NEW ISSUE — BOOK-ENTRY ONLY **RATING: "AA" (S&P)**
(See "RATING" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described more fully herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein.

$56,565,000
SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
CENTRAL UTILITY FACILITY LEASE REVENUE BONDS, SERIES 2016

Dated: Date of Delivery **Due: April 1, as shown on inside cover**

The above-captioned bonds (the "Bonds") will be issued by the South Orange County Public Financing Authority (the "Authority") pursuant to an Indenture, dated as of June 1, 2016 (the "Indenture"), between the Authority and Zions Bank, a division of ZB, N.A., as trustee (the "Trustee"), to (i) finance the acquisition, construction and installation of certain capital improvements owned by the County of Orange (the "County"), and (ii) pay costs related to the issuance of the Bonds. See "PLAN OF FINANCE" herein.

Interest on the Bonds will be payable by the Trustee on April 1 and October 1 of each year, commencing October 1, 2016. The Bonds will be delivered in fully registered book-entry form only and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Upon receipt of payments of the principal or premium, if any, and interest on the Bonds, DTC will remit such principal, premium, if any, and interest to its participants (as described herein) for subsequent disbursement to the beneficial owners of the Bonds. Purchasers of the Bonds will not receive physical bonds representing their interests in the Bonds purchased. See APPENDIX C—"BOOK-ENTRY ONLY SYSTEM." The Bonds will be issued in denominations of $5,000 or any integral multiple thereof.

The Bonds are subject to optional redemption and extraordinary redemption prior to maturity as described herein. See "THE BONDS—Redemption."

The Bonds are limited obligations of the Authority payable solely from base rental payments (the "Base Rental Payments") to be made by the County pursuant to a Lease, dated as of June 1, 2016, between the Authority and the County (the "Lease"), and other amounts held by the Trustee in the funds and accounts established under the Indenture (other than the Rebate Fund). The Base Rental Payments are expected to be paid by the County in such amounts and on such dates as will enable the Authority to pay the principal of and interest on the Bonds when due and payable. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "CERTAIN RISK FACTORS."

THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS ONLY FROM THE FUNDS PLEDGED UNDER THE INDENTURE, AND THE AUTHORITY SHALL NOT INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE BONDS. THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY AND DO NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making an investment decision. Attention is directed to the section of this Official Statement entitled "CERTAIN RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds will be offered when, as and if delivered and received by the underwriter listed below (the "Underwriter"), subject to approval of validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the County and the Authority by the Office of County Counsel, and for the Underwriter by its counsel, Norton Rose Fulbright US LLP. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 2, 2016.

Wells Fargo Securities

Dated: May 24, 2016.

$56,565,000
SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
CENTRAL UTILITY FACILITY LEASE REVENUE BONDS, SERIES 2016

MATURITY SCHEDULE

Maturity Date (April 1)	*Principal Amount*	*Interest Rate*	*Yield*	*CUSIP Nos.*[†]
2017	$2,220,000	3.00%	0.62%	839097 AH5
2018	1,830,000	4.00	0.75	839097 AJ1
2019	1,900,000	4.00	0.94	839097 AK8
2020	1,975,000	4.00	1.11	839097 AL6
2021	2,055,000	5.00	1.23	839097 AM4
2022	2,160,000	5.00	1.36	839097 AN2
2023	2,265,000	5.00	1.50	839097 AP7
2024	2,380,000	5.00	1.62	839097 AQ5
2025	2,500,000	5.00	1.75	839097 AR3
2026	2,625,000	5.00	1.90	839097 AS1
2027	2,755,000	5.00	2.06[C]	839097 AT9
2028	2,895,000	5.00	2.15[C]	839097 AU6
2029	3,040,000	5.00	2.22[C]	839097 AV4
2030	3,190,000	5.00	2.30[C]	839097 AW2
2031	3,350,000	5.00	2.35[C]	839097 AX0
2032	3,515,000	5.00	2.40[C]	839097 AY8
2033	3,690,000	5.00	2.45[C]	839097 AZ5
2034	3,875,000	5.00	2.51[C]	839097 BA9
2035	4,070,000	5.00	2.56[C]	839097 BB7
2036	4,275,000	5.00	2.61[C]	839097 BC5

[C] *Yield to the optional redemption date of April 1, 2026, at par.*

[†] *CUSIP® is a registered trademark of the American Bankers Association (http://www.aba.com/). CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ.* *This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP data herein are provided for convenience of reference only. Neither the County nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.*

SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY

COUNTY OF ORANGE, CALIFORNIA

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Municipal Advisor

Fieldman, Rolapp & Associates
Irvine, California

Trustee

Zions Bank, a division of ZB, N.A.
Los Angeles, California

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the County or the Underwriter.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

Certain information set forth herein has been obtained from official sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the County since the date hereof. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

In connection with the offering of the Bonds, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, institutional investors and others at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: "The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information."

Certain statements in this Official Statement, which may be identified by the use of such terms as "plan," "project," "expect," "estimate," "budget" or other similar words, constitute forward-looking statements. Such forward-looking statements refer to the achievement of certain results or other expectation or performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The Authority does not plan to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act and have not been registered or qualified under the securities laws of any state.

The County maintains a website at www.ocgov.com. References to web site addresses, including the County's aforementioned website, presented herein are for informational purposes only. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12 and should not be relied upon in making an investment decision with respect to the Bonds.

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$56,565,000
SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
CENTRAL UTILITY FACILITY LEASE REVENUE BONDS, SERIES 2016

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Unless otherwise defined herein, all capitalized terms used herein shall have the definitions set forth in the Indenture or the Lease referred to below. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS."

Purpose

The purpose of this Official Statement, which includes the cover page and Appendices hereto (this "Official Statement"), is to furnish information in connection with the issuance and sale by the South Orange County Public Financing Authority (the "Authority") of $56,565,000 South Orange County Public Financing Authority Central Utility Facility Lease Revenue Bonds, Series 2016 (the "Bonds"). The Authority is a joint exercise of powers agency organized and existing under the laws of the State of California (the "State"). See "THE AUTHORITY" herein.

The Bonds will be issued pursuant to an Indenture, dated as of June 1, 2016 (the "Indenture"), between the Authority and Zions Bank, a division of ZB, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be used by the Authority to (i) finance the acquisition, construction and installation of certain capital improvements to be owned by the County of Orange (the "County") and (ii) pay costs related to the issuance of the Bonds. See "PLAN OF FINANCE."

Security and Sources of Payment for the Bonds

In connection with the issuance of the Bonds, the County and the Authority will (a) enter into a Site Lease, dated as of June 1, 2016 (the "Site Lease"), pursuant to which the County will lease to the Authority certain real property of the County, including the improvements and equipment thereon, located in the cities of Santa Ana, Rancho Santa Margarita and Aliso Viejo, California (such real property and improvements and equipment as further described herein, the "Leased Facilities"), and (b) enter into a Lease, dated as of June 1, 2016 (the "Lease"), pursuant to which the Authority will lease the Leased Facilities back to the County. See "PLAN OF FINANCE." The County is obligated under the Lease to pay Base Rental Payments to the Authority for the use and occupancy of the Leased Facilities. The Base Rental Payments are the primary source of funds available to repay the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Base Rental Payments."

The Bonds are special obligations of the Authority payable from and secured by the Base Rental Payments to be made by the County under the Lease and the amounts held in all funds and accounts (other than the Rebate Fund) under the Indenture. The Base Rental Payments are expected to be paid in such amounts and on such dates as will enable the Authority to pay the principal of and interest on the Bonds when due and payable. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Base Rental Payments." The County will covenant under the Lease that so long as the Leased Facilities are available for its use and occupancy, it will take such action as may be necessary to include the Base Rental Payments in its annual budget and to make the necessary annual appropriations therefor. The obligation of the County to make Base Rental Payments may be abated in whole or in part if the County does not have the full use and right to occupancy of the Leased Facilities or any portion thereof. See "CERTAIN RISK FACTORS—Abatement."

Pursuant to the Indenture, the Authority will assign to the Trustee for the benefit of the owners of the Bonds the Authority's rights (except the Authority's right to indemnification) and remedies under the Site Lease and the Lease, including its right to receive Base Rental Payments and its right to enforce amounts payable upon default. See "CERTAIN RISK FACTORS—Limitations on Remedies" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Remedies Upon Default."

THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS ONLY FROM THE FUNDS PLEDGED IN THE INDENTURE, AND THE AUTHORITY SHALL NOT INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE BONDS. THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY AND DO NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

THE AUTHORITY

The Authority was formed pursuant to the provisions of Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and operates in accordance with the terms of an Amended and Restated Joint Exercise of Powers Agreement, dated April 7, 1998, by and between the County and Community Facilities District No. 88-2 of the County of Orange (Lomas Laguna) (the "District"). The Authority was formed to assist the County in financing public capital improvements and other projects. The Authority functions as an independent entity and its policies are determined by a five-member board consisting of the members of the County Board of Supervisors. The Authority has no employees and all staff work is done by County staff or by consultants to the Authority. The County and the District are not responsible in any manner for the debts and obligations of the Authority.

THE COUNTY

Information with respect to the County, including financial information and certain economic and demographic information is provided in APPENDIX A—"THE COUNTY" attached hereto. A copy of the financial statements of the County for the fiscal year ended June 30, 2015 is attached hereto as Appendix B which should be read in its entirety. See APPENDIX B—"THE COUNTY OF ORANGE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

THE BONDS

General Terms; Payment

The Bonds will be dated their date of delivery and will mature on the dates and in the principal amounts and bear interest per annum at the rates set forth on the page following the front page of this Official Statement. The Bonds will be issued as fully registered Bonds without coupons, in denominations of $5,000 or any integral multiple thereof.

Interest on the Bonds will be payable on April 1 and October 1 of each year (each an "Interest Payment Date"), commencing October 1, 2016, and will be calculated based on a 360-day year of twelve 30-day months.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds shall initially be issued exclusively in book-entry form and will be registered in the name of Cede & Co., as DTC's nominee. So long as Cede & Co. is the registered owner of the Bonds (except as otherwise specified herein) references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the purchasers of beneficial ownership interests in the Bonds (the "Beneficial Owners"). All notices to Owners under the Indenture will be sent only to DTC. See APPENDIX C—"BOOK-ENTRY ONLY SYSTEM."

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds is payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Neither the County nor the Authority takes any responsibility for the disbursement by DTC and the DTC Participants of payments made by the Trustee to Cede & Co or any notice given by the Trustee to DTC. See APPENDIX C—"BOOK-ENTRY ONLY SYSTEM."

If the Bonds are no longer held in book-entry form, then interest and principal due on any Bond will be payable in accordance with the provisions of the Indenture.

Redemption

Optional Redemption. The Bonds maturing on or before April 1, 2026 are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after April 1, 2027, shall be subject to optional redemption, in whole or in part from such maturities as are selected by the Authority in integral multiples of $5,000 (notice of which determination shall be given by the Authority to the Trustee), on any date on or after April 1, 2026, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Extraordinary Redemption. The Bonds and Additional Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole, or in part as nearly as practicable on a pro-rata basis among maturities in integral multiples of $5,000 as determined by the Trustee, from title and property insurance proceeds and eminent domain proceeds, to the extent provided in the Lease, at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail, by first class mail, postage prepaid, notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services, at least 30 but not more than 45 days prior to the date fixed for redemption; provided that so long as the Bonds are registered in the name of DTC, or its nominee, notice shall be sent in accordance with the procedures of DTC. Neither failure to receive any such notice so given nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

Unless funds for the optional redemption of any Bonds are irrevocably deposited with the Trustee prior to rendering notice of redemption to the Owners, such notice shall state that such redemption is conditional and subject to the deposit of funds with the Authority. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, then such redemption shall not occur and the Trustee shall give notice rescinding the notice of redemption in the same manner as the original notice of redemption was sent. Such rescission and cancellation shall not constitute an Event of Default under the Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption.

Selection of Bonds for Redemption. Whenever less than all of the Outstanding Bonds of a maturity are to be redeemed, the Trustee shall select Bonds to be redeemed from such maturity by lot. For purposes of such selection, all Bonds shall be deemed to be comprised of separate $5,000 portions and such portions shall be treated as separate Bonds, which may be separately redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest on the Bonds called for redemption shall have been duly provided, the Bonds called for redemption shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date. All Bonds redeemed pursuant to the Indenture shall be cancelled by the Trustee and shall be delivered to or upon the order of the Authority. All moneys held by or on behalf of the Trustee for the payment of the principal of or interest or premium, if any, on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

PLAN OF FINANCE

The Project

Central Utility Facility. The Bonds are being issued to finance the acquisition, construction and installation of certain capital improvements for the County's Central Utility Facility (collectively, the "Project"). The Central Utility Facility is located at 525 North Flower Street in Santa Ana, California and was built in 1968. The Central Utility Facility is approximately 18,078 square feet and maintains equipment for the supply of cooling and heating to approximately three million square feet of government buildings in and adjacent to the County's Civic Center Campus in the City of Santa Ana, including County, City of Santa Ana, State and Federal buildings. The Central Utility Facility currently houses two gas fired turbine engines totaling 10.4 megawatts, generating up to 128,000 pounds of steam and 7,000 tons of cooling on a 24 hour/day, 365 day/year basis. The Central Utility Facility produces steam heat for heating, laundry, cooking and hot water usage. Chilled water is produced for the cooling system.

In 2009, the County completed a cogeneration ("Cogen") plant funded in part from proceeds of the Authority's Lease Revenue Bonds, Series 2006. The Cogen plant includes two natural gas powered electrical generators, heat recovery steam system generators and an electrical substation and switchgear. The Cogen plant has 10.4 megawatts of electric generation capacity. Redundant power capability is maintained through access to the Southern California Edison electrical grid.

The Project includes demolishing and replacing existing boilers and chillers, installation of a new supervisory control and data acquisition system and a new emergency thermal system. New cooling towers and chillers will be installed. In addition, the Project includes the replacement and/or upgrade of all distribution piping for the heating and cooling system. In conjunction with the Cogen plant, the Project is expected to produce net present value savings in energy costs to the County.

Pursuant to the Lease, upon the completion of the Project, the County, without the consent of the Owners, may designate the Project as the Leased Facilities in substitution for the real property that will comprise the Leased Facilities upon the issuance of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Substitution and Withdrawal of Leased Facilities" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS—THE LEASE—Substitution of Project as Leased Facilities."

The Leased Facilities

The Leased Facilities initially will consist of the following:

County Operations Center. The site and improvements located at 1300 South Grand Avenue in Santa Ana, California. The property has been improved with Buildings A, B and C which are three concrete tilt-up buildings totaling approximately 194,672 square feet. The buildings are currently being used for office, warehouse and print shop purposes. Construction of the buildings was completed in 1970. A portion of the site is subject to a license agreement for solar improvements previously entered into by the County. See "CERTAIN RISK FACTORS—Limitations on Remedies."

County Library Headquarters. The site and improvements located at 1501 St. Andrews Place in Santa Ana, California. The property has been improved with a two-story, 61,106 square foot concrete tilt-up building and is currently being used as the County's library administrative offices and warehouse. Construction of the building was completed in 1991.

Rancho Santa Margarita Library. The site and improvements located at 30902 La Promesa in Rancho Santa Margarita, California. The property has been improved with a single one-story library building of 16,371 square feet and is currently being used as the Rancho Santa Margarita Library. Construction of the building was completed in 1994.

Aliso Viejo Branch Library. The site and improvements located at 1 Journey in Aliso Viejo, California. The property is improved with a 20,400 square foot building and is currently being used as the Aliso Viejo Branch Library. Construction of the building was completed in 1997.

Sheriff Coroner's Training Facility. The site and improvements located at 1071 Santa Ana Boulevard, California. The property is improved with a 52,629 square foot building and is currently being occupied by the Orange County Sheriff Coroner Department-Forensic Operations, Coroner Division. Construction of the building was completed in 2004.

In connection with the issuance of the Bonds, the County will lease the Leased Facilities to the Authority under the terms of the Site Lease. Under the Lease, the County will lease back the Leased Facilities from the Authority. Upon expiration of the Lease, title to the Leased Facilities will vest in the County.

The County may substitute, release or add other property for the Leased Facilities or, under certain circumstances, release portions of the Leased Facilities from the provisions of the Lease, in each case subject to the terms and conditions of the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Substitution and Withdrawal of Leased Facilities."

Although the County's all-risk property insurance currently includes certain coverage for earthquake damage, the Lease does not require that the County maintain earthquake insurance or coverage. See "CERTAIN RISK FACTORS—No Requirement for Earthquake Insurance or Flood Insurance."

Estimated Sources and Uses of Funds

The proceeds from the sale of the Bonds are estimated to be applied as follows:

Estimated Sources:

Principal Amount of Bonds	$ 56,565,000.00
Original Issue Premium	11,723,509.05
TOTAL SOURCES	$ 68,288,509.05

Estimated Uses:

Acquisition and Construction Fund	$ 68,000,000.00
Costs of Issuance[(1)]	288,509.05
TOTAL USES	$ 68,288,509.05

(1) Costs of Issuance include amounts to pay legal fees, municipal advisory fees, Trustee fees, rating agency fees, printing costs and other issuance costs, including the underwriter's discount.

BOND DEBT SERVICE SCHEDULE

The following is the debt service schedule for the Bonds.

Payment Date	***Principal***	***Interest***	***Total Debt Service***	***Fiscal Year Total***
10/1/2016		$ 901,358.89	$ 901,358.89	
4/1/2017	$ 2,220,000	1,363,400.00	3,583,400.00	$ 4,484,758.89
10/1/2017		1,330,100.00	1,330,100.00	
4/1/2018	1,830,000	1,330,100.00	3,160,100.00	4,490,200.00
10/1/2018		1,293,500.00	1,293,500.00	
4/1/2019	1,900,000	1,293,500.00	3,193,500.00	4,487,000.00
10/1/2019		1,255,500.00	1,255,500.00	
4/1/2020	1,975,000	1,255,500.00	3,230,500.00	4,486,000.00
10/1/2020		1,216,000.00	1,216,000.00	
4/1/2021	2,055,000	1,216,000.00	3,271,000.00	4,487,000.00
10/1/2021		1,164,625.00	1,164,625.00	
4/1/2022	2,160,000	1,164,625.00	3,324,625.00	4,489,250.00
10/1/2022		1,110,625.00	1,110,625.00	
4/1/2023	2,265,000	1,110,625.00	3,375,625.00	4,486,250.00
10/1/2023		1,054,000.00	1,054,000.00	
4/1/2024	2,380,000	1,054,000.00	3,434,000.00	4,488,000.00
10/1/2024		994,500.00	994,500.00	
4/1/2025	2,500,000	994,500.00	3,494,500.00	4,489,000.00
10/1/2025		932,000.00	932,000.00	
4/1/2026	2,625,000	932,000.00	3,557,000.00	4,489,000.00
10/1/2026		866,375.00	866,375.00	
4/1/2027	2,755,000	866,375.00	3,621,375.00	4,487,750.00
10/1/2027		797,500.00	797,500.00	
4/1/2028	2,895,000	797,500.00	3,692,500.00	4,490,000.00
10/1/2028		725,125.00	725,125.00	
4/1/2029	3,040,000	725,125.00	3,765,125.00	4,490,250.00
10/1/2029		649,125.00	649,125.00	
4/1/2030	3,190,000	649,125.00	3,839,125.00	4,488,250.00
10/1/2030		569,375.00	569,375.00	
4/1/2031	3,350,000	569,375.00	3,919,375.00	4,488,750.00
10/1/2031		485,625.00	485,625.00	
4/1/2032	3,515,000	485,625.00	4,000,625.00	4,486,250.00
10/1/2032		397,750.00	397,750.00	
4/1/2033	3,690,000	397,750.00	4,087,750.00	4,485,500.00
10/1/2033		305,500.00	305,500.00	
4/1/2034	3,875,000	305,500.00	4,180,500.00	4,486,000.00
10/1/2034		208,625.00	208,625.00	
4/1/2035	4,070,000	208,625.00	4,278,625.00	4,487,250.00
10/1/2035		106,875.00	106,875.00	
4/1/2036	4,275,000	106,875.00	4,381,875.00	4,488,750.00
TOTAL	$56,565,000	$33,190,208.89	$89,755,208.89	$89,755,208.89

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Base Rental Payments

The Bonds will be secured by and payable from the Base Rental Payments that are to be made by the County to the Authority under the Lease so long as the County has use and possession of the Leased Facilities. The Base Rental Payments are expected to be paid in such amounts and on such dates as will enable the Authority to pay the principal of and interest on the Bonds when due and payable. The Lease requires the County to make Base Rental Payments not later than the third to the last Business Day of each April 1 and October 1, commencing October 1, 2016, in payment for the use and possession of the Leased Facilities during the term of the Lease.

The County will covenant in the Lease to take such action as may be necessary to include the Base Rental Payments in its annual budgets and to make the necessary annual appropriations for such payments from any lawfully available funds of the County.

