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December 12, 2007

The Citizens of Orange County:

The Comprehensive Annual Financial Report (CAFR) of the County of Orange, State of California (County), for the year ended June 30, 2007, is hereby submitted in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California. The report contains financial statements that have been prepared in conformity with United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. A comprehensive framework of internal controls has been designed and established to provide reasonable assurance that the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of County funds. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatements.

The CAFR has been audited by the independent certified public accounting firm of Macias Gini & O'Connell LLP. The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the County for the year ended June 30, 2007, are free of material misstatement. The independent certified public accounting firm has issued an unqualified ("clean") opinion on the County's financial statements as of and for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

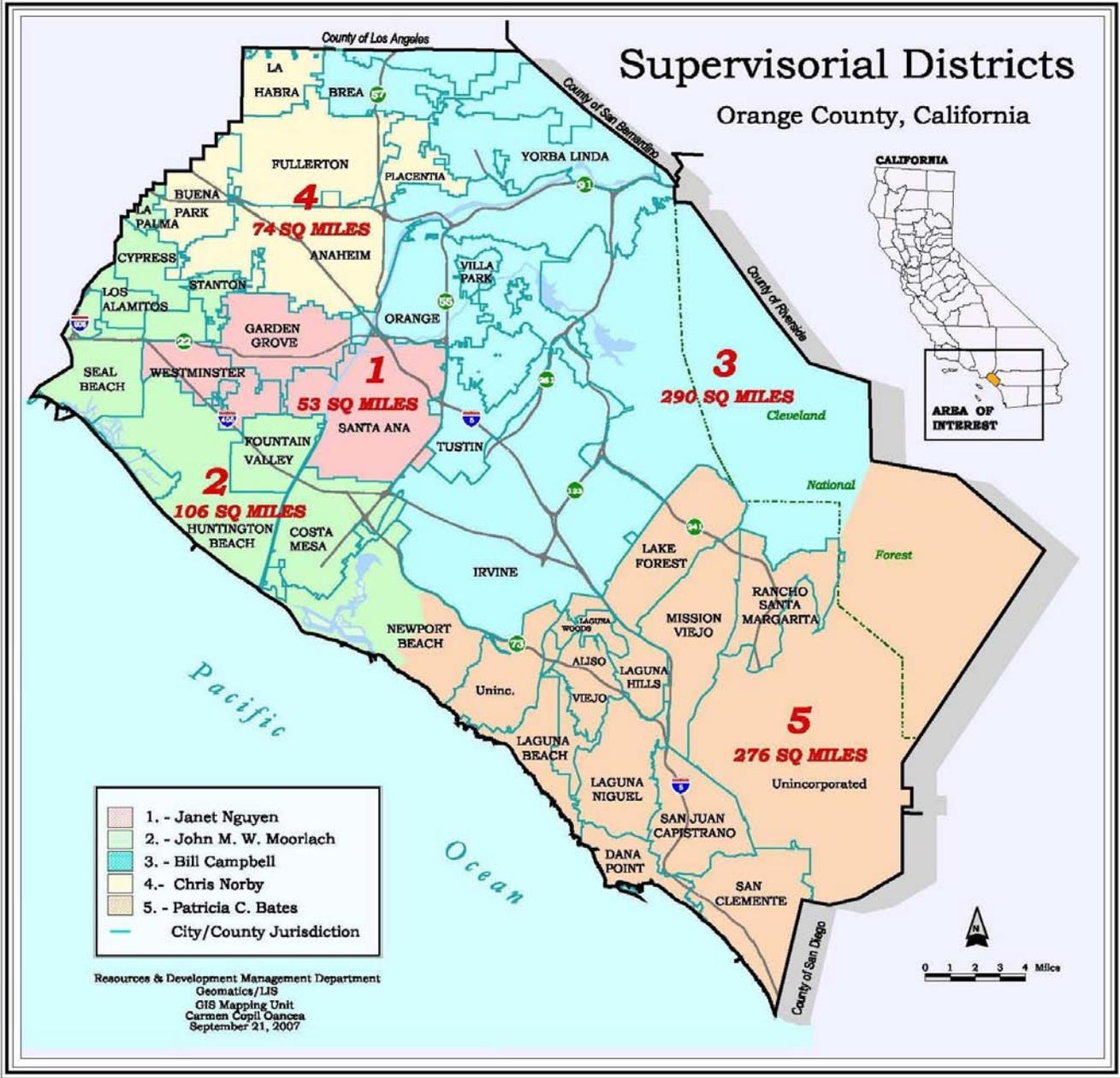
This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report. MD&A provides a narrative introduction, overview, and an analysis of the basic financial statements.

