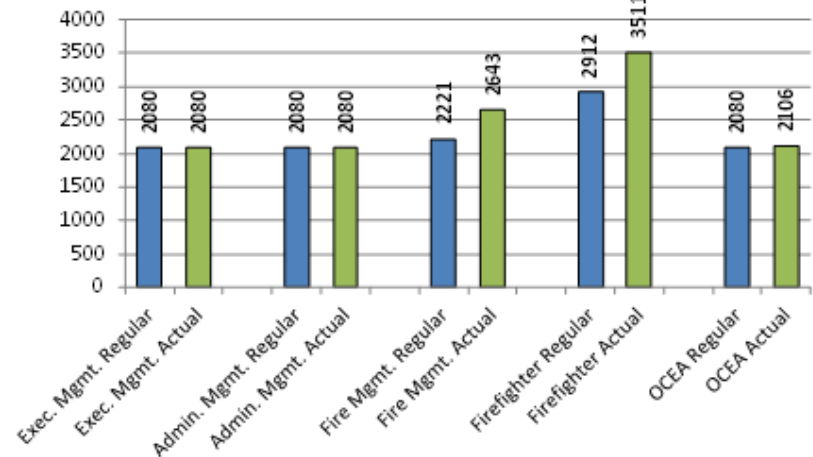
Calendar Year 2013 OCFA Hourly Rate Breakdown

Bargaining Group	BASE EARNINGS			TOTAL EARNINGS			TOTAL COMPENSATION		
	Average Base Earnings	Regularly Scheduled Hours	Average Hourly Rate	Average Total Earnings	Average Actual Hours Worked	Average Hourly Rate	Average Total Compensation	Average Actual Hours Worked	Average Hourly Rate
Executive Management	\$203,808	2080	\$97.98	\$241,445	2080	\$116.08	\$339,701	2080	\$163.32
Administrative Management	\$101,274	2080	\$48.69	\$119,436	2080	\$57.42	\$162,821	2080	\$78.28
Chief Officers Association	\$121,281	2221	\$54.61	\$191,690	2643	\$72.53	\$273,650	2643	\$103.54
OC Professional Firefighters Assoc.	\$88,238	2912	\$30.30	\$145,768	3511	\$41.52	\$216,972	3511	\$61.80
Orange County Employee's Assoc.	\$67,548	2080	\$32.48	\$80,981	2106	\$38.45	\$112,798	2106	\$53.56

Average Hourly Rate



Total Hours Scheduled / Worked



# Top 10 2013 Employee Total Compensation

	<b>Title/ Assignment</b>	<b>Total Earnings</b>	<b>Total Compensation</b>	<b>Base Hours</b>	<b>Other Hours</b>	<b>Total Hours</b>	<b>Average Hourly Rate</b>
1	Fire Chief	\$ 237,701	\$ 398,823	2,080		2,080	\$ 191.74
2	Assistant Chief	\$ 211,489	\$ 392,564	2,080		2,080	\$ 188.73
3	Assistant Chief	\$ 288,606	\$ 385,114	2,080		2,080	\$ 185.15
4	Fire Battalion Chief	\$ 148,987	\$ 374,792	2,912	710	3,110	\$ 120.51
5	Fire Battalion Chief	\$ 148,962	\$ 370,929	2,912	880	3,792	\$ 97.82
6	Fire Division Chief	\$ 162,620	\$ 362,933	2,080	194	2,274	\$ 159.60
7	Fire Battalion Chief	\$ 148,962	\$ 360,935	2,912	811	3,723	\$ 96.95
8	Deputy Fire Chief	\$ 220,398	\$ 358,432	2,080		2,080	\$ 172.32
9	Fire Battalion Chief	\$ 147,925	\$ 354,768	2,912	266	2,570	\$ 138.04
10	Fire Captain	\$ 111,647	\$ 346,338	2,912	1,997	4,909	\$ 70.55

QUESTIONS?

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# 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 20, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Direct staff to pursue reductions in overtime by filling *permanent* vacancies (exceeding those required by MOU) as quickly as possible after the positions become vacant.
2. Direct staff to continue using overtime to fill temporary vacancies rather than hiring additional personnel, recognizing this as a cost-effective practice for *temporary* needs.
3. Direct staff to continue implementation of the overtime cap (recently approved as part of the Firefighter Unit MOU) to limit the number of overtime hours an employee can work per year.
4. Direct staff to report back to the Board in November 2015 on actual savings achieved by no longer including sick/vacation leave as hours worked for purposes of calculating overtime.