All Base Rental Payments will be paid directly by the County to the Trustee and shall be held in trust by the Trustee in the Revenue Fund under the terms of the Indenture. Pursuant to the Indenture, on April 1 and October 1 of each year, commencing on October 1, 2016, the Trustee will apply such amounts in the Revenue Fund as are necessary to make principal and interest payments on the Bonds as the same shall become due and payable. Base Rental Payments will be used, *first*, for payment of interest on the Bonds and *second*, for payment of the principal of the Bonds as it becomes payable as provided in the Indenture. On April 1 of each year, after making any deposits necessary for the foregoing purposes, the Trustee will transfer any amounts remaining in the Revenue Fund to the County to be used for any lawful County purpose.

Except to the extent payable from the proceeds of insurance as provided in the Lease, Base Rental Payments will be abated proportionately during any period in which, by reason of any damage to or destruction of or title defect with respect to the Leased Facilities, there is substantial interference with the County's use and occupancy of the Leased Facilities, or any portion thereof. The Base Rental Payments will be abated as and to the extent necessary to reduce the Base Rental Payments due in each period to an amount that does not exceed the fair rental value during such period of the portion of the Leased Facilities still available for use and occupancy by the County. The abatement will continue for the period commencing on the date such substantial interference begins and ending when use and occupancy is restored to the County. Any abatement of Base Rental Payments could affect the Authority's ability to pay debt service on the Bonds, even though the Lease requires the County to maintain rental interruption insurance. See "CERTAIN RISK FACTORS—Abatement."

In the event the Leased Facilities are condemned such that any remainder is unusable for the County's purposes, the Lease shall terminate and the condemnation proceeds shall be applied to prepay the Base Rental Payments and redeem Bonds. If less than the whole of the Leased Facilities is condemned, and the remainder is usable for the purposes for which it was used by the County at the time of such taking, then there will be a partial abatement of Base Rental Payments in an amount equivalent to the amount by which the annual payments of Base Rental Payments are reduced by applying the condemnation proceeds to prepay Base Rental Payments and redeem Bonds. See "THE BONDS—Redemption" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS—THE LEASE—Eminent Domain; Prepayment."

THE BASE RENTAL PAYMENTS DO NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY IS OBLIGATED TO LEVY ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED ANY FORM OF TAXATION. THE BASE RENTAL PAYMENTS WILL BE APPROPRIATED FROM THE COUNTY'S GENERAL FUND, FROM WHICH A NUMBER OF OTHER DEBTS AND OBLIGATIONS OF THE COUNTY NOW EXISTING AND/OR TO BE INCURRED IN THE FUTURE WILL ALSO BE PAYABLE. See APPENDIX A—"COUNTY FINANCIAL INFORMATION."

IF THE COUNTY DEFAULTS ON ITS COVENANTS IN THE LEASE TO INCLUDE BASE RENTAL PAYMENTS IN ITS ANNUAL BUDGETS, THE TRUSTEE MAY, TO THE EXTENT SET FORTH IN THE LEASE, EITHER TERMINATE THE LEASE AND RELET THE LEASED FACILITIES OR MAY RETAIN THE LEASE AND HOLD THE COUNTY LIABLE FOR ALL BASE RENTAL PAYMENTS ON AN ANNUAL BASIS. See “CERTAIN RISK FACTORS—Limitations on Remedies.”

No revenues, funds or other moneys of the State are pledged to the payment of the Base Rental Payments or the Bonds, and neither the Lease nor the Bonds are obligations of the State.

Additional Bonds

The Indenture provides that, at the request of the County, the Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues, and secured by a pledge of and charge and lien upon the Revenues as provided in the Indenture equal to the pledge, charge and lien securing any Outstanding Bonds, but only upon satisfaction of the conditions set forth in the Indenture. See “CERTAIN RISK FACTORS—No Limitation on County Incurring Additional Obligations; Issuance of Additional Bonds” and APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—AUTHORIZATION AND ISSUANCE OF ADDITIONAL BONDS.”

No Reserve Fund

No reserve fund has been established with respect to the Bonds.

Action on Default

Should the County default under the Lease, the Trustee, as the Authority’s assignee, may, to the extent provided in the Lease and permitted under State law, (i) terminate the Lease, retake possession of the Leased Facilities and lease or sublease the Leased Facilities for the account of the County, holding the County liable for amounts payable under the Lease for the then-current Fiscal Year to the extent of funds already appropriated; and/or (ii) take whatever action permitted at law or in equity as may appear necessary or desirable to enforce its rights under the Lease, including filing an action against the County to compel the County to appropriate and pay Base Rental Payments on an annual basis. Notwithstanding the remedies granted under the Lease, the exercise of such remedies against the County may be limited in certain circumstances. See “CERTAIN RISK FACTORS—Limitations on Remedies” and “—Bankruptcy” and APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Remedies Upon Default.”

In no event may Base Rental Payments due over the term of the Lease be accelerated. In the event of a default, only Base Rental Payments for the then-current fiscal year, to the extent of funds already appropriated but not already paid, may be enforced. See “CERTAIN RISK FACTORS—No Acceleration Upon Default.” Upon the occurrence of an Event of Default under the Lease, the Trustee will have a first lien on the Revenues with right of payment prior to any of the Bonds.

Insurance

The County will covenant in the Lease to maintain or cause to be maintained rental interruption insurance in an amount sufficient to pay the maximum annual Base Rental Payments for any two-year period, as well as fire and extended coverage insurance on the Leased Facilities in an amount equal to the replacement cost (without deduction for depreciation) of the Leased Facilities. Such policies may be subject to a deductible of not to exceed $500,000 (or a comparable deductible adjusted for inflation). The County will also obtain title insurance covering the Leased Facilities in accordance with the terms of the Lease. See APPENDIX D—

"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Certain Covenants—Insurance."

Net insurance proceeds received following damage to or destruction of the Leased Facilities shall be used to replace or repair the Leased Facilities or, if the County so elects, may be applied to the prepayment of Base Rental Payments and a corresponding redemption of the Bonds. Proceeds of any title insurance shall be applied to prepay Base Rental Payments and redeem Bonds. See "THE BONDS—Redemption."

Substitution, Addition or Release of Leased Facilities

The County is permitted under the terms of the Lease, and without the consent of the Owners of the Bonds, to add or substitute other facilities and property for the Leased Facilities or to release portions of the Leased Facilities, subject to the terms and conditions of the Lease. The Lease requires the County to provide to the Trustee, among other things, a written appraisal (unless the Project is being substituted as described below) evidencing that the annual fair rental value of the real property and improvements that will constitute the Leased Facilities after such substitution (which may be based on the construction or acquisition cost or replacement cost of such facility to the County) or release will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year, as well as assurances that the substitution or release does not adversely affect the County's use and occupancy of the Leased Facilities remaining after the substitution or release and an opinion of bond counsel stating that the substitution or release will not cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Upon completion of the Project, the real property initially comprising the Leased Facilities may be released upon the request of the County and, upon such release, the Project and related real property upon which the buildings comprising the Project are located will thereafter constitute the Leased Facilities under the Lease and the Site Lease. The Project may be substituted as the Leased Facilities without the need for a written appraisal. The County expects to exercise its right to substitute the Project as the Leased Facilities.

See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS—THE LEASE—Substitution or Release of Leased Facilities" and "—Substitution of Project as Leased Facilities."

CERTAIN RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other risk factors will not become material in the future.

Limited Obligation

The Bonds are limited obligations of the Authority payable only from amounts pledged under the Indenture without recourse to the Authority, and the purchaser assumes the entire risk that the County will meet its obligations under the Lease. The County has the obligation to make the Base Rental Payments specified in the Lease for each fiscal year for which the Lease is in force, but only to the extent to which the County has use and possession of the Leased Facilities and performs certain other covenants. The County is not obligated to make Base Rental Payments in the event of an abatement, and there is no assurance that following such an event adequate funds will be held under the Indenture to make timely payment of the principal of and interest on the Bonds. See "Abatement" below.

THE BASE RENTAL PAYMENTS ARE EXPECTED TO BE APPROPRIATED FROM THE COUNTY'S GENERAL FUND, FROM WHICH A NUMBER OF OTHER DEBTS AND OBLIGATIONS OF THE COUNTY NOW EXISTING AND/OR TO BE INCURRED IN THE FUTURE ALSO WILL BE PAYABLE. See APPENDIX A—"COUNTY FINANCIAL INFORMATION—County General Fund Budget" and APPENDIX B—"AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2015."

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY AND DO NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

Limitation on Sources of Revenues

There are limitations on the ability of the County to increase revenues. The ability of the County to increase the ad valorem property taxes (which has historically been a primary source of revenues for counties in California) is limited pursuant to Article XIIIA of the State Constitution, which was enacted in 1978. In 1986, California voters approved an initiative statute that attempts to limit the imposition of new or higher taxes by local agencies, including the County. On November 5, 1996, voters approved Proposition 218 – the "Right to Vote on Taxes Act," which further affects the ability of local agencies to levy and collect existing and future taxes, assessments, fees and charges. On November 3, 2010, California voters approved Proposition 26, which generally expands the definition of "taxes" that are subject to voter approval requirements imposed by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below. While limitations have been imposed on the ability of the County to raise revenues, State and federally mandated expenditures for justice, health and welfare have increased. It is possible that in any given year the annual increase in mandated expenditures may exceed the annual increase in County revenues.

No Limitation on County Incurring Additional Obligations; Issuance of Additional Bonds

Neither the Lease nor the Indenture contains any limitations on the ability of the County to enter into other obligations, without the consent of the Owners of the Outstanding Bonds, which may constitute additional obligations payable from its General Fund. To the extent that the County incurs such additional obligations, the County's funds available to make Base Rental Payments may be decreased. The County is currently liable on other obligations payable from General Fund revenues. See APPENDIX A—"COUNTY FINANCIAL INFORMATION—County General Fund Budget" and APPENDIX B—"AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2015."

The Indenture permits the Authority to issue Additional Bonds secured on a parity with the Bonds. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—AUTHORIZATION AND ISSUANCE OF BONDS—Conditions for the Issuance of Additional Bonds" and "—Proceedings for Authorization of Additional Bonds."

State Funding of Counties

The County receives a significant portion of its funding from the State. As a result, decreases in the revenues received by the State can affect funding by the State to the County and other counties in the State. See "APPENDIX A –COUNTY FINANCIAL INFORMATION." In addition, the realignment of responsibilities between the State and local governments can place additional financial responsibilities on the

County. The potential impact of State budget actions on the County in particular, and other counties in the State generally, in future fiscal years may be materially adverse. See "STATE OF CALIFORNIA FINANCIAL INFORMATION" and APPENDIX A—"COUNTY FINANCIAL INFORMATION—General Fund Revenues."

Abatement

The obligation of the County under the Lease to make Base Rental Payments is in consideration for the use and right of possession of the Leased Facilities. The obligation of the County to make Base Rental Payments and Additional Rental Payments will be abated in whole, or in part, as described in the Lease if there is substantial interference with the County's use and occupancy of the Leased Facilities. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Base Rental Payments."

Except to the extent payable from the proceeds of property, rental interruption and title insurance, during any period in which by reason of damage or destruction or title defect there is substantial interference in the County's use and occupancy of the Leased Facilities, or a portion thereof, the Rental Payments due under the Lease shall be abated as and to the extent necessary to reduce the Rental Payments due in each period to an amount that does not exceed the fair rental value during such period of the portion of the Leased Facilities still available for use and occupancy by the County. Such abatement shall continue for the period commencing with the date of such substantial interference and ending when use and occupancy of the Leased Facilities is restored to the County. To the extent that moneys are available for the payment of Base Rental Payments in any of the funds and accounts established under the Indenture (except the Rebate Fund), Base Rental Payments shall not be abated as provided above, but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts. Proceeds of rental interruption insurance are to be used by the Trustee to make payments with respect to the Bonds in the event Base Rental Payments received by the Trustee are insufficient to pay principal or interest on the Bonds as such amounts become due. In the event Base Rental Payments are abated, no assurances can be given that moneys on deposit in the Revenue Fund, including the proceeds of rental interruption insurance, will be sufficient to pay the debt service on the Bonds.

Failure to pay principal, premium, if any, or interest on to the Bonds as a result of abatement of the County's obligation to make Base Rental Payments under the Lease is not an event of default under the Indenture or the Lease.

No Requirement for Earthquake Insurance or Flood Insurance

Much of California is seismically active, with numerous faults that could cause earthquakes. The County is not obligated under the Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Facilities. While the County does carry earthquake coverage for certain of its buildings, including the Leased Facilities, the annual aggregate limit is $125,000,000 and the deductible is 5% of total value per unit per occurrence, subject to a $100,000 minimum. Seismic activity could cause significant damage to the Leased Facilities and the value of the Leased Facilities could be adversely affected and an abatement of Base Rental Payments could occur. The County is not able to predict whether or to what extent these results might occur. See "PLAN OF FINANCE—The Leased Facilities."

None of the property comprising the Leased Facilities is within a 100-year flood plain or a 500-year flood plain other than the Sheriff Coroner's Training Facility, which is in a 500-year flood plain. The County presently has flood insurance of $550,000,000 per occurrence and annual aggregate for all County property, including the Leased Facilities, subject to a deductible of $25,000 for facilities outside a 100-year flood plain and $100,000 for facilities within a 100-year flood plain. The County will reevaluate its flood insurance coverage and deductibles annually on or prior to each April 1 throughout the term of the Lease. There is no assurance that the County will continue to carry flood insurance for the term of the Lease or that such insurance proceeds will be sufficient to make Base Rental Payments attributable to the Leased Facilities in the event of damage due to flood.

The rental interruption insurance required under the Lease will not cover losses due to earthquake or flood. The County currently maintains rental interruption insurance on the Leased Facilities which will pay Base Rental Payments for up to two years following an abatement due to a risk which is insured under the property insurance policy required by the Lease.

In the event that Base Rental Payments are abated due to damage caused by earthquake or flood, such abatement may continue indefinitely, as no insurance for such damages is required under the Lease and the County cannot be compelled to repair or replace the damaged Leased Facilities or to redeem the Bonds.

Limitations on Remedies

In the event of default by the County under the Lease, the remedies provided in the Lease may be unenforceable due to the application of principles of equity or State and federal laws relating to bankruptcy, moratorium, reorganization and creditors rights generally.

The enforcement of any of the remedies provided in the Lease could prove both expensive and time consuming. The Lease provides that the Authority may take possession of the Leased Facilities and re-let the Leased Facilities if there is a default by the County. The rights of the Authority under the Lease will be assigned to the Trustee pursuant to the Indenture, and the Trustee is expected to undertake any remedies against the County in the case of an event of default. The Trustee may be unable to re-let the Leased Facilities for an amount sufficient to pay debt service on the Bonds when due or to re-let the Leased Facilities at a rental that will provide sufficient funds for timely payment of all principal and interest due with respect to the Bonds. Moreover, due to the essential governmental nature of the Leased Facilities, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting. In such event, the Trustee would be required to sue the County for damages or file lawsuits annually to recover the Rental Payments due in each year. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE—DEFAULTS AND REMEDIES."

A portion of the Leased Facilities located at the County Operations Center is subject to the terms of a solar license agreement pursuant to which the County has granted a license to a solar provider to construct a solar system. The County has agreed to purchase the power generated by the system from the licensee. Any re-letting of the portion of the Leased Facilities included in the solar license would be subject to the terms of the solar license and those activities would continue on that portion of the Leased Premises. The term of the license, including extension rights, extends beyond the end of the Term of the Lease. The County has concluded that the solar license does not interfere with its right to occupy the buildings located at the County Operations Center included within the Leased Facilities.

In addition, the enforceability of the rights and remedies of the Trustee and the Owners of the Bonds, and the obligations of the County under the Lease, may become subject to the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights now or hereafter in effect; equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the Base Rental Payments due over the term of the Lease. The County will only be liable for Base Rental Payments for the then-current Fiscal Year to the extent of funds already appropriated. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Remedies Upon Default."

Bankruptcy

In addition to the limitations on remedies contained in the Indenture and the Lease, the rights and remedies in the Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs bankruptcy proceedings of public entities such as the County, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the County. The filing of a bankruptcy petition results in a stay against enforcement of remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the County could thus limit remedies under the Lease. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease. In the event of rejection of a lease by debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the Revenues, including Base Rental Payments, for the benefit of the Owners of the Bonds, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the County. The Leased Facilities are not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a bankruptcy filed by the County and the subsequent rejection of the Lease by the County, the Authority would recover possession of the Leased Facilities and the Trustee, as assignee of the Authority, would have a claim for damages against the County. The Trustee's claim would constitute a secured claim only to the extent of Revenues in the possession of the Trustee; the balance of such claim would be unsecured.

Bankruptcy proceedings would subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently entail risks of delay, limitation, or modification of their rights with respect to the Bonds. In a bankruptcy case, the amount recovered by Owners of the Bonds could be affected by whether the Lease is determined to be a "true lease" or a loan or other financing arrangement (a "financing lease"), and the Owners' recovery could be reduced in either case. If the Lease is determined by the bankruptcy court to constitute a "true lease" (rather than a financing lease), the County could choose not to perform under the Lease by rejecting it and the claim of the Owners could be substantially limited pursuant to Section 365 of the Bankruptcy Code to a fraction of the scheduled amount of Base Rental Payments, and that reduced claim amount could be impaired as an unsecured claim under a plan of adjustment. If a bankruptcy court were to treat the Lease as a financing lease then, under a plan of adjustment, the priority, payment terms, collateral, payment dates, payment sources, covenants and other terms or provisions of the Lease and the Bonds may be altered. Such a plan could be confirmed even over the objections of the Trustee and the Owners, and without their consent. For example, the amount of the Base Rental Payments from the County might be substantially reduced because of the power of the bankruptcy court under the Bankruptcy Code to adjust secured claims to the value of their collateral, which, as described above, could be limited to the Revenues held by the Trustee. In addition there can be a substantial disparity in treatment based on the nature of the Leased Facilities. Whether the Lease is characterized by the bankruptcy court as a true lease or a financing lease, either scenario could result in the Owners not receiving the full amount of the principal and interest due on the Bonds.

In a bankruptcy of the County, if a material unpaid liability is owed to the Orange County Employees Retirement System or any other pension system (collectively the "Pension Systems") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the County's ability to make Base Rental Payments if the Lease is rejected. Given that municipal pension systems in California are usually administered pursuant to State constitutional provisions and, as applicable, other State and/or local laws, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a County bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of State statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a County bankruptcy would rule on these matters.

Changes in Law

There can be no assurance that the State Legislature will not at some future time enact legislation that will amend or create laws resulting in a reduction of moneys available to make the Base Rental Payments. Similarly, voters within the County or the State could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution, which could have the effect of reducing moneys available to pay the Base Rental Payments. See for example "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Articles XIII C and XIII D of the State Constitution" and "—Statutory Limitations."

STATE OF CALIFORNIA FINANCIAL INFORMATION

The State is a significant source of revenue for the County, comprising approximately 38.4% of the County's budgeted General Fund revenues in fiscal year 2015-16. See APPENDIX A—"COUNTY FINANCIAL INFORMATION—General Fund Revenues."

The following information concerning the State's budget for fiscal year 2015-16 has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (the "DOF"), http://www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office (the "LAO") at http://www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on counties in the State, may be found at the website of the State Treasurer, http://www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriter, and neither the County nor the Underwriter takes any responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Budget for State Fiscal Year 2015-16

In recent years, when there have been anticipated State budget shortfalls, the State Governor has proposed, and the State Legislature has approved, the shift of property tax revenues from cities, counties and special districts to schools. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A."

2015-16 Budget. On June 24, 2015, the Governor signed into law the State budget for fiscal year 2015-16 (the "2015-16 Budget"). The following information is drawn from the DOF's summary of the 2015-16 Budget, as well as a summary prepared by the LAO. The County can take no responsibility for the accuracy, completeness or timeliness of information in such summaries.

For fiscal year 2014-15, the 2015-16 Budget projects total State general fund revenues of approximately $111.3 billion and total State general fund expenditures of approximately $114.5 billion. The 2015-16 Budget projects that the State will end fiscal year 2014-15 with a general fund ending balance of approximately $2.4 billion and total reserves of approximately $3 billion (including approximately $1.5 billion in the traditional general reserve and approximately $1.6 billion in the Budget Stabilization Account (the

“BSA”), the State’s basic reserve fund). For fiscal year 2015-16, the 2015-16 Budget projects total State general fund revenues of approximately $115 billion and total expenditures of approximately $115.4 billion, leaving the State with a year-end general fund balance of approximately $2 billion. The 2015-16 Budget projects total year-end reserves of approximately $4.6 billion, including approximately $1.1 billion in the traditional general fund reserve and approximately $3.5 billion in the BSA.