PROFILE OF THE GOVERNMENT

The County, incorporated in 1889 and located in the southern part of the State of California, is one of the major metropolitan areas in the state and nation. The County occupies a land area of 798 square miles with a coastline of 42 miles serving a population of approximately 3 million. It represents the second most populous county in the state, and ranks fifth in the nation.

The County is a charter county as a result of the March 5, 2002 voter approval of Measure V, which provides for an electoral process to fill mid-term vacancies on the Board of Supervisors. Before Measure V, as a general law county, mid-term vacancies would otherwise be filled by gubernatorial appointment. In all other respects, the County is like a general law county. The County is governed by a five-member Board of Supervisors, who each serve four-year terms, and annually elect a Chairman and Vice-Chairman. The supervisors represent districts that

are each equal in population. The district boundaries were revised effective September 14, 2001, incorporating the results of the 2000 census. A County Executive Officer directly or indirectly oversees 24 County Departments, seven of which have elected department heads. The Supervisorial Districts map below shows the boundaries of Orange County and the area governed by each member of the Board of Supervisors.



The County provides a full range of services, including countywide services, unincorporated area services, and contract services for cities. These services are outlined in the following table:

Countywide Services		Unincorporated Area Services	
Affordable Housing (Housing Authority)	Jails & Juvenile Facilities	Animal Control	Libraries
Agricultural Commissioner	Juvenile Justice Commission	Environmental Compliance	Parks
Airport	Landfills & Solid Waste Disposal	Flood Control	Water Disposal Collection
Child Protection & Social Services	Law Enforcement	Land Use	Water Quality
Child Support Services	Parks	Law Enforcement	
Clerk-Recorder	Probationary Supervision		
Coroner & Forensic Services	Public Administrator/ Guardian	Contract Services for Cities	
District Attorney	Public Assistance	Animal Control	Libraries
Elections & Voter Registration	Public Defender/ Alternate Defense	Law Enforcement	Public Works & Engineering
Environmental Compliance	Public & Mental Health		
Environmental & Regulatory Health	Senior Services		
Flood Control & Transportation	Tax Assessment & Collection		
Grand Jury	Water Quality		
Indigent Medical Services	Weights & Measures		

In addition to these services, the County is also financially accountable for the reporting of component units. Blended component units, although legally separate entities, are, in substance, part of the County's operations; and therefore, data from these units are combined with data of the County. The County has one component unit, the Children and Families Commission of Orange County, which requires discrete presentation in the government-wide financial statements. The following entities are presented as blended component units in the basic financial statements for the year ended June 30, 2007: the Orange County Flood Control District, Orange County Development Agency, Orange County Housing Authority, Orange County Financing Authority, Orange County Special Financing Authority, Orange County Public Financing Authority, Orange County Public Facilities Corporation, In-Home Supportive Services Public Authority, and certain special districts. Additional information on these entities can be found in Note 1.A in the Notes to the Basic Financial Statements.

The County maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Activities of the General Fund and most of the Special Revenue, Debt Service, Capital Projects and Permanent funds are included in the annual appropriated budget. The level of budgetary control (that level which cannot be exceeded without action by the Board) is at the legal fund-agency unit level, which represents a department or an agency. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. The Budgetary Comparison Statements for the General Fund and Major Special Revenue Funds are part of the Basic Financial Statements. The Budgetary Comparison Schedules for the nonmajor Governmental Funds with appropriated annual budgets are presented in the Supplementary Information section for governmental funds. The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered appropriations do not lapse at year-end; encumbrances outstanding at that time are reported as reservations of fund balance for the following year's budget. Additional information on the budgetary process can be found in Note 1.D in the Notes to the Basic Financial Statements.