As a result of higher than anticipated State revenues, the 2015-16 Budget includes revised estimates to the Proposition 98 minimum funding guarantees for schools for fiscal years 2013-14 and 2014-15. The fiscal year 2013-14 minimum guarantee is revised upward to approximately $58.9 billion, an increase of approximately $612 million over the estimate included in the fiscal year 2014-15 State budget. For fiscal year 2014-15, the 2015-16 Budget revises the minimum guarantee upward to approximately $66.3 billion, an increase of approximately $5.4 billion over the estimate included in the fiscal year 2014-15 State budget.

The 2015-16 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at approximately $68.4 billion, including approximately $49.4 billion of support from the State general fund. This represents a year-to-year increase of approximately $2.1 billion over the revised level for fiscal year 2014-15. For K-12 education, the 2015-16 Budget provides total Proposition 98 funding of approximately $59.5 billion, including approximately $43.2 billion from the State general fund. Under the 2015-16 Budget, K-12 per-pupil spending in fiscal year 2015-16 is $9,942, an increase of $1,011 (or approximately 11%) from the prior year.

Significant proposals or adjustments set forth in the 2015-16 Budget affecting public agencies in the State include the following:

- <u>Law Enforcement</u>. The 2015-16 Budget continues a $40 million general fund allocation to “front line” law enforcement activities. The Board of State and Community Corrections allocates funds to individual cities acting as the fiduciary agent within each county receiving the funds.

- <u>Transportation</u>. The 2015-16 Budget includes total funding of approximately $15.9 billion (approximately $261 million from the general fund and $15.7 billion from other funds) for all programs administered within the State Transportation Agency. In addition, the shared revenues budget allocates over $1.4 billion in fuel excise tax to cities and counties for local streets and roads.

- <u>Elimination of Redevelopment Agencies</u>. The 2015-16 Budget anticipates that, in State fiscal years 2014-15 and 2015-16 combined, cities will receive approximately $580 million, counties approximately $660 million, and special districts approximately $200 million as a result of the dissolution of redevelopment agencies statewide.

- <u>Property Taxes</u>. The 2015-16 Budget anticipates ongoing property tax revenues of more than $900 million annually to be distributed to cities, counties, and special districts that can be used by local governments to fund police, fire, and other critical public services.

- <u>State Mandate Reimbursements</u>. The 2015-16 Budget continues the suspension of most mandates not related to law enforcement or property taxes. After satisfying the State Constitutional funding guarantee, additional revenues of up to $800 million are proposed to pay down the remainder of the State’s pre-2004 mandate debt. The 2015-16 Budget estimates that a trigger mechanism will result in a $533 million payment toward this mandate debt. These funds will provide counties, cities, and special districts with general purpose revenue.

- <u>Deferred Maintenance</u>. The 2015-16 Budget includes approximately $478 million (approximately $125 million from the general fund) for critical deferred maintenance at universities, community colleges and in State parks, prisons, State hospitals and other State facilities.

• Education. The 2015-16 Budget provides over $1.2 billion in funding to support a coordinated framework for adult education, career technical education, workforce investment, and apprenticeships intended to provide training and education to workers in California.

• Drought Response. The State has experienced four consecutive years of below-average rain and snow, and is currently facing severe drought conditions in all 58 counties. The 2015-16 Budget includes the amount of approximately $1.8 billion (in addition to approximately $1.9 billion that was previously appropriated) of one-time resources to continue the State's response to drought impacts. The funds will protect and expand local water supplies, conserve water and respond to emergency conditions.

The Governor's Budget Summary for the Proposed Budget (the "2015-16 Proposed Budget Summary"), which was released in January 2015, cautioned that, since 2000, the State's short periods of balanced budgets have been followed by massive budget shortfalls. The 2015-16 Proposed Budget Summary also noted that commitments made by the State in the past two years are already straining the State's finances. Under a projection of current policies, the 2015-16 Proposed Budget Summary anticipated that the State would begin to spend more than it receives in annual revenues by State fiscal year 2018-19, by an amount of approximately $1 billion. The County cannot predict whether the State will take steps, in response to a future budget shortfall, which would reduce the amount of tax revenue available to the County. The State budget will be affected by national and State economic conditions and other factors over which the County will have no control. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the County.

The 2015-16 Budget also includes an update of the trigger mechanism payment for certain mandated payments to be made by the State to various local agencies. The 2015-16 Budget estimates that the trigger mechanism calculation will result in a $765 million payment toward pre-2004 mandate debt (an increase of approximately $232 million from the proposed fiscal year 2015-16 budget) owed by the State to cities, counties and special districts.

For additional information regarding the 2015-16 Budget, see the DOF website at www.dof.ca.gov. The information presented on such website is not incorporated herein by reference.

Governor's Proposed 2016-17 Budget. On January 7, 2016, the Governor released his proposed State budget for fiscal year 2016-17 (the "Proposed Budget"). On January 11, 2016, the LAO released its summary of the Proposed Budget. The following information is drawn from the Governor's Proposed Budget and the LAO's summary.

The Proposed Budget assumes, for fiscal year 2015-16, total general fund revenues and transfers of $117.5 billion and authorizes total expenditures of $116.0 billion. The State is projected to end fiscal year 2015-16 with a general fund surplus of $5.2 billion, comprised of a balance of $966 million in the Reserve for Liquidation of Encumbrances and $4.2 billion in the Special Fund for Economic Uncertainties. The BSA is projected to be funded in the amount of $4.5 billion at June 30, 2016. For fiscal year 2016-17, the Proposed Budget assumes total general fund revenues of $120.6 billion and authorizes expenditures of $122.6 billion. The State is projected to end the 2016-17 fiscal year with a $3.2 billion general fund surplus, comprised of a balance of $966 million in the Reserve for Liquidation of Encumbrances and $2.2 billion in the Special Fund for Economic Uncertainties. The Proposed Budget includes a required deposit of $2.6 billion to the BSA for fiscal year 2015-16 and 2016-17 combined. In addition, the Proposed Budget includes an optional deposit of $2 billion to the BSA, and if so deposited, by the end of fiscal year 2016–17, reserves would total $10.2 billion (consisting of $2.2 billion in the Special Fund for Economic Uncertainties and $8 billion in the BSA).

The Proposed Budget includes $71.6 billion in total Proposition 98 funding in fiscal year 2016-17, representing a $3.2 billion increase over the 2015-16 Budget. Major infrastructure allocations in the Proposed Budget include, among other items, an estimated $3.6 billion in transportation funding (consisting of allocations of approximately $1.5 billion to rehabilitate state highways, about $1.4 billion for local streets and roads, $400 million for transit, $200 million to improve trade corridors, and $120 million for state highway maintenance), approximately $1.5 billion to replace and renovate State office buildings and approximately $250 million to replace and renovate county jails.

On May 13, 2016, the Governor released the May Revision to the Proposed Budget (the "May Revise"). The May Revise reduces the tax revenue forecast in the Proposed Budget by $1.0 billion and makes other adjustments to the projections in the Proposed Budget. The May Revise projects that without an extension of the Proposition 30 income taxes scheduled to expire at the end of 2017, the State will return to deficit spending in fiscal year 2018-19. The May Revise assumes, for fiscal year 2015-16, total general fund revenues and transfers of $117.0 billion and total expenditures of $115.6 billion. The May Revise reduces the projected ending fund balance for fiscal year 2015-16 from the $5.2 billion in the Proposed Budget to $4.8 billion, comprised of a balance of $966 million in the Reserve for Liquidation of Encumbrances and $3.9 billion in the Special Fund for Economic Uncertainties. The May Revise reduces the projected balance in the BSA at June 30, 2016 from the $4.5 billion in the Proposed Budget to $3.4 billion. For fiscal year 2016-17, the May Revise assumes total general fund revenues of $120.0 billion and authorizes expenditures of $122.1 billion which are substantially unchanged from the Proposed Budget. The May Revise projects that the State will end the 2016-17 fiscal year with a $2.7 billion general fund surplus down from the $3.2 billion projected in the Proposed Budget, comprised of a balance of $966 million in the Reserve for Liquidation of Encumbrances and $1.7 billion in the Special Fund for Economic Uncertainties. The May Revise includes a projected balance in the BSA of $6.7 billion at the end of fiscal year 2016–17 leaving total projected reserves of $8.5 billion (consisting of $1.8 billion in the Special Fund for Economic Uncertainties and $6.7 billion in the BSA).

For additional information regarding the Proposed Budget and the May Revise, see the DOF website at www.dof.ca.gov and the LAO's website at ww.lao.ca.gov. The information presented on such websites is not incorporated herein by reference.

Other Proposals. With respect to redevelopment, the Governor proposed the following amendments to the dissolution legislation discussed under the caption "—Redevelopment Dissolution" when the fiscal year 2015-16 budget was proposed: (1) redevelopment successor agencies that enter into a written agreement with the DOF to remit unencumbered cash to the county auditor-controller will receive a finding of completion, which provides successor agencies with additional fiscal tools and reduced State oversight; (2) successor agencies that receive a finding of completion may expend a portion of proceeds of bonds issued in 2011, which proceeds are currently frozen; (3) pension or State Water Project override revenues that are not pledged to or not needed for redevelopment bond debt service will be returned to the entity that levies the override; (4) agreements relating to State highway improvements and money loaned to successor agencies to pay costs associated with redevelopment dissolution litigation will be considered enforceable obligations; and (5) reentered agreements entered into after the passage of AB 1484 (as described under the caption "—Redevelopment Dissolution—General") are unenforceable unless entered into for the purpose of providing administrative support. Such proposals are subject to approval by the State Legislature and there can be no assurance that any of such proposals will be adopted.

Potential Impact of State of California Financial Condition and Budgets on the County

The State experienced significant financial stress beginning in 2008 which lasted for several fiscal years, with budget shortfalls in the billions of dollars. Despite the recent significant budgetary improvements, there remain a number of budget risks that threaten the financial condition of the State, including the threat of recession and the significant unfunded liabilities of the two main retirement systems managed by State entities, the California Public Employees' Retirement System ("CalPERS") and the California State Teachers' Retirement System. The State also has a significant unfunded liability with respect to other post-employment benefits.

Current and future State budgets will be affected by national and State economic conditions and other factors over which the County has no control. The County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on County finances and operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that the State will not significantly reduce revenues to local governments (including the County) or shift financial responsibility for programs to local governments as part of its efforts to address State financial conditions. There can be no assurance that State actions to respond to State financial conditions or difficulties will not materially adversely affect the financial condition of the County.

Redevelopment Dissolution

General. On December 29, 2011, the State Supreme Court upheld Assembly Bill 1x26 ("AB 1x26"), which dissolved redevelopment agencies in the State. The effect of AB 1x26 upon the County is the termination of the former redevelopment agencies' functions and the transfer of such functions to a successor agency (the County, referred to in this context as the "Successor Agency") tasked with winding down the redevelopment activities of the former redevelopment agencies formed by the County. Under AB 1x26, the Successor Agency cannot enter into new redevelopment projects or obligations and its assets can be used only to pay enforceable obligations in existence in mid-2011, when AB 1x26 was signed by the Governor. In addition, the Successor Agency will receive tax increment revenues in amounts that are sufficient to pay 100% (but no greater amount) of such enforceable obligations until such obligations are paid in full, at which time the Successor Agency will be dissolved. Certain tax revenues formerly allocable to the County will continue to be available to the Successor Agency to pay certain obligations, and a portion of such revenues may be redirected to other taxing agencies, such as school districts and cities. The Successor Agency's activities are subject to review by an oversight board established under AB 1x26. Under AB 1x26, liabilities of the Successor Agency are not liabilities of the County.

On June 27, 2012, the Governor signed Assembly Bill 1484 ("AB 1484"), which made certain amendments to AB 1x26. Under AB 1484, the County Auditor-Controller, the DOF and the State Controller may require the return of funds improperly spent or transferred to a public entity in conflict with the provisions of the Community Redevelopment Law, as amended by AB 1x26 and AB 1484, and if such funds are not returned within 60 days, they may be recovered through an offset of sales and use tax or property tax allocations to the local agency, which, in the case of the Successor Agency, is the County.

On September 22, 2015, the following amendments to the dissolution legislation discussed above were enacted as Senate Bill 107 ("SB 107"): (1) redevelopment successor agencies that enter into a written agreement with the DOF to remit unencumbered cash to the county auditor-controller will receive a finding of completion, which provides successor agencies with additional fiscal tools and reduced State oversight; (2) successor agencies that that have a "Last and Final" ROPS (as discussed below) may expend a portion of proceeds of bonds issued in 2011, which proceeds are currently frozen; (3) pension or State Water Project override revenues that are not pledged to or not needed for redevelopment bond debt service will be returned to the entity that levies the override; (4) agreements relating to State highway improvements and money loaned to successor agencies to pay costs associated with redevelopment dissolution litigation will be considered enforceable obligations; and (5) reentered agreements entered into after the passage of AB 1484 are unenforceable unless entered into for the purpose of providing administrative support.

SB 107 also: (a) requires the preparation of a Recognized Obligation Payment Schedule with respect to enforceable obligations (a "ROPS"), which are required to be submitted to the oversight board and the DOF in accordance with AB 1x26, once a year beginning with the ROPS period that commences on July 1, 2016 (rather than twice a year under current law); (b) establishes an optional "Last and Final" ROPS process; under this process, a successor agency that elected to submit a "Last and Final ROPS would no longer submit a periodic ROPS and the enforceable obligations set forth in the "Last and Final" ROPS would be binding on all parties; and (c) clarifies that former tax increment caps and plan limits do not apply for the purposes of paying approved enforceable obligations.

Impact on the County. Significant provisions of AB 1x26 and AB 1484 and implementing actions of affected parties, including the Successor Agency, the oversight board and the DOF, may be subject to legal challenge, statutory or administrative changes and other clarifications which could affect the impact of the dissolution of redevelopment on the County and its General Fund. The DOF has periodically proposed additional legislation which would modify statutes affecting redevelopment dissolution; it is not known whether additional legislation will be enacted. The full extent of the impact of the implementation of AB 1x26, AB 1484 and SB 107 on the County's General Fund is unknown at this time. While certain administrative costs previously charged to the County by the General Fund will no longer be supported, certain property tax revenues formerly allocated to the former redevelopment agency formed by the County will now be received by the County's General Fund.

The County estimates that it will receive approximately $24.6 million in additional property tax revenue in Fiscal Year 2015-16 from the dissolution of the redevelopment agencies. See APPENDIX A—"COUNTY FINANCIAL INFORMATION—Dissolution of Redevelopment Agencies."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority or the County in violation of covenants in the Indenture and the Lease.

It is possible that subsequent to the issuance of the Bonds there might be federal, State, or local statutory changes (or judicial or regulatory interpretations of federal, State, or local law) that affect the federal, State, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur. See "TAX MATTERS" below.

Should a future event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to (1) ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978, or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, or (3) any bonded indebtedness incurred by a school district, community college district or county office of education for the construction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities approved after November 8, 2000 by 55% of the voters of the district or county, as appropriate, voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment" ("Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Taxpayers in the County may appeal the determination of the County Assessor of the Full Cash Value of their property. At any given point in time, thousands of appeals are pending in the County. If the assessed value of a property is reduced as a result of an assessment appeal or because the property is sold at a price less than the current assessed value, the reduction is borne by relevant taxing agencies, including the County. The number of assessment appeals during the current fiscal year has decreased over the same period in the prior fiscal year.

Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of property damaged or destroyed in a disaster.

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Article XIII B of the State Constitution

State and local government agencies in the State are each subject to annual "appropriations limits" imposed by Article XIII B of the State Constitution ("Article XIII B"). Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitation" are generally authorizations to spend "proceeds of taxes," which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service" (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not "proceeds of taxes," appropriated for debt service on indebtedness existing prior to the passage of Article XIII B or authorized by the voters or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, a county's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If county revenues during any two consecutive fiscal years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

Section 7900, et seq. of the California Government Code defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. Relying on these definitions, and Chapter 60, Statutes of 1990 effective August 1, 1990, which implemented Proposition 111, the County has determined that its appropriations limit for "proceeds of taxes" for Fiscal Year 2015-16 is $10,437,249,357, an increase of 5.3% compared with Fiscal Year 2014-2015. Estimated appropriations for Fiscal Year 2015-16 subject to the limitation total $897,813,021.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges. On November 3, 2010, California voters approved Proposition 26, which generally expands the definition of "taxes" that are subject to voter approval requirements imposed by Proposition 218. Proposition 26 will most likely be subject to numerous court challenges, and the County is currently unable to predict how Proposition 26 will be interpreted, or to what extent this measure will affect the revenues in the County's General Fund.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the general fund, require a two-thirds vote. Article XIII C defines "tax" as any levy, charge or exaction of any kind imposed by a local government, except for 1) (1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) A charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) A charge imposed as a condition of property development; (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D. In addition, he local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

The voter approval requirements of Article XIII C reduce the County's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the County will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIII D contains several provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. The County has several County service areas in discrete unincorporated communities that pay for services that otherwise would have to be funded, if they are funded at all, through the General Fund. If the County is unable to continue to collect assessment revenues for these programs, the programs might have to be curtailed and/or funded by amounts in the General Fund. The County is unable to predict whether it will be able to continue to collect assessment revenues for these programs in light of Article XIII D. If such assessment revenues cannot be collected, the County is unable to predict whether or to what extent it would use any General Fund moneys to maintain which affected programs. The provisions of Article XIII D will also make it more difficult for the County to establish assessment-based programs in the future.

Article XIII D also contains several new provisions affecting a "fee" or "charge," defined for purposes of Article XIII D to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person, exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The County has two enterprise funds that are self-supporting from fees and charges, which could, depending upon judicial interpretation of Proposition 218, ultimately be determined to be property related for purposes of Article XIII D. In the event that fees and charges cannot be appropriately increased, or are reduced pursuant to exercise of the initiative power (described in the following paragraph), the County may have to decide whether to support any deficiencies in these enterprise funds with moneys from the general fund or to curtail service, or both.

In addition to the provisions described above, Article XIII C removes prohibitions and limitations on the initiative power in matters of any "local tax, assessment, fee or charge." Consequently, the voters of the County could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. "Assessment," "fee" and "charge," are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described above) would limit the scope of the initiative power set forth in Article XIII C. If the Article XIII D definitions are not held to limit the scope of Article XIII C initiative powers, then the Article XIII C initiative power could potentially apply to revenue sources that currently constitute a substantial portion of general fund revenues. No assurance can be given that the voters of the County will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

Statutory Limitations

A statutory initiative ("Proposition 62") was adopted by State voters at the November 4, 1986 General Election, which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity voting in such election, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction voting in such election, (3) restricts the use of revenues from a special tax to the purpose or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate voting in such election within two years of the adoption of the initiative or be terminated by November 15, 1988. Proposition 62 requirements are generally not applicable to general taxes and special taxes levied prior to its November 4, 1986 effective date.

On September 28, 1995, the California Supreme Court, in the case of Santa Clara County Local Transportation Authority v. Guardino, upheld the constitutionality of Proposition 62. In this case, the court held that a countywide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, Howard Jarvis Taxpayers Association v. City of La Habra, et al. ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 1A

Proposition 1A was approved by the voters at the November 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2008-09, the State may borrow up to eight percent of local property tax revenues, but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship and two–thirds of both houses of the Legislature approves the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of 10 fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the statewide local sales tax.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010 and described below.

The 2009-10 State budget included a Proposition 1A diversion of $1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State general fund spending. As part of the State budget package, local governments were given the opportunity to receive the monies being borrowed by the State upfront through a securitization financing offered by the California Statewide Communities Development Authority ("CSCDA"). CSCDA issued bonds securitizing the future payments by the State and remitted the proceeds of the bonds to the local governments which opted to participate in the securitization. The County participated in the Proposition 1A Securitization Program, and received installments on January 15, 2010 and May 3, 2010.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the California Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds although this provision no longer has any meaningful impact given the statewide dissolution of redevelopment agencies. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues. The County cannot predict whether Proposition 22 will have a beneficial effect on the County's financial condition.

Future Initiatives

Article XIII A, Article XIII B and Propositions 62, 218, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations which may affect the County's revenues or its ability to expend its revenues.

LITIGATION

No litigation is pending or threatened against the Authority or the County seeking to restrain or enjoin the sale or issuance of the Bonds or contesting the power of the Authority to issue the Bonds or the validity of the Indenture, the Site Lease, the Lease or the Bonds. Other than as otherwise addressed in this Official Statement, the County is of the view that the aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments of judgments which may result from suits and claims will not materially affect the County's ability to make the Base Rental Payments due under the Lease. See APPENDIX A—"COUNTY RETIREMENT SYSTEM — Litigation Management" attached hereto.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the Bond is excluded from gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Authority and the County and others and is subject to the condition that the Authority and the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the County will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Beneficial Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the Lease and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the County continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes (or other changes) will not be introduced or enacted or any such interpretations will not occur. Before purchasing any of the Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Bonds.

Should interest on the Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is attached hereto in Appendix E.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the issuance of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Authority. See "APPENDIX E—"PROPOSED FORM OF BOND COUNSEL OPINION." Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the County by the Office of the County Counsel ("County Counsel") and for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP.

Bond Counsel and Disclosure Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

RATING

The Authority has received the rating of "AA" (stable outlook) on the Bonds from Standard & Poor's Ratings Services ("S&P"). Certain information was supplied by the County to S&P to be considered in evaluating the Bonds (which may include information and material which is not included in this Official Statement). In addition, rating agencies may base their ratings on investigations, studies and assumptions by the rating agencies. The rating issued reflects only the views of S&P, and any explanation of the significance of such rating should be obtained from S&P. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Other than as provided in the Continuing Disclosure Certificate, the County undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of and the ability to trade the Bonds.

UNDERWRITING

The Bonds are being purchased by Wells Fargo Bank, National Association, acting through its Municipal Products Group (the "Underwriter"), from the Authority. The Underwriter has agreed to purchase the Bonds at a purchase price equal to $68,221,087.05, which represents the par amount of the Bonds, plus original issue premium of $11,723,509.05, less an underwriter's discount of $67,422.00. The purchase contract pursuant to which the Bonds are being sold provides that the Underwriter will purchase all of the Bonds if any such Bonds are purchased with the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, acting through its Municipal Products Group. Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA") the sole underwriter of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells

Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

Fieldman Rolapp & Associates has acted as Municipal Advisor to the County in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), the County will execute the Continuing Disclosure Certificate.

The County will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the County by not later than February 25 following the end of the County's Fiscal Year (presently June 30) (the "Annual Report"), commencing with the report for the fiscal year ending June 30, 2016, and to provide notices of the occurrence of certain enumerated events. The specific nature of the terms of the continuing disclosure obligation are described in APPENDIX F—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Notwithstanding any provision of the Indenture, failure of the County to comply with the Continuing Disclosure Certificate shall not be an event of default under the Indenture or the Lease. However, any Owner or Beneficial Owner of the Bonds may take such action as is necessary and appropriate, including seeking mandate or a judgment for specific performance, to cause the County to comply with its obligations with respect to the Continuing Disclosure Certificate.

During the last five years, the County failed to comply in certain respects with continuing disclosure undertakings related to outstanding bond indebtedness. The failure to comply fell into five general categories: (i) failure to provide event notices with respect to changes in the ratings of outstanding bonds, primarily related to changes in the ratings of various bond insurers insuring the bonds of the County or its related entities, which notices of rating changes were subsequently provided between 54 days and 1,344 days after the occurrence of the related event; (ii) omission of required financial and operating data required to be included in certain annual reports and late filing of annual reports with respect to a number of the bond issues, which submissions were made between 296 days to 1,027 days after the applicable deadline therefor; (iii) failure to file audited financial statements as a part of certain annual reports, which submissions were made between one day to 997 days after the deadline therefor, although copies of the County's audited financial statements were available to investors from other sources; (iv) failure to file annual reports with respect to certain bonds after they were economically (but not legally) defeased; and (v) failure to provide event notices with respect to late filings described in (ii), (iii) and (iv) above.

The County and various related entities have made additional filings to provide certain of the previously omitted information; provided that with respect to ratings changes, notice has been provided only of the existing rating or ratings applicable to each outstanding series of bonds. Each of these filings may be accessed through EMMA.

The County has adopted policies and procedures, and has contracted with a consultant, in order to enforce compliance with its continuing disclosure undertakings.

INDEPENDENT AUDITORS

The financial statements of the County for the Fiscal Year ended June 30, 2015, included in APPENDIX B of this Official Statement, have been audited by Macias Gini & O'Connell LLP, certified public accountants, as stated in their report therein. Macias Gini & O'Connell LLP has agreed to the inclusion of its report in APPENDIX B. Macias Gini & O'Connell LLP has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Macias Gini & O'Connell LLP with respect to any event subsequent to the date of its report. See APPENDIX B—"AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR ENDED JUNE 30, 2015."

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof, which do not purport to be complete or definite, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the legal documents described herein are available upon request from the County of Orange, County Executive Office, 333 West Santa Ana Boulevard, Third Floor, Santa Ana, California 92701-4062, Attention: Public Finance Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY

By: /s/ Frank Kim
Executive Director

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APPENDIX A

THE COUNTY

General

The County is bordered on the north by Los Angeles and San Bernardino Counties, on the east by Riverside County, on the southeast by San Diego County, and on the west and southwest by the Pacific Ocean. The County encompasses 789 square miles, has a population of over 3 million, and approximately 42 miles of ocean shoreline provide beaches, marinas, and other recreational areas for use by residents and visitors.

County Government

The County is a charter county divided into five supervisorial districts on the basis of population. The County is governed by an elected five-member Board of Supervisors (the “Board of Supervisors”) with each Supervisor serving a four-year term. A Supervisor cannot serve more than two consecutive terms, however, there is no limitation on the total number of terms. The Chairman and Vice Chairman positions are elected annually by and from the members of the Board of Supervisors.

The County’s organizational structure consists of six Elected Officers, six positions appointed by the Board of Supervisors, six Officers appointed by and report to the County Executive Officer (“CEO”) and nine department heads are selected by the CEO and report to the Chief Operating Officer. The Elected Officers are elected by a countywide vote to four-year terms: the Assessor, Auditor-Controller, Clerk-Recorder, District Attorney-Public Administrator, Sheriff-Coroner, and the Treasurer-Tax Collector (the “Treasurer”). The Board of Supervisors appoints the Clerk of the Board, County Counsel, Performance Audit, Office of Independent Review, CEO and the Chief Probation Officer. The Presiding Judge of the Orange County Superior Court must concur with the appointment of the Chief Probation Officer. The positions appointed by and report to the CEO are the Human Resources Officer, Chief Information Officer, Chief Financial Officer (“CFO”), Chief Real Estate Officer, Registrar of Voters, and Chief Operating Officer. The remaining nine positions are department heads within the infrastructure, public services, and community services areas. Effective August 2015, the Board of Supervisors approved consolidating the internal audit responsibilities under the office of the Auditor-Controller. The Board of Supervisors no longer appoints the Internal Auditor.

While the County’s executive team has recently been appointed to their positions, they have longer tenures with the County. The County’s current CEO, Frank Kim, has served in that position since May 2015 and his employment with the County began in 1995. He previously served as the CFO. Michelle Aguirre has served as CFO since June 2015 and her employment with the County began in 1989.

County Services

The County provides a wide range of services to its residents, including police, medical and health services, senior citizen assistance, library services, airport service, roads, solid waste management, harbors, beaches and parks, lifeguard services, and a variety of public assistance programs.

California counties administer numerous health and social service programs as the administrative agent of the State and pursuant to State law. Many of these programs have been either wholly or partially funded with State and Federal funds. Under State law, the County is required to administer State and Federal health programs and to provide for a portion of their costs with local revenues. The County is also responsible for all indigent medical care in the County pursuant to State law. The County does not operate its own hospital, but contracts for such services with private facilities.

There are two special districts, separate legal entities from the County, which provide services to County residents: the Orange County Flood Control District and the Orange County Housing Authority. The Board of Supervisors, sitting as each district's legislative body, governs these districts.

Certain municipal services are provided by the County to unincorporated communities and, on a contract basis, to some of the 34 incorporated cities within its boundaries. This arrangement is designed to allow cities to contract with the County for municipal services without incurring the cost of creating numerous city departments and facilities. Under the plan, the County provides any or all services to a city at the same level as provided in the unincorporated areas, or at any higher level for which the city may contract. Services are generally provided at cost.

Regional fire protection services are provided by the Orange County Fire Authority, a joint powers authority with its own Board of Directors.

County Employment

As of March 3, 2016, the number of permanent filled employee positions was 16,319. The following table sets forth the total number of County employees for each of the last ten years:

TABLE A-1

COUNTY OF ORANGE
Employment Positions(1)

2007	17,199
2008	17,482
2009	16,855
2010	16,239
2011	15,965
2012	15,771
2013	15,852
2014	16,108
2015	16,144
2016	16,319

(1) Employment Positions represent the number of filled positions at fiscal year-end except for 2016, which is as of March 3, 2016.

Source: County of Orange, County Budget Office.

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Most County employees are represented by 17 bargaining units within eight labor organizations, the principal labor organization being the Orange County Employees Association ("OCEA"), which consists of the Community Services, County General, Office Services, Probation Services, Probation Supervisory Management, Sheriff Special Officers & Deputy Coroner, Supervisory Management, and Health Care Professional Units. Represented County employees and their appropriate bargaining agents are shown in the following table. An agreement with one smaller bargaining unit expired at the end of Fiscal Year 2014-15. County employees in the bargaining unit currently in the process of negotiations continue to work under the terms of their previous contract with no interruption.

TABLE A-2

COUNTY OF ORANGE
Employee Bargaining Representation
and Number of Positions[1]

Bargaining Agents	Number of Positions	Contract Term
Orange County Employees Association	12,037	June 26, 2015 to June 22, 2018
Association of Orange County Deputy Sheriffs	2,027	October 5, 2012 to June 30, 2016
American Federation of State, County and Municipal Employees	1,562	June 15, 2012 to June 23, 2016[2]
Orange County Managers Association	1,185	January 10, 2014 to December 31, 2017
Orange County Attorneys Association	515	May 15, 2015 to June 30, 2019
Teamsters Local 952	473	December 17, 2013 to June 11, 2015[2]
International Union of Operating Engineers	141	June 26, 2015 to June 22, 2018
Association of County Law Enforcement Managers	82	June 23, 2015 to June 21, 2018

(1) Position data includes filled and vacant positions as of March 3, 2016.
(2) Contract negotiation currently in process.

Source: County of Orange, County Budget Office.

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COUNTY FINANCIAL INFORMATION

Financial Statements

The County's accounting policies and audited basic financial statements conform with generally accepted accounting principles for financial reporting established by the Governmental Accounting Standards Board (the "GASB").

The basic financial statements include both the government-wide and fund financial statements. The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. The government-wide financial statements report long-term liabilities and capital assets, including intangible assets. Depreciation expense and accumulated depreciation are included in the government-wide financial statements for equipment, buildings, and infrastructure. Amortization expense and accumulated amortization are included in the government-wide financial statements for intangible assets. The fund financial statements for the governmental funds are prepared under the modified accrual basis of accounting and the current financial resources measurement focus with revenues being recorded when available and measurable and expenditures recorded when related fund liabilities are incurred, with all current unpaid liabilities being accrued at year end. Fund financial statements are shown separately for specific major governmental funds, and in total for all other governmental funds. Fund financial statements for proprietary funds are reported under the accrual basis of accounting and the economic resources measurement focus.

The Auditor-Controller maintains the accounting system and records of account for all County funds. The Internal Audit Division, which reports to the Auditor-Controller, continually monitors internal controls. Legal compliance audits of State programs are conducted by State Controller auditors.

All of the County funds can be divided into three major categories of funds: governmental, proprietary, and fiduciary. Governmental funds include most of the County's basic services and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Proprietary funds consist of two types of funds: enterprise funds (which the County uses to account for its airport, waste management operations, and compressed natural gas facility) and internal service funds (which are used to accumulate and allocate costs internally among the County's various functions, such as insurance services, transportation, publishing and information technology). Fiduciary funds are used to account for assets held on behalf of outside parties.

The major governmental funds include the following funds: the County's General Fund; Roads; Flood Control District; Other Public Protection; and Teeter Plan Notes. Financial data for nonmajor governmental funds are aggregated and reported under the "Other Governmental Funds" column in the fund financial statements. The major governmental funds associated with general government activities are briefly described below:

- The General Fund accounts for funds traditionally associated with government and all other funds, which are not required legally, or by sound financial management, to be accounted for in another fund. Revenues deposited to the General Fund are primarily derived from intergovernmental revenues, many of which are for restricted purposes such as public health and public assistance, and property taxes, but also include other taxes, charges for services, and other revenues. General Fund moneys are primarily expended for functions of public protection, health and sanitation, public assistance and general government. "General Purpose Revenues" describes that portion of the General Fund over which the County has discretion as to its expenditure, consisting primarily of property taxes. For discussion of General Purpose Revenues see "County General Fund Budget" herein.

- The Other Public Protection Fund accounts for certain safety and law enforcement activities such as the child support program, automated fingerprint identification systems, and investigation team. Revenues consist primarily of federal grants, state grants, forfeitures, penalties, and charges for services.

- The Teeter Plan Notes fund accounts for the financing of the County's purchase of delinquent taxes receivable pursuant to the County's Teeter Plan. The Teeter Plan is an alternative secured property tax distribution plan, whereby the County distributes the full share of the local secured levy to the taxing agencies participating in the Teeter Plan and in exchange receives the right to keep the delinquent taxes, penalties, and interest. For discussion of the County's Teeter Plan Notes, see "*Teeter Plan Notes*" herein.

The following table presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net changes in fund balances for the governmental funds for the Fiscal Years ended June 30, 2012 through 2015.

TABLE A-3

COUNTY OF ORANGE
GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years Ending June 30, 2012 through June 30, 2015
(In Thousands)

	2012	2013	2014	2015
REVENUES AND OTHER FINANCING SOURCES				
General Fund	$2,695,951	$2,865,893	$2,879,856	$3,001,243
Roads	89,098	59,444	109,937	98,640
Flood Control District	175,414	134,978	169,260	163,096
Other Public Protection	51,856	63,559	49,261	66,846
Teeter Plan Notes	17,094	73,641	50,786	31,715
Other Governmental	676,891	621,950	600,011	652,592
Total	$3,706,304	$3,819,465	$3,859,111	$4,014,132
EXPENDITURES AND OTHER FINANCING USES				
General Fund	$2,621,311	$2,744,670	$2,808,016	$2,853,121
Roads	124,043	80,652	107,694	90,118
Flood Control District	119,594	160,101	154,993	121,287
Other Public Protection	46,064	44,059	48,203	66,747
Teeter Plan Notes	12,036	15,808	43,959	40,854
Other Governmental	856,260	592,923	615,209	622,938
Total	$3,779,308	$3,638,213	$3,778,074	$3,795,065
NET CHANGES IN FUND BALANCES				
General Fund	$ 74,640	$ 121,223	$ 71,840	$ 148,122
Roads	(34,945)	(21,208)	2,243	8,522
Flood Control District	55,820	(25,123)	14,267	41,809
Other Public Protection	5,792	19,500	1,058	99
Teeter Plan Notes	5,058	57,833	6,827	(9,139)
Other Governmental	(179,369)	29,027	(15,198)	29,654
Total	$ (73,004)	$ 181,252	$ 81,037	$ 219,067

Source: Orange County Comprehensive Annual Financial Reports dated June 30, 2013 and June 30, 2015.

The following table sets forth the audited General Fund Balance Sheet as of June 30, 2012 through June 30, 2015.

TABLE A-4

COUNTY OF ORANGE
GENERAL FUND BALANCE SHEET[1]
June 30, 2012 through June 30, 2015
(In Thousands)

	2012	2013	2014	2015
ASSETS				
Pooled Cash/Investments	$315,476	$351,100	$425,057	$441,060
Imprest Cash Funds	1,885	1,864	1,864	1,862
Restricted Cash and Investments with Trustee	1,536	1,574	1,536	9
Investments	--	--	--	118,940
Receivables				
Accounts	10,138	9,747	18,909	10,420
Taxes	11,483	8,942	11,900	7,035
Interest/Dividends	568	431	533	2,600
Deposits	480	491	492	460
Advances	30	30	30	33
Allowance for Uncollectible Receivables	(189)	(4,036)	(4,399)	(6,237)
Due from Other Funds	46,551	50,495	63,956	89,278
Due from Component Unit	283	366	455	201
Due from Other Governmental Agencies	335,658	335,970	350,784	353,350
Inventory of Materials and Supplies	546	655	902	867
Prepaid Costs	222,414	260,291	316,320	331,939
Advances to Other Funds	2,500	2,500	3,800	3,800
Total Assets	$949,359	$1,020,420	$1,192,139	$1,355,617
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	45,544	$36,223	$65,154	$49,300
Salaries and Employee Benefits Payable	65,414	66,906	57,182	83,350
Retainage Payable	1,290	1,696	2,044	1,395
Interest Payable	893	--	1,135	1,084
Deposits from Others	1,188	1,335	1,553	1,654
Due to Other Funds	21,618	43,601	35,780	31,311
Due to Component Unit	--	--	--	3
Due to Other Governmental Agencies	22,779	10,903	27,847	13,822
Estimated Litigation and Claims	629	--	--	--
Deferred Revenue	176,424	123,290	--	--
Unearned Revenue	30,466	19,642	19,410	44,410
Bonds Payable	229,880	268,360	325,405	339,625
Advances from Other Funds	--	3,918	3,134	2,351
Total Liabilities	$596,125	$575,874	$538,644	$568,305
DEFERRED INFLOWS OF RESOURCES[2]				
Unavailable Revenue- Intergovernmental Revenues	--	--	73,769	72,172
Unavailable Revenue- SB 90 Mandated Claims, Net	--	--	47,926	39,653
Unavailable Revenue- Property Taxes	--	--	9,485	9,078
Unavailable Revenue- Others	--	--	5,929	1,901
Total Deferred Inflows of Resources	--	--	$137,109	$122,804
FUND BALANCES				
Nonspendable[3]	225,460	263,446	321,022	336,606
Restricted	26,336	34,679	42,028	31,486
Assigned	100,448	68,157	153,336	269,529
Unassigned	990	78,264	--	26,887
Total Fund Balances	$353,234	$444,546	$516,386	$664,508
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$949,359	$1,020,420	$1,192,139	$1,355,617

(1) The Notes to the County's Basic Financial Statements are an integral part of this table and can be found in the County's Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2015 in Appendix B of this Official Statement.
(2) See Note 1 the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2015" in Appendix B of this Official Statement.
(3) Includes an amount equal to pension obligation bonds sold to prepay the subsequent year's pension obligations, which are reserved as nonspendable as a "prepaid cost". Pension prepayments represent $221.7 million for Fiscal Year 2012, $260 million for Fiscal Year 2013, $316 million for Fiscal Year 2014, and $332 million for Fiscal Year 2015. As a result, GASB 54 presentation does not represent the County's budgetary and financial planning allocation of fund balance. See "County General Fund Budget-Strategic Financial Plan and Reserves," herein.

Sources: Orange County Comprehensive Annual Financial Reports.

The following table presents a more detailed summary of revenues, expenditures and changes in fund balances for the General Fund for Fiscal Years 2011-12 through 2014-15.

TABLE A-5

COUNTY OF ORANGE
COMPARISON OF STATEMENT OF GENERAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years Ending June 30
(In Thousands)

	2012	2013	2014	2015
REVENUES				
Taxes[1]	$ 610,493	$ 668,819	$ 599,366	$ 629,603
Licenses, Permits & Franchises	16,481	13,190	22,595	22,929
Fines, Forfeitures & Penalties	41,986	35,562	33,039	82,063
Use of Money and Property	5,394	3,510	5,260	5,272
Intergovernmental Revenues	1,419,777	1,551,407	1,593,107	1,602,817
Charges for Services	369,167	389,367	410,108	408,872
Other Revenues	19,364	18,147	13,124	15,601
TOTAL REVENUES	$2,482,662	$2,681,002	$2,676,599	$2,767,157
EXPENDITURES				
General Government	$ 142,577	$ 169,625	$ 140,816	$ 177,280
Public Protection	1,004,669	1,047,148	1,082,961	1,126,878
Public Ways and Facilities	37,654	36,614	35,570	32,192
Health and Sanitation	578,584	609,572	620,256	514,371
Public Assistance	735,713	749,128	795,582	851,488
Capital Outlay	16,713	12,459	12,454	18,901
Principal Retirement	19,484	20,252	21,622	21,568
Interest	15,228	9,204	9,844	8,172
Debt Issuance Costs	--	--	200	--
TOTAL EXPENDITURES	$2,550,622	$2,654,002	$2,719,305	$2,750,850
Excess (Deficit) of Revenues Over Expenditures	$ (67,960)	$ 27,000	$ (42,706)	$ 16,307
Other Financing Sources (Uses)				
Transfers In[2]	213,289	184,891	203,257	234,086
Transfers Out[2]	(70,689)	(90,668)	(88,711)	(102,271)
Total Other Fin. Sources (Uses)	142,600	94,223	114,546	131,815
Net Change in Fund Balances	$ 74,640	$ 121,223	$ 71,840	$ 148,122
Fund Balances – Beginning of Year	278,594	353,234	444,546	516,386
Adjustments[3]	--	(29,911)	--	--
Fund Balances – Beginning of Year as Restated	--	323,323	--	--
FUND BALANCES – End of Year	$ 353,234	$ 444,546	$ 516,386	$ 664,508

(1) Primarily property taxes, as well as local sales and other taxes.
(2) Interfund transfers reflect the flow of assets between funds and component units of the County. See Note 9 in the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2015" in Appendix B of this Official Statement.
(3) 2013 adjustment due to a prior period adjustment.

Sources: Orange County Comprehensive Annual Financial Reports.