The County of Orange Internet Site at <http://www.ocgov.com> provides extensive information about County government and its services to the citizens of Orange County and others who visit our web pages. During Fiscal Year 2006-2007, an average of 569,000 visits were made to the Orange County web site each month and those visitors viewed an average of 1.9 million pages of information. The County's website includes information about the Board of Supervisors, e-mail to Board offices, Board Agendas, County job listings, purchasing bid solicitations, County directories, assessment appeals, links to court information and local court rules, voter information, County permits and forms, financial information such as the County tax rate book, the budget, and recent CAFRs. The site also provides several online services, including the ability to view both live and archived Board meetings, online public comments to Board agendas, County purchasing, ordering birth, death and marriage certificates, performing a fictitious business name search, looking up election results and polling places, paying property taxes, and searching Department Business Plans, Strategic Financial Plans, and Investment Policy Statements. The County continues to improve the website by increasing citizen's ability to conduct business online with the County.

FACTORS AFFECTING ECONOMIC CONDITION

Local Economy

Two indicators of the Orange County economy are: how well the local economy performs relative to surrounding counties, the state and the nation (external indicators) and; how well the local economy performs relative to its own historical trends (internal indicators). This section provides various external and internal indicators that describe the current and projected outlook of the Orange County economy.

In terms of the external indicators, Orange County's economy routinely out-performs local surrounding counties, the state, and national economies (in annual percentage growth), and, in fact, ranks higher (in absolute dollars) than the economies of the majority of the world's countries. Current external indicators show that the local economy will remain relatively favorable when compared to surrounding counties, the state and the nation.

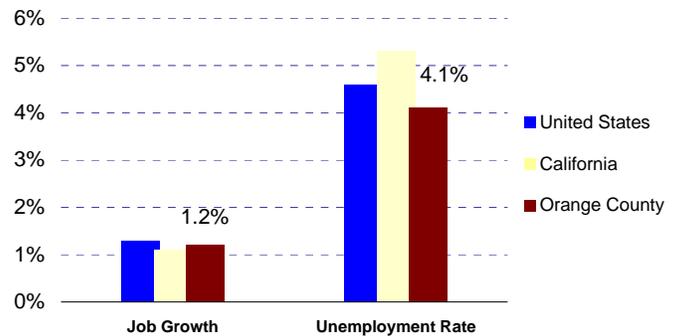
Orange County's unemployment rate continues to be one of the lowest in the State and is below that of all surrounding Southern California counties, the State of California, and the nation (see Table 1).

In addition, according to Chapman University, Orange County's job growth is expected to increase by 1.2% in 2007, resulting in approximately 18,489 more jobs relative to 2006. This compares favorably, in percentage growth, with the State of California at 1.1% and slightly below the national level at 1.3% during the same time period.

Table 1 : Unemployment Rate Comparison

Primary Government Entity	July 2007 Unemployment Rate
United States	4.6%
California	5.3%
Los Angeles County	5.4%
Orange County	4.1%
Riverside County	6.4%
San Bernardino County	5.7%
San Diego County	4.8%

Unemployment and Expected Job Growth Rates



*Sources: State of California, Employment Development Department
Economic & Business Review, Chapman University, June 2007*

Inflation, as measured by the Consumer Price Index (CPI), is expected to be higher than the CPI at the national level in 2007. Chapman University projects an increase of the CPI at the national level, state level, and county level as stated in Table 2.

Median family incomes were adjusted (“re-benched”) in 2003 by the U.S. Department of Housing and Urban Development (HUD) to comply with actual data collected during the 2000 Census. Orange County’s adjusted HUD median family income is expected to be \$78,700 (absolute dollars) in 2007 (see Table 3).

According to DataQuick Information Systems, the median home sales price for new and existing homes in Orange County was \$640,000 (absolute dollars) in July 2007 and in percentage terms, remained unchanged relative to July 2006. This lack of change in Orange County compares to an increase of 5.3% in Los Angeles County but decreases in other surrounding counties (see Table 4). The actual median sales price in Orange County continues to exceed all surrounding Counties by a substantial amount (see Table 4).