County General Fund Budget

Budget Process. The County's annual budget process begins in late December. The CEO's County Budget Office (the "Budget Office") prepares budget policy and detailed budget instructions for County departments. County departments then prepare their budget requests and submit them to the Budget Office. The Budget Office reviews and analyzes the departments' budget requests and makes recommendations to the CEO. The Budget Office will also, in coordination with the Auditor-Controller's office, establish the level of non-departmental, County-wide revenues that will be available to the County. The budget is compiled, balanced, and reviewed with the CFO and CEO.

The main focus of the budget is the "Discretionary General Fund," a component of the General Fund, which represents the County programs that are funded by General Purpose Revenue. General Purpose Revenue is revenue received in the General Fund that is not specific to a program or service, and consists primarily of property taxes. General Purpose Revenue is available to meet lease revenue and pension bond debt service requirements, match or maintain requirements in State and Federal programs and can otherwise be allocated at the discretion of the Board of Supervisors. General Purpose Revenue totals $692.2 million or about 11.5% of the total Fiscal Year 2015-16 Modified Budget and approximately 21.4% of the General Fund Budget. In comparison, General Purpose Revenue totaled $680.1 million or about 11.5% of the total Fiscal Year 2014-15 final Modified Budget and approximately 19.7% of the General Fund Budget.

The Board of Supervisors annually holds budget hearings and adopts a final budget for the County in June. The Board of Supervisors adopted a final budget for Fiscal Year 2015-16 on June 23, 2015. After budget adoption there are budget adjustments that occur throughout the fiscal year which are primarily presented in Quarterly Budget Reports to the Board of Supervisors. On November 17, 2015, January 26, 2016, and April 26, 2016 the Board of Supervisors approved various adjustments as part of the Quarterly Budget process. The adopted budget and adjustments are referred to as the Modified Budget.

Strategic Financial Plan. In 1997, the County initiated a strategic financial planning process to establish strategic priorities. The process is a management tool and provides a structure to help the County face both short-term and long-term operational decisions. The most recent Strategic Financial Plan was released in December 2015 and will be used in the development of the Fiscal Year 2016-17 Budget.

The baseline revenue and expense forecast, which is prepared by the Budget Office, has a five-year horizon. A ten-year horizon is used to estimate the ability of the County to fund new initiatives, programs, or facilities, which are reported as strategic priorities.

Reserves. As of April 30, 2016 the County has $555.9 million budgetary reserves within the General Fund which had the following balances: assigned reserve target $230.2 million; assigned for operations $148.8 million (which includes $130 million allocated for future repayment to the State of Vehicle License Fee Adjustment Amounts; see "General Fund Revenues—Vehicle License Fee Revenue Reallocation and Repayment" herein); $46.7 million Teeter loss reserves fund excess; maintenance and construction reserve $21.2 million; capital project reserve $47.7 million, and a contingency reserve of $61.3 million. These reserve balances are not legally restricted for any specific purpose; however, they are reserved by Board action and require a four-fifths vote to appropriate.

Certain other funds held outside the County General Fund have also been established including program reserves in the amount of approximately $70.2 million as of April 30, 2016 for sheriff and law enforcement, child support, social services, and the health care agency.

In addition, the County maintains an account (the "Investment Account"), originally funded with proceeds of the County's 1994 Pension Obligation Bonds in the Orange County Employees Retirement System ("OCERS") which is commingled with the OCERS pool for investment purposes. Pursuant to an agreement between the County and OCERS, the County may direct the expenditure of any portion of the Investment Account to offset County contributions to OCERS. The monies in the Investment Account may not be withdrawn by the County or used for expenditures other than OCERS contributions. The balance in the Investment Account as of March 31, 2016 was $109.4 million. For recent expenditures from the Investment Account, see "COUNTY RETIREMENT SYSTEM" and Table A-18 herein.

Comparative Budgets for Fiscal Years 2012-13 through 2015-16

The following table sets forth the County's Final Budgets (which include all budget adjustments made after budget adoption) for Fiscal Year 2012-13 through Fiscal Year 2014-15 and the Modified Budget (which includes budget adjustments through April 26, 2016) for Fiscal Year 2015-16.

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TABLE A-6

COMPARISON OF GENERAL FUND FINAL OR MODIFIED BUDGETS FOR FISCAL YEARS 2012-13 TO 2015-16

	2012-13[(1)] Final Budget	2013-14[(1)] Final Budget	2014-15[(1)] Final Budget	2015-16[(1)] Modified Budget
REQUIREMENTS:				
Public Protection	$1,023,065,226	$1,051,475,536	$1,095,457,994	$1,152,705,925
Health & Community & Social Services	1,601,302,690	1,606,193,281	1,603,879,802	1,635,346,756
Infrastructure & Environmental Resources	104,212,709	98,466,437	97,689,963	96,542,552
General Government & Services[(2)]	147,546,030	147,269,213	159,856,258	175,633,084
Capital Improvements[(3)]	68,705,534	29,945,072	49,278,986	57,832,307
Debt Service[(4)]	561,950,943	413,678,412	435,142,002	58,359,689
Insurance, Reserves & Miscellaneous[(5)]	34,677,217	13,214,741	17,815,868	42,062,972
Increases to Reserves[(6)]	45,425,005	0	0	13,000,000
Total Requirements	**$3,586,885,354**	**$3,360,242,692**	**$3,459,120,873**	**$3,231,483,285**
AVAILABLE FUNDS:				
Fund Balance Available	45,425,005	$0	$0	$0
Property Taxes[(7)]	601,122,362	569,100,585	604,033,335	645,114,419
Sales and Other Taxes[(8)]	7,921,000	8,426,000	8,482,000	7,642,000
Licenses, Permits & Franchises	19,277,343	20,216,426	21,174,181	24,801,856
Fines, Forfeitures & Penalties[(9)]	39,755,872	35,153,448	35,630,513	33,973,817
Use of Money & Property[(10)]	6,252,889	4,800,217	4,730,568	15,960,550
Intergovernmental Revenues[(11)]	1,585,831,268	1,607,436,052	1,587,478,976	1,647,956,151
Charges for Services[(12)]	415,036,900	422,395,830	438,726,367	440,464,946
Miscellaneous Revenues[(13)]	253,550,178	31,874,007	22,901,548	24,257,229
Other Financing Sources[(14)]	550,096,898	646,354,668	714,351,859	345,401,026
Decreases to Reserves[(6)]	62,615,639	14,485,459	21,611,526	45,911,291
Total Available Funds	**$3,586,885,354**	**$3,360,242,692**	**$3,459,120,873**	**$3,231,483,285**

(1) Final & Modified Budgets include all budget adjustments throughout the year after budget adoption.

(2) Increase in FY 2015-16 includes $6.5 million for the Countywide Accounting and Personnel System software upgrade and $10 million in additional funding for current operations and one-time costs.

(3) Fiscal Year 2012-13 re-appropriated carryover funds of $39.9 million for one-time deferred maintenance of critical public safety facilities. Fiscal Year 2014-15 includes one-time additional funding for planned capital projects.

(4) Fiscal Year 2015-16 excludes appropriations for the 2005 Refunding Recovery Bonds which were paid off in Fiscal Year 2014-15 and a change to record the Taxable Pension Obligation Bonds, 2016 Series A as a balance sheet transaction.

(5) Increase in Fiscal Year 2012-13 includes $16.7 million one-time settlement payment to cities for the Property Tax Administrative Fees and $5 million to fund the construction of U.S Immigration and Customs Enforcement (ICE) Court Modular project. Fiscal Year 2014-15 Budget includes $5 million AB 701 Vehicle License Fee Revenue Allocation (VLFAA) settlement payment to the State and $3.6 million ongoing funding for the homeless shelter. Fiscal Year 2015-16 includes $15 million AB 701 VLFAA settlement payment to the State, $13 million one –time funding for the homeless shelter, and other capital projects. See "Vehicle License Fee Revenue Reallocation and Repayment" herein.

(6) Fiscal Year 2012-13 includes $45.4 million increase to reserves, which was due to an increase in budget for VLFAA revenue. The net reserves decrease each year represents funding for new programs, carryover items and year end budget adjustments. Fiscal Years 2013-14, 2014-15, and 2015-16 Beginning "Budgeted" Fund Balance Available is zero, which is consistent with GASB 54 classification requirements. GASB 54 requires all year-end Fund Balance Available be reclassified and transferred to reserves. Fiscal Years 2012-13, 2013-14, and 2014-15 actual year-end Fund Balance reclassified and transferred to reserves were $129,691,929, $67,054,388, and $128,135,436 respectively. Table A-5 shows the net increase in Fund Balance including GASB 54 reclassifications and other adjustments.

(7) See "Vehicle License Fee Revenue Reallocation and Repayment" herein for the loss of VLFAA revenue starting in Fiscal Year 2013-14. Due to a recovering housing market and additional allocation of residual property taxes from the dissolution of Redevelopment Agencies, Fiscal Years 2013-14, 2014-15, and 2015-16 property tax revenues increased, but the increase is offset by the ongoing $73.5 million loss of VLFAA revenue.

(8) Fiscal Year 2015-16 Sales Tax revenue decline is due to decline in Bradley-Burns sales tax rate of .25 percent.

(9) Fiscal Year 2013-14 Fines, Forfeitures & Penalties revenue decrease is due to a decline in penalty revenue on delinquent taxes and trial court revenue from court fines, fees, and penalties.

(10) Increase in Fiscal Year 2015-16 is due to changes in interest earnings and $10.2 million in state-mandated cost reimbursements (SB 90).

(11) This funding is comprised of Federal and State grants and reimbursements, matching funds and State-distributed revenues. The overall changes are due to changes in caseload and additional revenues from the State for the 2011 Realignment of various public safety, social services, and health programs.

(12) Increase in Fiscal Year 2014-15 is due to an increase in cost of services to cities which contract for Sheriff security services and charges from Health Care Agency for Mental Health Services.

(13) Fiscal Year 2012-13 includes $232 million in revenue from departments for debt service of the Taxable Pension Obligation Bonds, 2012 Series A. Fiscal Years 2013-14, 2014-15, 2015-16 exclude revenues from departments as it is recorded as a Balance Sheet transaction.

(14) Includes operating transfers from other funds within the County including transfers from the Teeter Program and departmental transfers from Non-General Funds for the reimbursement of program expenditures. Fiscal Years 2012-13, 2013-14, and 2014-15 Budgets include $270 million, $347 million, and $364 million respectively to account for the proceeds of Taxable Pension Obligation Bonds. Fiscal Year 2015-16 excludes appropriations for Taxable Pension Obligation Bonds, 2016 Series A due to a change in recording the transaction to the balance sheet.

Source: County of Orange, County Budget Office.

Comparative General Purpose Revenue and Net County Cost for Fiscal Years 2012-13 through 2015-16

The following table sets forth the County's Final Budgets (which include all budget adjustments made after budget adoption) for Fiscal Year 2012-13 through Fiscal Year 2014-15 and the Modified Budget (which includes budget adjustments through April 26, 2016) for Fiscal Year 2015-16.

TABLE A-7

COMPARISON OF GENERAL PURPOSE REVENUE AND NET COUNTY COST FINAL OR MODIFIED BUDGETS FOR FISCAL YEARS 2012-13 TO 2015-16

	2012-13[1] Final Budget	2013-14[1] Final Budget	2014-15[1] Final Budget	2015-16[1] Modified Budget
NET COUNTY COST:				
Public Protection [2]	$347,189,501	$338,857,548	$359,646,791	$406,034,712
Health & Community & Social Services	136,156,238	133,055,050	123,866,847	125,775,607
Infrastructure & Environmental Resources [3]	34,169,767	32,334,176	32,392,090	21,031,559
General Government & Services [4]	102,186,552	106,635,659	112,895,040	130,244,596
Capital Improvements [5]	56,951,546	19,944,880	37,218,199	30,324,060
Debt Service [6]	19,478,666	19,289,301	19,293,479	872,229
Insurance, Reserves & Miscellaneous [7]	16,232,055	(17,860,491)	(5,227,683)	10,869,682
Total Requirements	**$712,364,325**	**$632,256,123**	**$680,084,763**	**$725,152,445**
AVAILABLE FUNDS/ GENERAL PURPOSE REVENUE (GPR):				
Property Taxes	$579,033,000	$547,184,709	$580,466,000	$620,231,000
Sales and Other Taxes	10,840,000	10,471,000	10,162,000	10,029,000
Licenses, Permits & Franchises	2,705,921	2,657,434	2,631,293	2,758,368
Fines, Forfeitures & Penalties [8]	20,423,000	17,471,000	17,906,000	18,571,000
Use of Money & Property [9]	2,827,000	1,400,000	1,388,000	1,600,000
Intergovernmental Revenues [10]	10,445,765	3,200,000	2,990,000	2,808,000
Charges for Services	19,190,000	17,412,000	21,378,115	21,783,000
Miscellaneous Revenues [11]	2,234,000	2,474,000	2,006,000	2,486,000
Other Financing Sources [12]	2,050,000	15,500,521	23,415,800	11,974,786
Decreases to Reserves [13]	62,615,639	14,485,459	17,741,555	32,911,291
Total Available Funds	**$712,364,325**	**$632,256,123**	**$680,084,763**	**$725,152,445**

(1) Final & Modified Budgets include all budget adjustments throughout the year after budget adoption.

(2) Fiscal Year 2015-16 Net County Cost increase for Public Safety for: (a) additional $33 million funding to maintain the current level of service for District Attorney, Sheriff-Coroner, Public Defender, and Public Administrator and (b) reallocation of $14 million Net County Cost from Infrastructure & Environmental Resources.

(3) Fiscal Year 2015-16 Net County Cost decrease for Infrastructure & Environmental Resources is due to a change in billing practice for utilities, parking and custodial services. Departments will reimburse for these services. Therefore, appropriations were reallocated to Public Safety programs, $14 million and General Government Services, $3 million. Also, in Fiscal Year 2015-16 $4.6 million in appropriations was transferred to pay costs associated with the potential Central Utility Facility financing.

(4) Fiscal Year 2015-16 Net County Cost increase in General Government Services is mainly for a $6.5 million financial system upgrade, $5 million for 2016 election and $3 million to maintain the current level of service for Treasurer-Tax Collector, Human Resources, Assessor, Auditor-Controller, and County Executive Office.

(5) Fiscal Year 2012-13 includes re-appropriated carryover funds of $39.9 million for one-time deferred maintenance of critical public safety facilities. Fiscal Year 2014-15 includes one-time funding for planned capital projects.

(6) In Fiscal Year 2014-15 the 2005 Refunding Recovery Bonds were paid off resulting in $18 million decrease in Fiscal Year 2015-16.

(7) Fiscal Year 2012-13 Budget included $17 million one-time settlement payment to cities for the Property Tax Administrative Fees. Fiscal Year 2013-14 reduction in Net County Cost was mainly from Miscellaneous Fund budget to address the Vehicle License Fee Adjustment Amount (VLFAA) reductions; Fiscal Year 2014-15 reduction in Net County Cost was mainly from Miscellaneous Fund budget decrease of $10 million due to not drawing down from OCERS investment account. Fiscal Year 2015-16 increase in Net County Cost is mainly from Miscellaneous Fund budget for increase in VLFAA appropriations and other one-time appropriations for capital projects.

(8) Fiscal Year 2013-14 Fines, Forfeitures & Penalties revenue decrease is due to a decline in penalty revenue on delinquent taxes.

(9) Changes in Use of Money & Property is due to changes in interest earnings.

(10) Changes in Intergovernmental Revenues is due to reclassification of Redevelopment Property Taxes Revenue to Property Tax category.

(11) Changes in Miscellaneous Revenues is due to increases and decreases in excess revenue distribution from Bankruptcy Plan of Adjustment.

(12) Fiscal Years 2013-14 and 2014-15 increase in Other Financing Sources is due to an increase of a one-time transfer amount from the Teeter Fund. Fiscal Year 2015-16 Budget includes a decrease in the Teeter Fund transfer amount.

(13) Decrease in General Fund reserves is for balancing purpose as a result of GASB 54. The draw from reserves is primarily related to the use of prior year fund balance for one-time planned capital projects and changes approved by the Board.

Source: County of Orange, County Budget Office.

Revenue Assumptions Incorporated into the Fiscal Year 2015-16 Budget

The following additional assumptions were incorporated into the Fiscal Year 2015-16 County Budget:

- Revenue from property taxes was assumed to grow in Fiscal Year 2015-16 based on a conservative projection of 4.0% growth.

- Public Safety Sales Tax (Proposition 172) was assumed to increase by 4.2%.

- Health & Welfare Realignment revenue from the State allocated to Health, Mental Health, Social Services and Probation was projected to be $190.5 million, which was a $1.3 million decrease from Fiscal Year 2014-15 due to realignment of Health services from the Health & Welfare Realignment.

- State Realignment revenue included $80.6 million to support public safety responsibilities under the 2011 Realignment legislation, AB 109, which was a $12 million increase from Fiscal Year 2014-15 due to $5.9 million growth revenue for Orange County and $6.8 million additional one-time funding for transition and stabilization.

General Fund Revenues

The largest single source of funding in the General Fund portion of the County Budget is intergovernmental revenue. Budgeted intergovernmental revenue accounted for 48%, 46.2% and 51.7% of all General Fund revenue sources for Fiscal Years 2013-14, 2014-15 and 2015-16, respectively. Budgeted intergovernmental revenue is comprised primarily of State and Federal funds, and is dedicated substantially to mandated programs in the public safety, health, and welfare areas. Approximately 38.4% of the County's Fiscal Year 2015-16 modified budgeted total revenues are from the State. See "STATE OF CALIFORNIA FINANCIAL INFORMATION" in the forepart of this Official Statement.

***Ad Valorem* Property Taxation**

The largest source of discretionary General Fund revenues is derived from property taxes. Taxes are levied by the County for each fiscal year on taxable real and personal property that is situated in the County based on the owner of record as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property on which a lien on real property is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." In addition to regular secured taxes, supplemental taxes may also be levied by accelerating property reassessment when a change of ownership or completion of new construction has occurred. Supplemental tax bills representing the taxes on the changes in assessed value are prorated from the date of completion or change in ownership to the end of the fiscal year.

Secured Property Roll. Annual property taxes on the secured roll are due in two installments: November 1 and February 1 of each fiscal year. Property taxes are collected by the Treasurer in accordance with the California Revenue and Taxation Code. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty accrues with respect to any delinquent payment. If such taxes remain unpaid as of July 1 of the fiscal year for which the tax was levied, the property securing the taxes is considered tax defaulted and may only be redeemed by payment of the delinquent tax, ten percent delinquency penalty, redemption fee, collection cost, and an additional penalty of 1½ percent per calendar month beginning July 1 of the year the property became tax defaulted. Delinquent taxes may be paid under an installment plan by paying current taxes plus all delinquent taxes over a five-year period. If *ad valorem* taxes are unpaid for a period of five years or more and an installment plan is not active, such properties may thereafter be sold by the Treasurer as provided by law unless paid in full by the day before the tax auction.

On June 29, 1993, the Board of Supervisors adopted the Teeter Plan pursuant to Sections 4701 through 4717 of the California Revenue and Taxation Code (the "Teeter Plan"). The taxing agencies in the County which participate in the Teeter Plan annually receive from the County the full amount of their share of taxes from the secured property tax roll, whether or not these taxes have been collected. The Teeter Plan provides these participating agencies with stable and timely cash flow without the collection risk, and the County receives the delinquency and redemption penalty amounts when the taxes are paid.

Teeter Plan Notes. The County issued its Teeter Plan Series B Notes (the "Teeter Notes") in 2013 for the purpose of financing its current Teeter Plan distribution to taxing agencies participating in the Teeter Plan (the "Participating Agencies"). The Teeter Notes were purchased by Wells Fargo Bank, National Association through a direct placement pursuant to a Note Purchase and Reimbursement Agreement and replaced a commercial paper program. In July of each year, the County issues additional Teeter Notes to fund the distribution to Participating Agencies under the Teeter Plan. Throughout the year, the County retires portions of the Teeter Notes using delinquent tax revenues associated with the Teeter Plan. The Teeter Notes mature on July 31, 2018.

As of March 31, 2016, $40.4 million in Teeter Notes are outstanding. The County expects to apply all revenues associated with Teeter Plan collections for the remainder of the fiscal year to pay down a portion of the Teeter Notes by June 30, 2016 and plans to issue additional Teeter Notes in July 2016 to make the Teeter Plan distribution to Participating Agencies.

The penalties and interest associated with delinquent taxes, along with interest earnings on program cash and investment balances constitute General Purpose Revenue once the Tax Losses Reserve Fund is funded to its requirement (equal to 25% of delinquencies) and expenses of the program have been paid.

Unsecured Property Roll. Property taxes on the unsecured roll are due as of August 1 and become delinquent after August 31. A 10% penalty attaches to delinquent properties on the unsecured roll, and an additional penalty of 1½% per month begins to accrue on November 1. The Treasurer has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the Office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interest belonging or assessed to the delinquent taxpayer.

Allocation of Property Taxes. Property taxes are allocated to local governments pursuant to legislation implementing Article XIII A of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII A of the State Constitution" in the forepart of this Official Statement. Due to legislation enacted as part of the Fiscal Year 2004-05 State Budget and effective for Fiscal Year 2004-05 and thereafter, counties, including the County, and cities received property taxes from the schools' Educational Revenue Augmentation Fund ("ERAF") allocation to replace local sales taxes and vehicle license fees transferred to the State. The County has historically received approximately 11% of property tax revenues collected in the County for general revenue purposes. Legislation enacted with the Fiscal Year 2009-10 State Budget Act (SB 8 X3) increased property tax revenue allocations to the County by $35 million annually in Fiscal Year 2009-10 and Fiscal Year 2010-11 and by $50 million annually thereafter. With the Adoption of Assembly Bill 701 ("AB 701") on September 27, 2013, these revenues are no longer allocated to the County. For additional information regarding these revenues, see "Vehicle License Fee Revenue Reallocation and Repayment" herein.

Assessed Valuation

The Assessor assesses all property within the County except state-assessed properties (i.e., utility property, regulated railroads) which are assessed by the State Board of Equalization.

Since Fiscal Year 1981-82, property in California has been assessed at 100% of full cash value. Under Proposition 13, Article XIII A of the California Constitution, the maximum *ad valorem* tax on real property is limited to 1% of the full cash value, to be collected by counties and apportioned according to law. The full cash value may be adjusted upward annually to account for inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. When property is transferred or new construction occurs it is assessed at its cash value at the time of such transfer or new construction. Due to changes in assessment under Article XIII A of the California Constitution, the County assessment roll no longer purports to be proportional to market value. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII A of the State Constitution" in the forepart of this Official Statement.

The following table shows a history of assessed valuations in the County since Fiscal Year 2006-07.

TABLE A-8

COUNTY OF ORANGE
DETAIL OF ASSESSED VALUATION[(1)]

Fiscal Year	Secured	Unsecured	Total	% Change
2006-07	$361,161,415,703	$19,845,975,295	$381,007,390,998	11.22%
2007-08	393,203,962,346	19,465,816,713	412,669,779,059	8.31
2008-09	408,491,848,742	20,317,375,534	428,809,224,276	3.91
2009-10	402,572,097,312	20,393,498,698	422,965,596,010	-1.36
2010-11	400,814,188,871	19,937,386,517	420,751,575,388	-0.52
2011-12	405,588,977,572	19,180,663,956	424,769,641,528	0.95
2012-13	414,121,659,108	18,780,614,687	432,902,273,795	1.92
2013-14	429,070,697,346	18,678,458,709	447,749,156,055	3.43
2014-15	455,733,167,806	20,570,122,070	476,303,289,876	6.38
2015-16	485,007,445,623	19,642,914,061	504,650,359,684	5.95

(1) Figures in table include incremental value for redevelopment agencies. Property is assessed at taxable full cash value, pursuant to California Revenue and Taxation Code Section 135(a).

Sources: Orange County Office of Auditor-Controller, Assessed Valuation Reports.

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Secured and Unsecured Taxes

Table A-9 provides a list of the twenty largest secured taxpayers in the County for Fiscal Year 2015-16. For purposes of this table, multiple properties may be consolidated into a single entry.

TABLE A-9

COUNTY OF ORANGE
LARGEST 2015-16 LOCAL SECURED TAXPAYERS

	Taxpayers[1]	Secured Tax Charge	% of Taxes[2]
1.	Irvine Company	$111,040,329	1.92%
2.	Walt Disney Parks & Resorts US	48,010,995	0.83
3.	So Cal Edison Company	34,708,534	0.60
4.	Heritage Fields El Toro	11,943,267	0.21
5.	Pacific Bell Telephone Company (AT&T)	10,920,821	0.19
6.	United Laguna Hills Mutual	8,734,773	0.15
7.	Southern California Gas Company	5,933,505	0.10
8.	Oxy USA, Inc.	5,574,693	0.10
9.	B. Braun Medical, Inc.	4,301,682	0.07
10.	Bella Terra Associates, LLC	3,999,296	0.07
11.	Olen Properties Corp.	3,912,333	0.07
12.	South Coast Plaza	3,861,081	0.07
13.	Standard Pacific Corp.	3,798,565	0.07
14.	Knott’s Berry Farm	3,777,039	0.07
15.	John Hancock Life Insurance Company	3,618,472	0.06
16.	Mayer Financial, LP	3,423,771	0.06
17.	United Dominion Realty, LP	3,299,630	0.06
18.	Monroe MBR, LLC	3,096,442	0.05
19.	Vestar/Kimco Tustin, LP	3,017,021	0.05
20.	Rreef America REIT II Corp.	2,924,934	0.05
	TOTAL	$279,897,183	4.85%

(1) Taxpayers are grouped under a parent company, if identifiable.
(2) Total Secured Taxes as of September 2, 2015 were $5,785,683,037.

Source: Orange County Treasurer-Tax Collector.

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Table A-10 provides a list of the ten largest unsecured taxpayers in the County for Fiscal Year 2015-16.

TABLE A-10

COUNTY OF ORANGE
TOP TEN UNSECURED TAXPAYERS
FISCAL YEAR 2015-16

	Taxpayers[(1)]	Unsecured Tax Charge	% of Taxes[(2)]
1.	Time Warner Cable Inc.	$3,694,566	1.65%
2.	Cox Communications, Inc.	2,584,889	1.15
3.	The Boeing Company	2,490,743	1.11
4.	Broadcom Corp.	1,963,819	0.88
5.	Allergan USA, Inc.	1,621,856	0.72
6.	Southwest Airlines Company	1,486,010	0.66
7.	Kimberly-Clark Worldwide, Inc.	1,279,188	0.57
8.	Panasonic Avionics Corp.	1,206,398	0.54
9.	Western Digital Technologies, Inc.	1,146,344	0.51
10.	Applied Medical Resources Corp.	1,084,033	0.48
	TOTAL	$18,557,846	8.27%

(1) Taxpayers are grouped under a parent company, if identifiable.
(2) Total Unsecured Taxes as of September 2, 2015 were $224,262,812.

Source: Orange County Treasurer-Tax Collector.

Vehicle License Fee Revenue Reallocation and Repayment. All counties in California receive property taxes in lieu of Vehicle License Fee ("VLF") pursuant to Section 97.70 of the Revenue and Taxation Code. This system of property taxes in lieu of VLF started in 2004 when the Legislature enacted the so-called "VLF swap" pursuant to which the State took VLF revenues that were previously allocated to cities and counties through the Motor Vehicle License Fees Account ("MVLFA") and replaced these revenues with property tax revenues that were drawn from the Educational Revenue Augmentation Fund ("ERAF") and paid to the counties and cities through the Vehicle License Fee Adjustment Amount ("VLFAA").

In recognition of the County's pledge of VLF revenues to secure the repayment of certain County bankruptcy debt, the Legislature enacted Assembly Bill 2115 ("AB 2115") in 1995. AB 2115's provisions allocated to the County, at the time of the VLF swap beginning in the 2004-2005 fiscal year, $54 million in VLF each year. Both the VLFAA and the amount of actual VLF received by the County under AB 2115 were adjusted to reflect growth or losses in property taxes for VLFAA and VLF receipts.

On June 30, 2011, the Governor signed Senate Bill 89 ("SB 89"), which terminated the County's annual receipt of approximately $49.5 million (adjusted from $54 million) in VLF under AB 2115. The County believed the action by the State in eliminating the VLF to the County required the County's Auditor-Controller, consistent with other counties, to recalculate the property taxes that must be allocated to the County as part of the VLFAA under Revenue & Taxation Code Section 97.70. The Auditor-Controller's calculation of the VLFAA for Fiscal Year 2011-12 determined that the County should receive approximately $73.5 million more in VLFAA compared to the prior year and the Auditor-Controller allocated such additional amounts to the County. On April 5, 2012, the California Department of Finance ("DOF") and the Chancellor of the California Community Colleges filed a lawsuit against the County contending that the County incorrectly computed the amount of property taxes to be allocated to the County under Revenue and Taxation Code Section 97.70 as a part of the VLFAA. On August 30, 2013, the Orange County Superior Court issued a judgment that required the Auditor-Controller to calculate future VLFAA without the additional $73.5 million adjustment in VLFAA. The judgment further required the County to repay $148.6 million (plus interest) in VLFAA previously allocated to the County under the disputed calculation method used in Fiscal Years 2011-12 and 2012-13. On September 27, 2013, Assembly Bill 701 ("AB 701") was signed by the Governor as a legislative resolution to the dispute between the State and the County. AB 701 provides for $53 million in annual VLFAA in lieu of the $50 million previously provided by SB 8 X3. For additional information regarding SB 8 X3, see "General Fund Revenues - Allocation of Property Taxes" herein. AB 701 also sets forth the repayment schedule by fiscal year shown in the following table. The Board of Supervisors took action to reserve the repayment amount in the County's strategic priority reserves**.** In June 2015 the County made the first $5 million repayment. The $15 million owed in Fiscal Year 2015-16 will be paid in June 2016.

TABLE A-11

COUNTY OF ORANGE
REMAINING REPAYMENT OF VLFAA ALLOCATION UNDER AB 701 BY FISCAL YEAR

2015-16	2016-17	2017-18	2018-19	Total
$15,000,000	$25,000,000	$50,000,000	$55,000,000	$145,000,000

2011 Realignment. The Fiscal Year 2011-12 State Budget Act included a Realignment Plan which transferred authority and funding responsibility for certain State programs to local governments including: court security, adult offender and parolees, public safety grants, mental health services, substance abuse treatment, child welfare programs, adult protective programs, and California Work Opportunity and Responsibility to Kids (CalWORKs). The realignment of these Public Safety and Health and Human Services programs went into effect July 1, 2011, with the exception of the funding for the realignment of adult offender and parolee populations, which went into effect October 1, 2011. The Schools and Local Public Safety Protection Act ("Proposition 30") approved by voters on November 7, 2012, among other things, guarantees the ongoing revenues redirected to counties in 2011 to fully fund public safety programs transferred as part of the Realignment Plan. The realignment of these programs was expected to have a minimal financial impact on the County as long as the programs remained fully funded by the State.

However, from implementation through Fiscal Year 2013-14 realignment revenue associated with AB 109 was insufficient to cover associated costs. On November 4, 2014 voters passed Proposition 47, "The Safe Neighborhood and Schools Act", which reduced the classification of most non-serious, non-violent property and drug crimes from felonies to misdemeanors. This change reduced the number of new felony cases and permitted re-sentencing for anyone currently serving a sentence for those offenses, ultimately reducing the AB 109 and general jail populations. As a result of this change in Fiscal Year 2014-15, AB 109 realignment revenue has been sufficient to fully fund AB 109 activities.

The Fiscal Year 2014-15 AB 109 allocation to the County was $69 million. The Fiscal Year 2015-16 AB 109 allocation increased by $12 million to $81 million. The Fiscal Year 2016-17 AB 109 allocation is projected to be $86 million.

Dissolution of Redevelopment Agencies. Pursuant to Assembly Bill x1 26 ("AB x1 26") (a companion bill to the Fiscal Year 2011-12 State Budget Act), redevelopment agencies were dissolved, and any net tax increment revenues remaining after payment of redevelopment bonds debt service, other enforceable obligations and administrative costs will be distributed to cities, counties, special districts and school districts. Another companion bill, Assembly Bill x1 27 ("AB x1 27"), authorized redevelopment agencies to continue operations provided their establishing cities or counties agreed to make a specified payment to school districts and county offices of education, totaling $1.7 billion statewide. As a result, the County Development Agency was dissolved effective February 1, 2012 and the County became the successor agency to the County Development Agency. The County is in the process of winding down the operations of the County Development Agency in accordance with the requirements of AB x1 26. The County estimates that it will receive approximately $24.6 million in additional property tax revenue in Fiscal Year 2015-16 from the dissolution of redevelopment agencies and expects the revenue to continue at least at this level.

Sales Tax

A sales tax is imposed upon retailers for the privilege of selling tangible personal property in California. Most retail sales and leases are subject to the tax. However, exemptions have been provided for certain essentials such as food for home consumption, prescription drugs, gas delivered through main gas lines and electricity. Other exemptions provide relief for a variety of sales ranging from custom computer software to aircraft.

Currently the total state and local sales tax rate of 8 percent is imposed in the County. The breakdown of the state and local sales tax rate is as follows:

- 3.9375 percent imposed as a State General Fund tax;
- 0.5 percent dedicated to local governments (including the County) for health and welfare program realignment;
- 0.5 percent dedicated to local governments (including the County) for public safety services ("Proposition 172 Funds");
- 1.25 percent local tax imposed under the Uniform Local Sales and Use Tax Law (known as the "Bradley-Burns Act"), with 0.25 percent dedicated to county transportation purposes and 1 percent for city and county general purpose use;
- 0.5 percent Optional Local Sales Tax for transportation improvements ("Measure M Sales Tax");
- 1.0625 percent to fund the 2011 Public Safety Realignment; and
- 0.25 percent sales and use tax added by Proposition 30 for K-12 schools and community colleges, expires December 31, 2016.

Additional Revenue to the County from Recovery Statutes

In December, 1994, the County filed for bankruptcy protection under Chapter 9 of the US Bankruptcy Code, following certain collateral calls in connection with County investments. Legislation enacted by the State in 1995 as part of the County's recovery plan (Chapters 745, 746, 747, and 748 of the 1995 Statutes, collectively the "Recovery Statutes") diverted certain revenue to the County from other public agencies or from funds within the County, and dedicated such revenue to the payment of obligations arising out of the County's bankruptcy plan of adjustment, as described below.

1. Transfer from the County of Orange (as Successor Agency to the Orange County Development Agency) to the County General Fund of $4 million per year (in two installments on February 15 and June 15) for a period of 20 years commencing on July 1, 1996. The transfer will end in Fiscal Year 2015-16.

2. Reduction in the amount of property tax revenue allocated to the Orange County Flood District and the OC Parks Fund, initially by $4 million for each fund, subject to increase based on increasing assessed valuations (estimated at $11.2 million for each fund for Fiscal Year 2015-16), thereby increasing the amount of property tax allocated to the County for deposit to the County General Fund for each Fiscal Year from 1997-98 to 2015-16.

In accordance with the requirements of the County's bankruptcy plan of adjustment, the excess (if any) of the aforementioned revenues, and certain net revenues paid into the County General Fund on account of importation of out-of-County solid waste (estimated at $25 million for Fiscal Year 2015-16), over the debt service and other costs payable on a fiscal year basis on the 2005 Lease Revenue Bonds (which were issued to refund the 1996 Bankruptcy Recovery Bonds) will be applied no later than 90 days following the end of each Fiscal Year, to restore losses in certain County administered accounts under the County's bankruptcy plan of adjustment.

The importation of out-of-County solid waste was included in the Waste Disposal Agreements (WDA) with cities and set to terminate by June 30, 2016 with WDA terminating in 2020. The County obtained approval with the cities amending WDA to extend their terms to 2025 and removed importation restrictions. This will provide the revenue to fully repay the County administered accounts under the County's bankruptcy plan of adjustment.

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Outstanding Long Term Debt and Lease Obligations

The County's outstanding long-term debt as of March 31, 2016 is shown in the following table.

TABLE A-12

COUNTY OF ORANGE
OUTSTANDING LONG-TERM DEBT AND LEASE OBLIGATIONS

Description	Source of Repayment	Outstanding Principal Balance (March 31, 2016)	Final Maturity Date
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	General Fund	$1,261,106	2018
Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005	General Fund	43,015,000	2017
County of Orange Taxable Refunding Pension Obligation Bonds, Series 1996 A[(1)]	General Fund	5,071,540	2016
County of Orange Taxable Refunding Pension Obligation Bonds, Series 1997 A[(1)]	General Fund	14,071,318	2021
Orange County Public Financing Authority Lease Revenue Bond, Series 2006	General Fund	11,440,000	2018
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	General Fund	20,400,000	2019
County of Orange Teeter Plan Obligation Notes, Series B	Series A Taxes	40,387,000	2018
SUBTOTAL- GENERAL FUND OBLIGATIONS		**$135,645,964**	
County of Orange, Airport Revenue Bonds, Series 2009A	Airport Revenues	$60,750,000	2039
County of Orange, Airport Revenue Bonds, Series 2009B	Airport Revenues	136,320,000	2039
Successor Agency to the Orange County Development Agency (Neighborhood Development and Preservation Project) Tax Allocation Refunding Bonds, Issue of 2014	Redevelopment Property Tax Trust Fund	11,615,000	2022
Successor Agency to the Orange County Development Agency (Santa Ana Heights Project Area) Tax Allocation Refunding Bonds, Issue of 2014	Redevelopment Property Tax Trust Fund	16,790,000	2023
TOTAL		**$361,120,964**	

(1) The outstanding Taxable Refunding Pension Obligation Bonds, Series 1996A and Series 1997A were economically defeased on June 22, 2000, through the deposit with the trustee of $175.492 million principal amount of AAA-rated debt securities issued by Fannie Mae, together with irrevocable instructions that these securities and other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature.

Source: County of Orange, CEO Public Finance Unit.

The County's General Fund debt service payments (excluding the economically defeased Pension Obligation Bonds, Series 1996 and Series 1997) for Fiscal Years 2015-16 through 2019-20 is shown in the following table.

TABLE A-13

COUNTY OF ORANGE
GENERAL FUND DEBT SERVICE

Description	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	$2,603,383	$2,607,339	$2,598,461	$2,600,000	$0
Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005	24,453,094	38,621,844	5,725,391	0	0
Orange County Public Financing Authority Lease Revenue Bond, Series 2006	4,202,000	4,200,500	4,200,000	0	0
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	5,825,763	5,823,963	5,826,575	5,281,500	0
County of Orange Teeter Plan Obligation Notes, Series B[(1)]	0	0	0	40,387,000	0
TOTAL GENERAL FUND DEBT SERVICE	**$37,084,240**	**$51,253,646**	**$18,350,427**	**$48,268,500**	**$0**

(1) Historically, the County has retired portions of the Teeter Notes throughout the year using delinquent tax revenues associated with the Teeter Plan. In July of each year, the County has issued additional Teeter Notes to fund the distribution to Participating Agencies under the Teeter Plan. The Teeter Notes mature on July 31, 2018. For additional information, see "Teeter Plan Notes" herein.

Source: County of Orange, CEO Public Finance Unit.

Short Term Debt

On January 14, 2015, the County issued its Taxable Pension Obligation Bonds, 2015 Series A (the "2015 Series A Bonds") in the amount of $339.625 million. The outstanding balance as of March 31, 2016 was $139.625 million. The 2015 Series A Bonds will mature on June 30, 2016. The 2015 Series A Bond proceeds were combined with $23.958 million in contributions from County departments to prepay the County's Fiscal Year 2015-16 pension obligation. The OCERS Board of Retirement approved a discount rate of 5.8% for the pension prepayment in connection with the issuance of the 2015 Series A Bonds. The discount, combined with the interest and issuance costs, resulted in a net savings of $17.9 million to the County.

On January 13, 2016, the County issued its Taxable Pension Obligation Bonds, 2016 Series A (the "2016 Series A Bonds") in the amount of $334.275 million. The outstanding balance as of March 31, 2016 was $334.275 million. The 2016 Series A Bonds will mature on June 30, 2017. The 2016 Series A Bond proceeds were combined with $23.106 million in contributions from County departments to prepay the County's Fiscal Year 2016-17 pension obligation. The OCERS Board of Retirement approved a discount rate of 5.8% for the pension prepayment in connection with the issuance of the 2016 Series A Bonds. The discount, combined with the interest and issuance costs, resulted in a net savings of $16.2 million to the County.

In Fiscal Year 2012-13, $3.9 million was borrowed from the OC Waste & Recycling Department's solid waste enterprise fund for costs associated with the upgrade of various information technology projects. The amount borrowed is being repaid over five years in equal principal installments including interest at the Treasurer commingled pool rate. The amount outstanding as of March 31, 2016 is $2.3 million. The Fiscal Year 2015-16 County budget includes $31.8 million in additional internal borrowing for an information technology, road, and jail project. However, the actual projected borrowing need is estimated at only $4 million for the jail project. The repayment of these projects is required over a three year period.

The County has not issued Tax and Revenue Anticipation Notes since 2011 as sufficient cash is on hand due to an increased General Fund reserve balance.

Capital and Operating Lease Obligations

The County is the lessee under a number of capital leases in effect with respect to real property and equipment used by the County. For additional information, see Note 13 in the Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2015 in Appendix B of this Official Statement.

Future Debt Issues

The County is considering implementing phase I of its Civic Center Master Plan in Fiscal Year 2016-17. The Civic Center campus is the core of buildings that house County departments, from which public services are provided, including, but not limited to, the Treasurer-Tax Collector, Clerk-Recorder, Public Works, District Attorney, Public Defender, and the Orange County Board of Supervisors. Phase I, anticipated to cost approximately $150 million, may include demolition of an existing vacant, three story building and construction of a six story replacement with underground parking. A financing mechanism is not yet identified, however, an estimated debt service payment was included in the County's 2015 five-year Strategic Financial Plan to ensure funding availability.