For the future, Chapman University is projecting that while housing appreciation will continue to decline, housing affordability (compared to other parts of the country) will remain low.

In terms of internal trends, current and projected indicators suggest that the growth of the Orange County economy will continue to be slow throughout 2007 (see Table 5). Comparisons of Orange County’s unemployment rates from January 2007 through July 2007 show a gradual increase since March 2007. Historical point-in-time unemployment rates in Orange County during the month of July for calendar years 2003 to 2007 show steady decreases since 2003 and an increase in 2007. Job growth in Orange County has

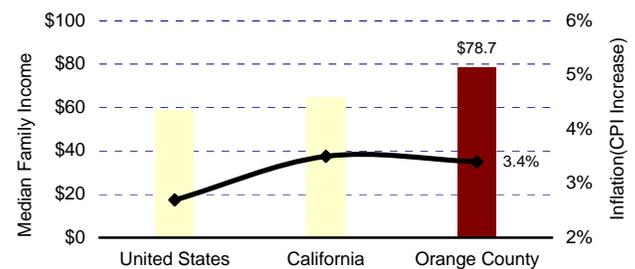
Table 2: 2007 – Projected Increase of the CPI

United States	California	Orange County
2.7%	3.5%	3.4%

Table 3: Median Family Income Comparison

Primary Government Entity	Median Family Income (absolute dollars)
United States	\$59,000
California	\$65,000
Los Angeles County	\$56,500
Orange County	\$78,700
Riverside County	\$59,200
San Diego County	\$69,400

Comparisons of Inflation and Median Family Income

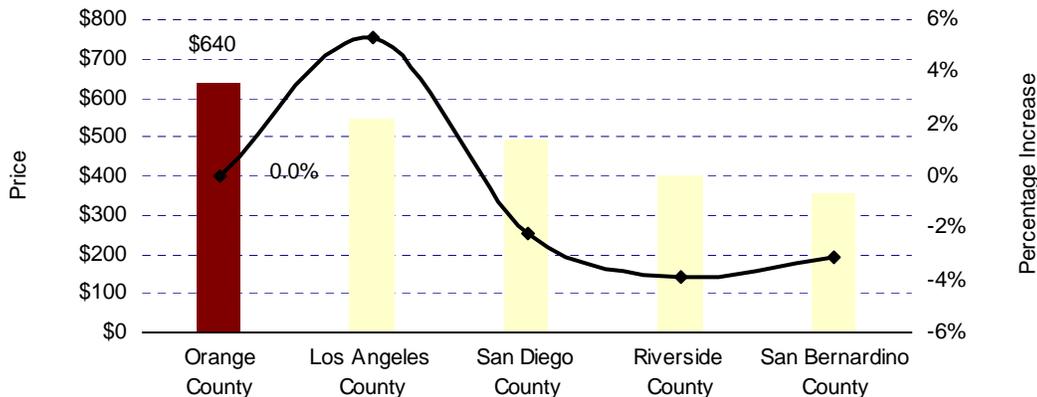


Sources: Economic & Business Review, Chapman University, June 2007
 U.S. Department of Housing and Urban Development, 2007

Table 4: Median Home Sales Price Comparison – Southern California Counties – July 2007

Primary Government Entity	Median Home Sales Price Change Increase/(Decrease)	Median Home Sales Price (absolute dollars)
Los Angeles County	5.3%	\$547,500
Orange County	0.0%	\$640,000
Riverside County	(3.9%)	\$399,000
San Bernardino County	(3.1%)	\$355,000
San Diego County	(2.2%)	\$489,000

Median Home Sales Price and Price Increase Comparison



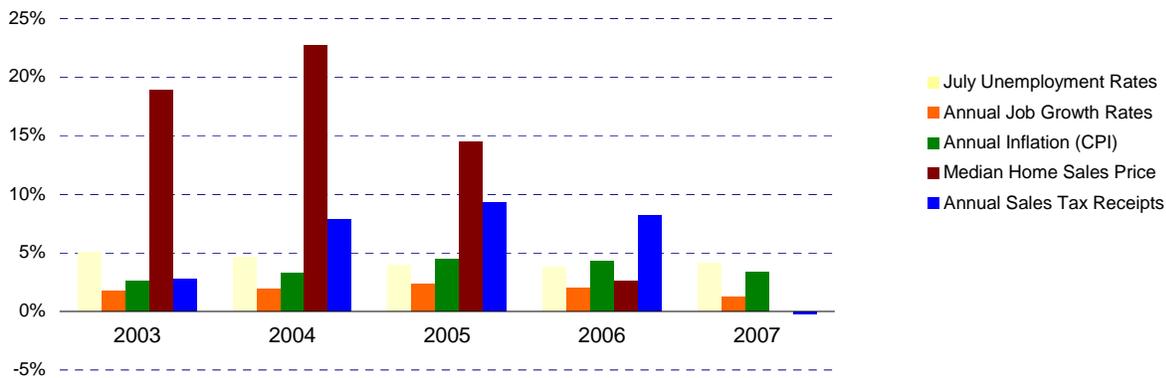
Source: DataQuick Information Systems, July 2007

been sporadic since 2003. Similarly, Orange County's historical CPI trends since 2003 have also been sporadic. Year-to-year home sales price changes in Orange County for the month of July from 2003 to 2007 indicate housing affordability continues to remain low, relative to surrounding counties. Annual sales tax receipts in Orange County continually increased from 2003 to 2006 and remained relatively unchanged in 2007 when compared to the previous fiscal year (see Table 5).

Table 5: Orange County Historical Data

Historical Indicators	2003	2004	2005	2006	2007
July Unemployment Rates	5.1%	4.6%	4.0%	3.8%	4.1%
Annual Job Growth	1.8%	1.9%	2.3%	2.0%	1.2%
Annual CPI Inflation	2.6%	3.3%	4.5%	4.3%	3.4%
Median Home Sales Price increase	18.9%	22.7%	14.5%	2.6%	0.0%
Annual Change in Sales Tax Receipts	2.8%	7.9%	9.3%	8.2%	(0.2%)

Orange County Historical Data Comparison
(Shown as a year-to-year Percentage increase/decrease)



Sources: State of California, Employment Development Department
Economic & Business Review, Chapman University, July 2007
DataQuick Information Systems, July 2007
Auditor-Controller, County of Orange

In summary, overall economic growth in Orange County continues to look favorable relative to surrounding counties, the State, and the nation. Moreover, historical, current and projected trends suggest that the local economy will continue to grow at a slow pace during the balance of 2007.

Long-Term Financial Planning

Strategic Plan: In March 1997, the Orange County Board of Supervisors initiated a financial planning process that is a key component of the County's commitment to fiscal responsibility, accountability and efficiency. As a result, the County has produced annual Strategic Financial Plans, the current year plan being adopted by the Board on December 18, 2007. The plan includes projections of County general purpose revenues, departmental projections of operating costs, revenues and capital needs for current programs and services and anticipated caseload changes. New programs, services and capital projects are identified and prioritized on a countywide basis to the extent that resources and requirements remain in balance over the next five years. The plan covers a five-year period and includes a ten-year analysis of operating costs in cases where new programs and facilities are recommended to ensure the ability to pay for long-term operational costs. This plan provides the Board with a comprehensive long-term view that serves as a framework in which to fund public services to sustain the well-being of the community. The plan alerts the County to potential financial obstacles on the planning horizon and allows time to proactively develop strategies to successfully address those challenges.

The Orange County Board of Supervisors adopted the 2006 Strategic Financial Plan on December 12, 2006. Listed below are issues identified by the Department Heads as the County's 2006 Top 10 Strategic Priorities. These Board adopted priorities provided guidance in preparing for the County's FY 2007-08 annual budget development process. This Strategic Financial Plan provided an overview of the County's anticipated revenues and financial expenditures, as well as, potential issues that may impact the County's limited resources over the next five years.