Overlapping Debt and Debt Ratios

The County contains numerous municipalities, school districts, and special purpose districts such as water and sanitation districts, which have issued indebtedness that is repaid out of tax revenues. Set forth in the following table is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. as of December 1, 2015. The Debt Report is included for general information purposes only. Neither the County nor the underwriter makes any representations as to its completeness or accuracy. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property and other taxes.

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TABLE A-14

COUNTY OF ORANGE
DIRECT AND OVERLAPPING DEBT
As of December 1, 2015

2015-16 Assessed Valuation: $504,650,359,684 (includes unitary utility valuation)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/1/15	
Metropolitan Water District	20.340%	$ 22,459,411	
Coast Community College District	100.	498,864,504	
North Orange County Joint Community College District	97.705	167,625,825	
Rancho Santiago Community College District and School Facilities Improvement District No. 1	100.	332,292,899	
Unified School Districts	0.147-100.	1,426,134,836	
Anaheim Union High School District	100.	144,803,955	
Fullerton Joint Union High School District	91.652	81,457,939	
Huntington Beach Union High School District	100.	197,644,998	
School Districts	100.	431,192,382	
Irvine Ranch Water District Improvement Districts	100.	494,800,000	
Moulton-Niguel Water District Improvement Districts	100.	10,165,000	
Santa Margarita Water District Improvement Districts	100.	106,070,000	
South Coast Water District	100.	810,000	
Cities	100.	28,665,000	
Orange County Community Facilities Districts	100.	363,732,823	
Other Community Facilities Districts	100.	1,672,617,834	
City and Special District Special Assessment Bonds	100.	809,795,964	
County 1915 Act Bonds	100.	68,430,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$6,857,563,370	
OTHER DIRECT AND OVERLAPPING DEBT:			
Orange County General Fund Obligations	**100. %**	**$ 77,116,000**	(1)
Orange County Pension Obligation Bonds	**100.**	**253,767,858**	
Orange County Office of Education Certificates of Participation	100.	15,190,000	
Municipal Water District of Orange County Water Facilities Corporation	100.	2,770,000	
Unified School District Certificates of Participation	0.147-100.	378,864,376	
High School District Certificates of Participation	91.652-100.	133,347,697	
School District Certificates of Participation	100.	81,738,666	
City of Anaheim General Fund Obligations	100.	673,687,465	
Other City General Fund Obligations	100.	426,324,752	
Moulton-Niguel Water District Certificates of Participation	100.	76,045,000	
Other Special District General Fund Obligations	100.	155,000	
TOTAL GROSS OTHER DIRECT AND OVERLAPPING DEBT		$2,119,006,814	
Less: MWDOC Water Facilities Corporation (100% supported)		2,770,000	
City of Anaheim supported obligations		673,687,465	
Other city authority supported bonds		550,000	
TOTAL NET OTHER DIRECT AND OVERLAPPING DEBT		$1,441,999,349	
OVERLAPPING TAX INCREMENT DEBT:			
Anaheim Redevelopment Agency	100. %	$ 203,275,000	
Brea Redevelopment Agency	100.	155,244,163	
Westminster Redevelopment Agency	100.	117,970,000	
Fullerton Redevelopment Agency	100.	90,715,000	
Buena Park Redevelopment Agency	100.	79,860,000	
Other Redevelopment Agencies	100.	487,387,290	
TOTAL OVERLAPPING TAX INCREMENT DEBT		$1,134,451,453	
GROSS COMBINED TOTAL DEBT		$10,111,021,637	(2)
NET COMBINED TOTAL DEBT		$9,434,014,172	

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2015-16 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt................................1.36%
Combined Direct Debt ($330,883,858) 0.07%
Gross Combined Total Debt..2.00%
Net Combined Total Debt 1.87%

Ratios to Redevelopment Incremental Valuation ($58,264,267,214):

Total Overlapping Tax Increment Debt..1.95%

Source: California Municipal Statistics, Inc.

COUNTY RETIREMENT SYSTEM

General

The County contributes to OCERS, which was established in 1945 pursuant to the County Employees Retirement Law of 1937 (California Government Code § 31450 et seq.) (the "Retirement Law"). OCERS is an independent, defined-benefit retirement plan in which member employees of the County, Orange County Superior Court, and certain cities and special districts within the County participate. Participating entities, including the County, share proportionally in all risks and costs, including benefit costs. OCERS is governed by the Board of Retirement (the "Retirement Board"), which is independent of the Board of Supervisors, although the Board of Supervisors appoints four members of the nine-member Retirement Board. In addition, the Treasurer sits as an ex-officio member of the Retirement Board, as required by the Retirement Law. The California Constitution vests the Retirement Board with sole and exclusive responsibility over OCERS, including without limitation, the assets of OCERS, the administration of OCERS and the actuarial services provided to OCERS. Members of the Retirement Board must discharge their duties solely in the interest of and for the exclusive purposes of providing benefits to participants and their beneficiaries, minimizing employer contributions, and ensuring reasonable expenses of OCERS. The Retirement Board's duty to OCERS participants and their beneficiaries takes precedence over any other duty. The Retirement Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS.

OCERS practice has been to determine contribution rates by conducting an actuarial valuation on an annual basis as of each December 31. The County and other participating entities begin making contributions attributable to each annual valuation eighteen months after the respective valuation date. County payments represent approximately 54% of the payments into OCERS. The Retirement Law requires the Board of Supervisors to annually make budgetary appropriations for the purpose of making required County contributions to OCERS.

OCERS provides a "defined benefit" pension to eligible members (all regular full-time employees or part-time employees scheduled to work 20 hours or more per week) upon retirement (OCERS also provides certain disability and death benefits). Benefits formulas authorized under the Retirement Law are typically adopted through labor contracts negotiated between the County and employee bargaining units. Members' annual benefits are determined by multiplying a specified percentage of pay times years of service. The product constitutes the member's retirement benefit. In addition, benefit formulas include an age at which the member can retire and begin to receive the full amount of his benefit. Current County benefit formulas are as follows:

- 3% at age 50 – Deputy Sheriffs, County Probation Officers, District Attorney Investigators and law enforcement management and executive management hired prior to April 9, 2010.

- 3% at age 55 – Employees represented by the Association of Orange County Deputy Sheriffs, law enforcement management and executives in the Sheriff and District Attorney Departments. Effective for employees hired after April 9, 2010 but before January 1, 2013.

- 2.7% at age 57 – Safety PEPRA for those hired after January 1, 2013.

- 2.7% at age 55 – General employees hired prior to January 1, 2013.

- 1.62% at age 65 – New employees beginning May 7, 2010 must select, within 45 days of employment, either 2.7% at age 55 or 1.62% at age 65. If the new employee fails to make an election, he is deemed to elect the 1.62% at age 65 formula. The 1.62% at age 65 formula includes a voluntary defined contribution component with an employer match which generally results in a higher annual net pay to the employee. This option is available to employees represented by the Orange County Employees Association, Alliance of Orange County

Workers, the International Union of Operating Engineers, Orange County Managers Association and non-represented employees such as Executive Management. New employees hired on or after January 1, 2013 and who belong to certain bargaining units or are elected officials, executive management, executive assistants or executive aides will only have the option of 1.62% at age 65. The bargaining units required to enroll in the 1.62% at age 65 formula after January 1, 2013 are Administrative Management, Office Services, Community Services, County General, Healthcare Professional, Supervisory Management, Sheriff Special Officer & Deputy Coroner, Operations & Service Maintenance, and Craft & Plant Engineer.

- 2% at age 62 – On September 12, 2012, Governor Brown signed the Public Employees' Pension Reform Act of 2013 that created a new pension retirement formula for all new non-safety employees hired on or after January 1, 2013. New employees hired on or after January 1, 2013 represented by the American Federation of State, County and Municipal Employees and the Attorney unit will be enrolled in the 2% at age 62 formula.

- 1.6667% at age 57.5 and 2.0% at age 57 – General members of the American Federation of State, County and Municipal Employees hired prior to January 1, 2013.

Actuarial Valuation and Funding Methodology

OCERS' actuarial valuations determine, as of the date of the calculation (e.g., December 31, 2014), the funding (contributions) required for the Fiscal Year commencing eighteen months from the valuation date, based substantially upon analysis of the prior year's plan experience. OCERS uses the Entry Age Normal Actuarial Costs Method for funding. The actuary employs a series of economic and demographic assumptions including expected return on invested assets, the assumed future pay increases for current employees, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries, contributions to OCERS, inflation, and other factors. All OCERS actuarial assumptions are subject to change at the direction of the Retirement Board. See "Recent Changes to Actuarial Assumptions" below. Assumptions used in the December 31, 2014 actuarial valuation include:

Investment Rate of Return	7.25%
Inflation Rate	3.00% per annum
Cost of Living Adjustments	3.00% per annum with any excess banked for future year adjustments
Real Across the Board Salary Increase	0.50%
Projected Salary Increases	4.25% to 13.50% for General Members; 5.0% to 17.50% for Safety Members based on Service

The valuation determines annual contribution requirements, which are expressed as a percentage of pay for each benefit formula. Employer contribution rates are comprised of both normal cost and an amount to amortize the outstanding balance of the unfunded actuarial accrued liability ("UAAL"). The "normal cost" represents the amount of contributions required to fund the cost associated to the current year of service, plus a cost of living factor. Member employees also pay a normal contribution, based on formulas specified in the Retirement Law. Additionally, certain bargaining agreements require employees to pay a portion of the UAAL on behalf of the County.

The UAAL represents the amount by which the actuarial accrued liability (the present value of projected future benefits earned by employees as of the respective valuation date) of OCERS exceeds the Actuarial Value of Assets. The Actuarial Value of Assets means the market value of assets exclusive of the unrecognized gains and losses from investment over the previous five years. The unrecognized return is equal to the difference between the actual return and the assumed return on a market value basis. The difference each year is "smoothed" by separately recognizing the difference in 20% increments over the subsequent five (5) years. The "smoothing" technique is intended to recognize market value gains and losses over time to reduce volatility in resulting contribution rates. The UAAL is owed to OCERS by all participating agencies, including the County, amortized over a period of years and once a UAAL is determined, in order to calculate required contributions, OCERS uses differing amortization periods for gains and losses depending upon the reason for such gain or loss. UAAL amortization periods are:

- OCERS reset the UAAL amortization period in 2013, combining and re-amortizing the entire outstanding balance of the December 31, 2012 UAAL over a single 20-year period. Any future changes in UAAL due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in plan amendments will be amortized over separate 15-year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years.

December 31, 2014 Actuarial Valuation

OCERS' December 31, 2014 actuarial valuation (the "2014 Valuation") calculated UAAL as of December 31, 2014 as $4.963 billion (County's portion is $3.899 billion), a decrease of $404.7 million from OCERS' December 31, 2013 valuation (the "2013 Valuation"). The UAAL decrease was mainly due to additional UAAL payments made by certain employers, lower than expected cost of living increases and lower than expected salary increases as well as changes in actuarial assumptions which included a net increase in mortality rates. The ratio of the Valuation Value of Assets (the Actuarial Value of Assets less certain non-valuation reserves) to Actuarial Accrued Liabilities in the 2014 Valuation increased to 69.8% from 66.0% in the 2013 Valuation. The aggregate employer contribution rate has decreased from 38.13% of payroll to 37.41% of payroll in the 2014 Valuation. For more information regarding the funding progress of OCERS, see table A-16 herein. The County begins making contribution payments attributable to the 2014 Valuation on July 1, 2016.

Recent Changes to Actuarial Assumptions

On December 5, 2012, the Retirement Board voted to reduce the assumed investment rate of return from 7.75% to 7.25%. The assumed rate of return reduction had the impact of increasing the County's UAAL and contribution rates. The cost impact of reducing the assumed rate of return on employer contributions rates was phased in over a two-year period beginning July 2014. The estimated increase to OCERS' UAAL due to the assumption changes was $935 million.

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TABLE A-15

ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT RETURNS

Year Ended December 31	Actuarial Value Investment Return	Market Value Investment Return
2005	8.72%	8.11%
2006	9.71	13.17
2007	10.49	11.18
2008	4.23	(20.76)
2009	3.60	17.32
2010	5.02	10.47
2011	3.28	0.04
2012	3.49	11.92
2013	9.11	10.73
2014	7.34	4.52
5-Year Average Return	5.62%	7.44%
10-Year Average Return	6.46%	6.11%

Source: Orange County Employees Retirement System Actuarial Valuation and Review December 31, 2014.

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Table A-16 shows the present value of retirement benefits, the Actuarial Value of Assets available for retirement benefits, and two indicators of funding progress for OCERS: the funding ratio and the ratio of UAAL to annual payroll. OCERS's Actuarial Value of Assets recognizes each year's asset gains or losses over a five year period, one fifth per year.

TABLE A-16

ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(Dollars in Thousands)

Actuarial Valuation December 31	Actuarial Value of Assets[1]	Market Value of Assets	Actuarial Accrued Liability (AAL)	Total Unfunded Actuarial Accrued Liability (UAAL)[2]	Actuarial Funded Ratio[3]	Market Funded Ratio[4]	Covered Payroll[5]	UAAL as a Percentage of Covered Payroll[6]
2005	$5,786,617	$6,078,000	$8,089,627	$2,303,010	71.53%	75.13%	$1,276,764	180.38%
2006	6,466,085	6,987,000	8,765,045	2,298,960	73.77	79.71	1,322,952	173.78
2007	7,288,900	7,894,000	9,838,686	2,549,786	74.08	80.23	1,457,159	174.98
2008	7,748,380	6,457,000	10,860,715	3,112,335	71.34	59.45	1,569,764	198.27
2009	8,154,687	7,615,000	11,858,578	3,703,891	68.77	64.22	1,618,491	228.85
2010	8,672,592	8,564,000	12,425,873	3,753,281	69.79	68.92	1,579,239	237.66
2011	9,064,355	8,693,000	13,522,978	4,458,623	67.03	64.28	1,619,474	275.31
2012	9,469,208	9,750,989	15,144,888	5,675,680	62.52	64.38	1,609,600	352.55
2013	10,417,125	11,011,261	15,785,042	5,367,917	65.99	69.76	1,604,496	334.55
2014	11,449,911	11,428,133	16,413,124	4,963,213	69.76	69.63	1,648,160	301.14

(1) The Actuarial Value of Assets exclude assets held in the Investment Account and prepaid employer contributions. See "County General Fund Budget – Reserves" herein.
(2) Actuarial Accrued Liability minus Actuarial Value of Assets, County's December 31, 2014 portion is $3.899 billion.
(3) Actuarial Value of Assets divided by Actuarial Accrued Liability.
(4) Market Value of Assets divided by Actuarial Accrued Liability.
(5) Annual payroll against which UAAL is amortized.
(6) UAAL divided by Covered Payroll.

Source: Orange County Employees Retirement System Comprehensive Annual Financial Reports.

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TABLE A-17

ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
CHANGES IN FIDUCIARY NET POSITION
(Dollars in Thousands)

	Years Ended December 31		
	2012	**2013**	**2014**
Contributions Received[1]	$ 629,005	$ 720,802	$ 925,695
Net Investment Income (Loss)	1,014,807	1,166,858	506,717
Net Securities Lending Income	2,031	1,478	1,465
Participant's Benefits	(560,950)	(607,263)	(651,385)
Withdrawals and Refunds	(10,097)	(9,864)	(11,730)
Administrative Expenses	(14,237)	(11,739)	(11,947)
Increases in Net Position Restricted for Pension and OPEB	$ 1,060,559	$ 1,260,272	$ 758,815

(1) Includes employer and employee pension and retiree health care contributions to OCERS (See "Post Employment Health Care Benefits" section herein for information regarding the Retiree Medical Trust held at OCERS).

Sources: OCERS Comprehensive Annual Financial Reports.

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Table A-18 below shows the County's required contributions and the percentage contributed for Fiscal Years 2005-06 to 2014-15.

TABLE A-18

ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
COUNTY CONTRIBUTIONS
(Dollars in Thousands)

Year Ended June 30	County Cash Contribution	Investment Account Contribution[1]	Total Annual Required Contribution	Percentage Contributed
2006	$201,251	$11,596	$212,847	100%
2007	223,505	11,000	234,505	100
2008	253,620	11,000	264,620	100
2009	256,531	36,500	293,031	100
2010	279,574	11,000	290,574	100
2011	296,084	11,000	307,084	100
2012	310,736	11,000	321,736	100
2013	328,953	0	328,953	100
2014	348,597	10,000	358,597	100
2015	371,810	0	371,810	100

(1) See "County General Fund Budget – Reserves" herein.

Sources: Orange County Office of Auditor-Controller.

The UAAL, the funded ratio, calculations of normal cost as reported by OCERS and the resulting amounts of required contributions by the County are "forward looking" information. Such "forward looking" information reflects the judgment of the Retirement Board and its actuaries as to the amount of assets which OCERS will be required to accumulate to fund its liabilities for future benefits over the lives of the currently active employees, vested terminated employees and existing retired employees. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or may be changed in the future.

For additional information, see Note 18 in the "Notes to the Basic Financial Statements Fiscal Year Ended June 30, 2015," which appears in Appendix B of this Official Statement. Various reports for OCERS including the OCERS Comprehensive Annual Financial Report are posted from time to time on the OCERS's website, www.ocers.org. Such reports are not incorporated as part of this Official Statement.

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Post Employment Health Care Benefits

Plan Description. The County of Orange Third Amended Retiree Medical Plan (the "Retiree Medical Plan") is an Other Post Employment Benefit plan ("OPEB"), intended to assist career employees in maintaining health insurance coverage following retirement from County service. The Retiree Medical Plan is not required by the Retirement Law. Eligible retired County employees receive a monthly grant (the "Grant"), which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums. The Retiree Medical Plan does not create any vested right to the benefits.

In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan and receive a monthly benefit payment from the OCERS. To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

The monthly Grant amount is determined by a formula that multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2015 is $21.13 per year of County service, and the maximum monthly Grant is $528.25. The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. Any grant in excess of the monthly health plan and/or Medicare premium payable is forfeited.

The Grant is reduced by 50% once the retiree becomes Medicare Parts A and B eligible. Retirees who were age 65 and/or Medicare Parts A and B eligible on the date the Board approved the restructuring of the Retiree Medical Plan for each labor agreement are not subject to the Medicare reduction. The Grant is also reduced by 7.5% for each year of age prior to age 60 and increased by 7.5% for each year of age after age 60 up to age 70 for current employees retiring after the effective date. The effective date varies by the date the Board approved each labor agreement. Safety employees and disability retirements are exempt from the age adjustment.

The base number for the Grant is adjusted annually based on a formula defined in the Retiree Medical Plan document with a maximum increase/decrease of 3%. Surviving dependents of a deceased employee or retiree eligible for the Grant are entitled to receive 50% of the Grant that the employee/retiree was eligible to receive.

The Retiree Medical Plan also provides a lump sum payment to terminated employees not eligible for the Grant. The qualifying hours of service for calculation of the lump sum payment is frozen and the effective date varies by labor agreement. The frozen lump sum payment is equal to 1% of the employee's final average hourly pay (as defined in the plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

Employees represented by the American Federation of State, County and Municipal Employees ("AFSCME") who retired before September 30, 2005 are not subject to the Medicare reduction or age adjustment to the Grant. The amount of the Grant for these retirees is adjusted annually with a maximum increase/decrease of 5%. AFSCME employees who were employed on or after September 30, 2005 are not eligible for the Grant or the lump sum payment. They may participate in the County-offered health plans at their own cost if they meet the minimum plan requirements.

Employees represented by the Association of Orange County Deputy Sheriffs ("AOCDS") who were hired on or after October 12, 2007 are not eligible to participate in the Retiree Medical Plan. Service hour accruals for the Grant and lump sum calculations for employees represented by AOCDS who were hired before October 12, 2007 were frozen. A health reimbursement arrangement plan was established to replace the Grant for new (employed after October 12, 2007) AOCDS employees, and to supplement the frozen grants for current AOCDS employees.

Law Enforcement Management employees who were hired on or after June 19, 2009 are not eligible for participation in the Retiree Medical Plan. Service hour accruals for the Grant calculations for Law Enforcement Management employees who were hired before June 19, 2009 were frozen. The qualifying hours of service for calculation of the lump sum payment for Law Enforcement Management employees were frozen as of June 23, 2006. A health reimbursement arrangement Plan was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Effective January 1, 2008, health insurance premium rates were separated by active and retired employees except for employees represented by AOCDS. Effective July 1, 2008, retiree health insurance premium rates for retired employees enrolled in the AOCDS health plans will be 10% higher than active employees. See "*Retired Employees Association of Orange County, Inc. v. County of Orange*" herein.