2006 Top 10 Strategic Priorities

1. Water Quality and Watershed Protection
2. County Facilities Master Plan
3. Information Technology Strategic Planning Tactical Goals
4. District Attorney High Tech Crime Unit Expansion
5. Tustin Family Campus
6. James A. Musick Jail Facility Expansion
7. Affordable Housing
8. Healthy Eating and Physical Activity Program
9. Forensic Science DNA Program
10. Adult Re-Entry Program

Santa Ana River Mainstem Project: The Santa Ana River Mainstem Project (SARP) was initiated in 1964, in partial response to a resolution of the United States House Committee on Public Works adopted May 8, 1964. A survey report was completed by the Orange County Flood Control District in 1975. The report was reviewed and submitted to Congress in September 1978. In September 1980, the United States Corps of Engineers completed the General Design Memorandum for the SARP. Construction of the SARP was authorized by the Water Resources Development Act of 1986. Construction of SARP was initiated in 1989, and completion is scheduled for 2010.

The SARP is designed to provide flood protection to the growing urban communities in Orange, Riverside and San Bernardino Counties. The proposed improvements to the system cover 75 miles, from the headwater of the Santa Ana River east of the city of San Bernardino to the mouth of the river at the Pacific Ocean between the cities of Newport Beach and Huntington Beach. The project will increase levels of flood protection to more than 3.35 million people within the three county areas. The project includes seven independent features: Seven Oaks Dam, Mill Creek Levee, San Timoteo Creek, Oak Street Drain, Prado Dam, Santiago Creek and the Lower Santa Ana River. More information on the SARP is available in Note 14, Construction and Other Significant Commitments. To learn more about the SARP, visit the Orange County Flood Control Division's website at <http://www.ocflood.com>.

Trial Court Facilities: On September 30, 2002, Governor Gray Davis signed the Trial Court Facilities Act of 2002 (SB 1732). This landmark legislation shifts governance of California's more than 450 courthouse facilities from the counties to the State. The bill took effect on January 1, 2003 and required the transfer of all court facilities before June 30, 2007. In September 2007, SB 145 proposed extending the deadline to December 31, 2008, for the transfer of court facilities to the State; this bill did not pass. The State Administrative Office of Courts (State AOC) is under direction to continue to work on transfers, and to prepare the transfer agreements, pending legislative approval. The County has formed a transition task force and negotiating team to develop a plan that will identify the impacts and the steps necessary to ensure a smooth and timely transition. Some important areas under consideration are bonded indebtedness, calculation of County Facilities Payments for each court facility, seismic ratings of buildings, current space allocation, current parking space allocation, approved capital projects, former Federal modular court facility and land value of the proposed new South Justice Center.

On December 12, 2006, the Board of Supervisors approved the "Letter of Intent" between the Superior Court of California, County of Orange, and State AOC relating to the Funding and Expansion of the South Justice Center in Laguna Niguel, California and directed County staff to work with the Superior Court of California and the State AOC to develop the Transaction Documents. The new South Justice Center will consist of the existing 4-courtroom courthouse and a new 14-courtroom courthouse (18 total courtrooms). The project cost for the courtrooms and a parking structure is estimated at approximately \$118,200, which will be financed through the issuance of bonds. The County's contribution will be capped at \$2,000 per year for 30 years, and the State AOC will pay the balance of the debt service which will be capped at \$6,000 per year for 30 years. Presently, staff of the County, Superior Court and State AOC are researching options for financing and construction of the project.

The August 2005 refunding of the 1996 Recovery Certificates of Participation allowed the County to unencumber (release) all court properties from this particular refunding debt. The current encumbrance on the South Court facility was released in March 2003. The Betty Lou Lamoreaux Justice Center continues to be encumbered by the

Orange County Public Financing Authority, Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002 and is the only remaining court facility with bonded indebtedness.

Relevant Financial Policies

To achieve the goal of providing outstanding, cost-effective regional public services, the County of Orange applies sound management practices and policies that enhance the quality of life of its citizens. Such financial management practices have been identified by the Government Finance Officers Association of the United States and Canada (GFOA) and recognized by Fitch Ratings as best practices that promote financial soundness, efficiency in government and solvency in public finance. The table below summarizes the County’s financial management practices. For additional information regarding the County’s financial management practices, visit the CEO Finance and Budget website at <http://www.ocgov.com/finance/financeReports.asp>.

Relevant Financial Policies	
Department Business Plans	All County Departments prepare an annual Business Plan. Business Plans communicate the value the department brings to the community and outcome indicators that measure performance. A business plan sets forth long-term goals, operational and budget challenges, identifies strategies for overcoming challenges and making progress towards achieving those goals during the coming year.
Multiyear Strategic Financial Plan	The County’s Strategic Financial Plan is based on a five-year financial forecast and includes a 10-year analysis of operating costs in cases where new programs and facilities are recommended to ensure the ability to pay for long-term operational costs. Department Business Plans are a key element of the Strategic Financial Plan process.
Five-Year Capital Improvement Plan	The County’s five-year Capital Improvement Plan (CIP) is a long-term list of significant projects funded by the General Fund in the Capital Projects budget. It also includes the five-year capital program for non-General Fund agencies. The CIP aids the County in its assessment of the best use of funds available in order to establish and prioritize its capital asset goals, while maintaining long-term financial stability.
Quarterly Budget Report	The County Executive Office issues quarterly budget reports that provide the Board of Supervisors, County departments, members of the public, and other interested parties with an overview of the current status of budgeted revenues and expenditures, total budgeted positions and various departmental issues requiring adjustments to the County’s budget.
Annual Budget Policies and Guidelines	The Annual Budget reflects the County’s disciplined approach to fiscal management and is consistent with the County’s Strategic Financial Planning process. Department budgets are consistent with the priorities and operations plans contained in the Strategic Financial Plan and the approved departmental business plans. Departments use these planning processes, along with outcome indicators, to evaluate programs and redirect existing resources as needed for greater efficiency to reduce costs and minimize the need for additional resources.
Fund Balance Reserve Policy	The County General Fund currently contains formal reserves, appropriations for contingencies, appropriated reserve-type funds, and reserves held by others. The purpose of these reserves is to protect community programs and services from temporary revenue shortfalls and provide for unpredicted, sudden and unavoidable one-time expenditures.

Relevant Financial Policies (Continued)	
Contingency Planning Policy	<p>The County General Fund maintains a Reserve for Contingencies. The target amount for this reserve is 10% of ongoing annual General Purpose Revenues (excludes fund balance available and one-time amounts and transfers). For FY 2006-07, the target amount for the reserve was \$55,750. The current balance is \$39,000, a \$16,750 variance from the target.</p> <p>In addition to the Reserve for Contingencies, the County budgets an annual Appropriation for Contingencies of no less than \$5,000 in the General Fund, which may be used for significant unanticipated emergencies, catastrophes, one-time expenditures and opportunities.</p>
Debt Disclosure Practices	<p>The County presents a set of disclosures in the County's adopted Budget document and the CAFR.</p>
Pay-as-you-go Capital Funding	<p>The County's long term practice has been to use pay-as-you-go funding for capital projects whenever possible. The use of systematic long range financial planning assists in making fiscal decisions such as debt vs. pay-as-you-go capital project financing. The Strategic Financial Plan forecasts sources of the County's revenue and operating expenses and incorporates a list of previously identified and prioritized projects that will benefit the citizens of the County. The financial planning for capital projects considers the County's limited funding sources, the capital and operating costs, useful life of projects, and good business practices.</p> <p>Approximately 18% of the County's outstanding General Fund debt is related to capital projects. The majority of the capital projects are funded using pay-as-you-go financing. The most recent examples where the County has utilized pay-as-you-go funding for capital projects are the Theo Lacy Jail expansion, the floor by floor remodel of the Central Justice Center, and the Musick Facility Master Plan jail expansion.</p>
Credit and Debt Management Policy	<p>The County's long-term practice has been to rapidly repay debt when practicable. The County's Credit and Debt Management Policy states that one of its most important Goals and Objectives is to continue efficient debt reduction strategies through refunding, defeasance, or purchase and cancellation of bankruptcy related debt to lower the financial burden on the General Fund. Since 2000, using these strategies, the County has reduced its debt burden by approximately \$536,000.</p>
Public Financing Advisory Committee	<p>The Public Financing Advisory Committee (PFAC) is responsible for the review, approval, modification or denial of debt financing proposals. No debt financing proposal is considered by the Board of Supervisors unless recommended in writing by the PFAC. The PFAC membership consists of the following: five public voting members and three Ex-Officio (non-voting) County government members (the County Executive Officer, the elected Treasurer-Tax Collector, and the elected Auditor-Controller).</p>

Relevant Financial Policies (Continued)	
Audit Oversight Committee	The Audit Oversight Committee (AOC) oversees the quality of financial reporting activities, results of operations, internal controls, and planned and long-term commitments. The AOC also oversees and monitors County compliance with pertinent laws and regulations, applicable ethical standards, as well as conflicts of interest and fraud policies. The AOC membership consists of the following: the Chairman and Vice-Chairman of the Board of Supervisors, the elected Auditor-Controller, the County Executive Officer, the elected Treasurer-Tax Collector as Ex-Officio (non-voting) member, and one member from the private sector appointed by the Board of Supervisors.
Treasury Oversight Committee	The Treasury Oversight Committee (TOC) is responsible for reviewing and monitoring the annual Investment Policy Statement prepared by the Treasurer. The TOC membership consists of the following: the elected Auditor-Controller, the County Executive Officer, the elected County Superintendent of Schools, one special district representative member, and one member from the public sector appointed by the Board of Supervisors.
24/7 Fraud Hotline	The Fraud Hotline is part of an ongoing fraud detection and prevention effort. The Fraud Hotline is intended for use by County employees, the general public, or vendors reporting suspected waste, fraud, violations of County policy or misuse of County resources by vendors, contractors or County employees.
Financial Reporting Awards	The GFOA has awarded the Certificate of Achievement for Excellence in Financial Reporting to the County of Orange for its CAFR for twelve consecutive years and the Certificate of Outstanding Achievement for Popular Annual Reporting for four consecutive years for its OC Citizens' Report.

Major Initiatives

Water Quality: The County of Orange, Orange County Flood Control District, and 34 cities operate water quality programs pursuant to National Pollutant Discharge Elimination System program, a section of the federal Clean Water Act. Permits are issued by two Regional Water Quality Control Boards covering Orange County for five-year terms. The County is the principal permittee under both permits. The most recent permits issued in 2002 imposed stricter, more detailed, requirements than previous municipal stormwater permits. The permittees are required to review new development plans and inspect projects to ensure the inclusion of appropriate water quality protection measures (termed best management practices or BMPs), monitor the water quality in streams, flood control channels, harbors, bays, and beaches and report their activities and monitoring results to the Regional Water Quality Control Boards. The permits require collaborative water quality planning initiatives in all eleven major watersheds in the County and direct the permittees to cooperate in appropriate water quality management programs across the region and within each watershed. The County, District, and cities must also determine and implement BMPs for public projects, commercial and industrial activities, construction sites, municipal operations, and maintenance activities and educate the public on common activities that prevent pollution.

Because of the importance of beach recreation to Orange County's economy and quality of life, the County, District, and cities are investing heavily in runoff reduction and treatment programs. At the same time, the County is leading a regional coalition to review and update the water quality standards that are used to determine whether beaches and streams are unsafe because of pollution.

AWARDS AND ACKNOWLEDGEMENTS

GFOA Awards: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Orange for its CAFR for the year ended June 30, 2006. This represents the County's twelfth consecutive award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County issued its fourth consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2006. The County received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for this PAFR. The award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to be awarded, a government must publish a PAFR that reflects the program standards of creativity, presentation, understandability and reader appeal.

Acknowledgments: I would like to express my sincere appreciation to the staff from my office, other County departments and the staff of the certified public accounting firm of Macias Gini & O'Connell LLP. I hope this report will be of interest and use to those in County government, other governmental agencies, and the public interested in the financial activity of the County of Orange.

Respectfully submitted,

David E. Sundstrom, CPA
Auditor-Controller