Funding Policy. Prior to Fiscal Year 2007-08, the County paid Retiree Medical Plan liabilities on a "pay-as-you-go" basis from a combination of County contributions and certain excess reserves from OCERS. In order to more adequately fund benefits under the Retiree Medical Plan, on June 19, 2007, the Board of Supervisors adopted the County of Orange Retiree Medical Trust (the "115 Trust") effective July 2, 2007. The 115 Trust is a trust under Section 115 of the Internal Revenue Code. In addition, the County and OCERS have entered into agreements for OCERS to establish an Internal Revenue Code Section 401(h) Trust (the "401(h) Trust") and to invest monies and pay benefits from the 401(h) Trust (except for the lump sum payment). The County has paid the full Annual Required Contribution ("ARC") beginning in Fiscal Year 2007-08 and intends to contribute the full ARC in future years.

Actuarial Methods and Assumptions. The County contracts with an outside actuarial consultant, Bartel Associates, LLC ("Bartel") to prepare the bi-annual actuarial valuation in conformance with GASB Statements No. 43 and 45. The County received a June 30, 2015 valuation for Fiscal Years 2015-16, 2016-17 and 2017-18 for the Retiree Medical Plan. Among the actuarial methods and assumptions used in the 2015 valuation are:

- The entry age normal actuarial cost method.
- Closed period amortization of the 6/30/08 UAAL over 29 years as a level percentage of payroll (22 years remaining as of June 30, 2015).
- A 7.25% long-term expected rate of return on funds held in the Trust.
- A 3.5% per annum payroll increase assumption.
- The assumed annual increases in the monthly grant of 5% for American Federation of State, County and Municipal Employees ("AFSCME") employees and 3% for non-AFSCME employees. The healthcare trend (the growth in healthcare costs) was assumed to be greater than or equal to the Grant through 2021 and beyond. Therefore, it is the Grant annual increase rather than the healthcare trend that affects the projected benefits and the UAAL.
- There are an estimated 26,218 participants in the plan of which 17,925 are employees, 25 are deferred retirees, and 8,268 are retirees.

The 2015 valuation reports a UAAL of $396.9 million for the Retiree Medical Plan for the Fiscal Year ending June 30, 2015. This is a reduction from the $1.4 billion UAAL reported in the 2005 valuation. The reduction in UAAL is due to the restructuring of the Retiree Medical Plan benefits, including but not limited to splitting of active employees and retirees into separate pools for premium rate setting purposes and the establishment of the 401(h) Trust to achieve a higher rate of return on assets.

TABLE A-19

ORANGE COUNTY RETIREE MEDICAL PLAN
SCHEDULE OF FUNDING PROGRESS
(Dollars in Thousands)

Actuarial Valuation as of June 30[1]	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a=c)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)
2009	$94,110	$456,005	$361,895	20.6%	$1,267,427	28.6%
2011	116,804	528,639	411,835	22.1	1,273,636	32.3
2013	155,702	573,763	418,061	27.1	1,217,052	34.4
2015	217,556	614,500	396,944	35.4	1,188,727	33.4

(1) Valuation reports are received every other year.

Source: 2009 through 2013, Orange County Comprehensive Annual Financial Report June 30, 2015; 2015, Actuarial Valuation prepared by Bartel Associates, LLC.

Annual OPEB Cost and Net OPEB Obligation/Asset. The Annual OPEB cost is the OPEB expense that the County reports in its annual financial statements. It equals the ARC with certain adjustments if the County's actual contributions differ from the ARC in prior years. The net OPEB obligation/asset is the cumulative sum of the difference between Annual OPEB cost and the amounts actually contributed to the plan. The following table shows the calculation of the net OPEB asset for Fiscal Years 2011-12 through 2014-15 (in thousands).

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TABLE A-20

ORANGE COUNTY RETIREE MEDICAL PLAN
CALCULATION OF OPEB ASSET
(Dollars in Thousands)

	2011-12	2012-13	2013-14	2014-15
Annual Required Contribution	$ 41,169	$ 42,713	$ 43,298	$ 44,921
Interest on Net OPEB Obligation	(3,017)	(2,608)	(3,030)	(3,043)
Amortization of Net OPEB Obligation	2,688	2,392	2,868	2,976
Annual OPEB Cost	40,840	42,497	43,136	44,854
Contributions Made	(35,197)	(48,336)	(50,060)	(41,181)
Decrease/(Increase) in Net OPEB Asset	5,643	(5,839)	(6,924)	3,673
Net OPEB Obligation/(Asset), Beginning of year	(41,609)	(35,966)	(41,805)	(48,729)
Net OPEB Obligation/(Asset), End of year	$ (35,966)	$ (41,805)	$ (48,729)	$ (45,056)

Sources: Orange County Comprehensive Annual Financial Reports.

Certain changes to the Retiree Medical Plan and the methodology by which a retiree health plan premiums are determined are being judicially challenged by a class action of County retirees. See "*Gaylan Harris, et al. v. County of Orange*" herein.

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Insurance

The County has maintained a formal risk management program since the mid 1970's. The functions of the CEO's Office of Risk Management include risk identification, avoidance, prevention, transfer, mitigation and financing programs. Risk financing is achieved through both self-insurance (risk retention) programs and the purchase of commercial insurance. Claims and litigation management also includes subrogation cost recovery activities.

Resources are budgeted in the Workers' Compensation Internal Service Fund and the Property and Casualty Risk Internal Service Fund. These internal service funds pay program costs including losses, expenses and administration costs. The cash reserves held in these internal services funds are retained for the payment of current and future costs. Actuarial studies are performed annually to determine the funding requirements for these activities.

Commercial insurance coverage is purchased for the County's property and for certain specialized liability exposures, including those related to airport, aircraft and watercraft operations. Additional, coverages include but are not limited to crime policies, notary bonds, and excess insurance for liability exposures. General and auto liability exposures are self-insured up to $5 million. Excess liability insurance provides up to an additional $100 million in liability coverage. Workers' Compensation is self-insured up to $20 million. Various risk control techniques, including employee accident prevention training and regular work-site inspections, have been established to minimize losses.

Litigation Management

The Office of County Counsel generally represents the County's interests in lawsuits involving actions of the Board of Supervisors, County employees or agents of the County. These actions include employment, environmental and land use, contractual obligations, inverse condemnation and property tax refunds. Legal matters controlled by the CEO's Office of Risk Management are assigned to a panel of lawyers and law firms selected by the Board of Supervisors following a recommendation by the Office of Risk Management. There are a number of lawsuits pending against the County which, depending on their outcome, may have significant financial impacts on the County. The County believes however, that the aggregate liability it might incur as a result of adverse decisions in such cases, after giving effect to the County's self-insurance program and its excess insurance coverage, will not have a material adverse effect on the County's ability to make payments on or with respect to the 2016 Series A Bonds.

Retired Employees Association of Orange County, Inc. v. County of Orange

In late 2006, the Board of Supervisors approved agreements with a number of employee bargaining units addressing the County's Retiree Medical Plan and the method by which current employee and retiree health insurance premiums would be determined. These changes included, but were not limited to, separately pooling current employees and retirees for the purposes of health premium setting beginning in 2008, reducing the maximum annual adjustment in the Plan Grant from 5% to 3% beginning in 2008 and reducing the Plan Grant by 50% for retirees eligible for Medicare Parts A and B.

On November 5, 2007, the Retired Employee's Association of Orange County ("REAOC") filed a Complaint for Declaratory and Injunctive Relief filed in Federal District Court contesting the splitting of the pool for purposes of determining health insurance premiums.

On August 13, 2012, the District Court granted summary judgment in favor of the County and on February 13, 2014, the Ninth Circuit affirmed the District Court's decision. The Ninth Circuit's ruling became final on April 9, 2014.

Gaylan Harris, et al. v. County of Orange

This case was filed as a class action on behalf of County retirees on January 22, 2009 by retired employee Gaylan Harris. The issues and claims in Harris are, for the most part, the same as or similar to those raised in the REAOC matter described above. Based on the Court's ruling in REAOC, the County filed a Motion for Summary Judgment in the Harris action. On March 29, 2011, the trial court granted the County's motion and entered judgment in favor of the County.

On April 22, 2011, the Plaintiffs appealed this decision to the Ninth Circuit Court of Appeal. After fully briefing the case the parties argued the matter on October 11, 2011. The Ninth Circuit then requested briefing from the parties on the impact, if any, of the California Supreme Court's decision in the REAOC case described above. On January 20, 2012, the County filed its letter brief addressing the impact of the Supreme Court's ruling and responding to the question of why the Harris case should not also be remanded to the District Court for further proceedings in coordination with the REAOC matter.

On June 8, 2012 the Court issued its ruling reversing and remanding the case to the District Court for further proceedings. On remand, Plaintiffs filed an amended complaint. The County responded with a motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6). On January 31, 2013, the Court issued its decision. The Court granted the County's motion and dismissed all claims, except that it permitted plaintiffs to file an amended pleading with respect to only the Fair Employment and Housing Act ("FEHA") age discrimination claim. The Court invited another motion to dismiss, with a request for more thorough briefing on the FEHA issue. On March 4, 2013, Plaintiffs filed both (1) a motion for reconsideration of the Court's order granting the motion to dismiss the claims related to the Retiree Medical Grant and (2) a fourth amended complaint that amended the age claim and re-pled the claims that had been dismissed without leave to amend. On March 18, 2013, the County filed a Rule 12(b)(6) motion to dismiss the age claim and a motion to strike the claims that have already been dismissed without leave to amend.

On May 31, 2013, the County was notified that the Court granted the County's motion to dismiss the Plaintiff's Fourth Amended Complaint and denied the Plaintiffs' motion for reconsideration of the prior order. On June 12, 2013, the Court entered a judgment in the County's favor. Plaintiffs again appealed the Court's decision to the Ninth Circuit. Oral argument was heard in February 2014. The Ninth Circuit has yet to rule on the case.

It is unclear what the full impact the REAOC decision will have on the *Harris* case. The decision is expected to require dismissal of the overlapping contractual and constitutional claims. However, it is difficult to predict the County's potential liability in light of the Grant and age discrimination claims that are unique to *Harris.*

California Department of Finance, et al. v. Jan Grimes, etc.

On April 5, 2012, the DOF and the Chancellor of the California Community Colleges filed a lawsuit against the County contending that the County incorrectly computed the amount of property taxes to be allocated to the County under Revenue and Taxation Code Section 97.70 as a part of the VLFAA. On August 30, 2013, the Orange County Superior Court issued a judgment that required the County's Auditor-Controller to calculate future VLFAA without the additional $73.5 million adjustment in VLFAA. The judgment further required the County to repay $148.6 million (plus interest) in VLFAA previously allocated to the County under the disputed calculation method used in fiscal years 2011-12 and 2012-13. The County's final payment under the judgment will be made in Fiscal Year 2018-19. For more information see "Vehicle License Fee Revenue Reallocation and Repayment" herein.

COUNTY INVESTMENT POLICY

The Treasurer is granted the authority to deposit and invest County and County agency funds under the Treasurer's control pursuant to California Government Code Section 27000 et seq. and Section 53600 et seq. and certain actions of the Board of Supervisors. Additionally, community college and school districts located in the County are required to deposit their moneys with the Treasurer pursuant to the California Education Code. The deposits of funds from other districts and local agencies may be invested with the Treasurer pursuant to a procedure established by California Government Code Section 53684 and other statutory provisions.

The total investment responsibility of the Treasurer as delegated by Board of Supervisors includes: the Orange County Investment Pool (the "County Pool") that includes the Voluntary participants' funds, the Orange County Educational Investment Pool (the "Educational Pool"), the John Wayne Airport Investment Fund, and various other small non-Pooled investment funds. The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The Treasurer established three Money Market Funds: the Orange County Money Market Fund, the Orange County Educational Money Market Fund, and the John Wayne Airport Investment Fund, which all are invested in cash-equivalent securities and provide liquidity for immediate cash needs. On August 11, 2015, Standard & Poor's reaffirmed their highest rating of AAAm Principal Stability Fund Ratings for the Orange County Money Market Fund and Orange County Educational Money Market Fund. These pools are not registered with the SEC. The Treasurer also established the Extended Fund, that is for cash needs between one and five years. The County Pool is comprised of the Orange County Money Market Fund and portions of the Extended Fund. The Educational Pool is comprised of the Orange County Educational Money Market Fund and portions of the Extended Fund. The Board of Supervisors approved the 2016 Investment Policy Statement on December 15, 2015. A copy of the 2016 Investment Policy Statement is located at ocgov.com/ocinvestments.

The maximum maturity of any investment in the three money market funds is 13 months, with a maximum weighted average maturity of 60 days. The maximum maturity of the Extended Fund is 5 years, with an effective duration not to exceed that of a leading 1-3 year index +25%. The investments in the pools are marked to market daily to determine the value of the pools. To further maintain safety, adherence to an investment strategy of purchasing only top-rated securities and diversification and maturities, as well as maintenance of internal controls for proper accounting and reporting, compliance, document safekeeping, collateralization, and qualified broker-dealers is required.

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TABLE A-21

AUTHORIZED INVESTMENTS

Type of Investment	CA Gov Code % of Funds Permitted	Orange County IPS	CA Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities (GSEs)	100%	100% Total, no more than 33% in one issuer excluding securities with final maturities of 30 days or less rated AA- or higher	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10% - County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Bankers Acceptances	40%, 30% in a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% in a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
State of California Local Agency Investment Fund	$50 million per account	$50 million per pool	N/A	N/A	N/A
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% Total	N/A	N/A	N/A
Investment Pools	100%	20% Total, no more than 10% in one pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

Source: Orange County Treasurer-Tax Collector.

The Investment Policy Statement expressly prohibits leverage, reverse repurchase agreements, structured notes, structured investment vehicles (“SIV”), or any investment commonly considered a derivative instrument or any Money Market Mutual Funds that do not maintain a constant Net Asset Value (“NAV”). Examples of structured notes include inverse floaters, leveraged floaters, structured certificates of deposit, and equity-linked securities. This includes all floating rate, adjustable rate, or variable rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

Rating Restrictions

- All short-term debt purchased within the money market funds shall have a rating of A-1/P-1/F1 or better from any two of the Nationally Recognized Statistical Ratings Organizations ("NRSRO") and not less than the aforementioned. Split ratings are not allowed, i.e. A-1/P-1/F2 or similar. An issuer of short-term debt must have no less than an "A" rating on long-term debt, if any.

- All long-term debt purchased within the money market funds or with remaining maturities of 397 days or less shall be rated by at least two NRSROs and have obtained no less than an "A" rating by any. All long-term debt purchased in the Extended Fund with maturities longer than 397 days shall be rated by at least two NRSROs and have obtained no less than an "AA" rating by any. If any issuer of long-term debt has a short-term rating, then it may not be less than A-1/SP-1 or P-1/MIG1 or F1 and should be rated by two NRSROs.

- Issuing Municipalities must have a short-term rating of not less than A1/P1 and a long-term rating of not less than an "A" from the NRSROs, and two NRSRO ratings of "A" or better are required unless they have a single NRSRO rating of AA-/AA3 or better.

- U.S. Government obligations as defined in Table A-21 above are exempt from the aforementioned credit ratings requirements.

- Municipal debt issued by the County of Orange is exempt from the credit rating requirements listed above.

- Supranational securities eligible for investment shall be rated "AA" or better from at least two NRSROs.

- Any issuer that has been placed on "Credit Watch-Negative" by a NRSRO will be placed on hold and current holdings reviewed for possible sale within a reasonable period of time unless the issuer has (a) an A-1+ or F1+ short term rating; or (b) at least an AA or Aa2 long-term rating and also approved in writing by the Treasurer prior to purchase. If any issuer is placed on "Credit Watch-Negative" by a NRSRO, all related entities, including parent and subsidiaries, will also be placed on hold and subject to the above requirements.

On December 19, 1995, pursuant to the Government Code, the Board of Supervisors established the Treasury Oversight Committee. The Treasurer nominates and the Board of Supervisors confirms the public members of the Treasury Oversight Committee, which is currently comprised of the CEO, the Auditor-Controller, the County Superintendent of Schools and four public members, a majority of which is required to have expertise in public finance.

Pursuant to the Investment Policy Statement, monthly, quarterly, and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) will be submitted to the Treasury Oversight Committee, the Pool Participants, the CEO, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, and the Board of Supervisors. These reports will contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and will be in compliance with Government Code. In accordance with GASB 31 and GASB 40, financial information is reported within the County's Comprehensive Annual Financial Report. The annual audit report of the Treasury will be provided as required by California Government Code Section 26920-26923. In addition, an annual compliance audit is conducted as required by California Code Section 27134. Daily compliance of the investment portfolio is performed by the Compliance Unit in the Office of the Treasurer Tax Collector.

In addition to the above reports, the Auditor-Controller, at the request of the Treasury Oversight Committee, conducts quarterly compliance monitoring of the Treasurer's investment portfolio. The purpose of the Auditor-Controller's monitoring is to determine whether the County's investment portfolio managed by the

Treasurer is in compliance with certain provisions specified in the Investment Policy Statement and that all portfolio non-compliance, including technical incidents and required diversification disclosures, are properly reported in the Treasurer's Monthly Investment report.

As of March 31, 2016, the market value of the County Pool (combined Money Market Fund and Extended Fund) was $4,064,403,689. The diversification of the County Pool's assets as of such date is shown in the following table.

Type of Investment	% of County Pool
U.S. Government Agencies	58.84%
U.S. Treasuries	20.83
Medium-Term Notes	9.44
Money Market Mutual Funds	4.85
Municipal Debt(1)	2.21
Certificates of Deposit	3.83

(1) Includes $151 million of County's Taxable Pension Obligation Bonds, 2015 Series A and 2016 Series A

Source: Orange County Treasurer-Tax Collector.

The weighted average maturity of the County Pool was 333 days. The current year-to-date gross interest yield of the County Pool at March 31, 2016 is 0.61%.

Amendments to the County Investment Policy

There are proposed from time to time, the State Legislature other bills which could modify the currently authorized investments and place restrictions on the ability of public agencies, including the County, to invest in various securities. Therefore, there can be no assurances that the investments in the Pools will not vary significantly from the investments described herein or as authorized by Section 53601 of the California Government Code. There can be no assurance that State law and/or the Investment Policy Statement will not be amended in the future to allow for investments which are currently not permitted under such State law or the Investment Policy Statement, or that the objectives of the County with respect to investments will not change.

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ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Growth 2006-2015. The County is the third most populous county in the State and the sixth most populous in the nation. During the period 2006 through 2015, the population of the County increased by approximately 8.3%, compared to 9% for the State and 7.7% for the United States.

TABLE A-22

COUNTY OF ORANGE, STATE OF CALIFORNIA AND UNITED STATES POPULATION GROWTH

Date	County	State	United States
2006	2,940,055	36,021,202	298,379,912
2007	2,932,261	36,250,311	301,231,207
2008	2,931,629	36,604,337	304,093,966
2009	2,957,593	36,961,229	306,771,529
2010	3,010,232	37,349,363	309,349,689
2011	3,053,932	37,668,681	311,721,632
2012	3,085,355	37,999,878	314,112,078
2013	3,114,209	38,357,121	316,497,531
2014	3,147,655	38,714,725	318,857,056
2015	3,183,011	39,255,883	321,418,820

Sources: 2006 to 2010 data for Orange County, California and U.S. are based on U.S. Bureau of the Census. 2011-2015 data for Orange County and California are based on California State Department of Finance statistics. 2011-2015 data for U.S. is based on Bureau of the Census statistics.

Projected Growth Through 2060. Table A-23 includes population projections for the County, the State and the United States. The County is expected to have growth rates lower than both the State of California and national levels between 2020 and 2060, 6.8%, 27.2% and 24.6% respectively.

TABLE A-23

COUNTY OF ORANGE, STATE OF CALIFORNIA AND UNITED STATES POPULATION PROJECTIONS

Year	County	State	United States
2020	3,243,261	40,619,346	334,503,000
2030	3,361,556	44,085,600	359,402,000
2040	3,449,498	47,233,240	380,219,000
2050	3,481,613	49,779,362	398,328,000
2060	3,464,374	51,663,771	416,795,000

Sources: Orange County and State Projections – California State Department of Finance. United States Projections – Bureau of the Census.

Public Schools (Elementary and Secondary)

Public instruction in the County is provided by twelve elementary school districts, three high school districts, and twelve unified (combined elementary and high school) districts. For 2014-15, the largest district, the Santa Ana Unified School District, had 56,815 students enrolled. Public school enrollment for the period 2009-10 through 2014-15 is presented in Table A-24.

TABLE A-24

COUNTY OF ORANGE
PUBLIC SCHOOL ENROLLMENT

Grade Levels	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total Enrollment K-12	502,239	502,895	502,205	501,801	500,487	497,116

Sources: California Department of Education, DataQuest Reports.

Colleges and Universities

The County has a number of top-rated, college-level educational institutions, including the University of California at Irvine, the California State University at Fullerton, several private colleges, universities and law schools and four community college districts.

Employment

The following table summarizes the historical numbers of workers in the County since 2010.

TABLE A-25

COUNTY OF ORANGE
ESTIMATED WAGE AND SALARY WORKERS BY INDUSTRY*

	2010	2011	2012	2013	2014	2015
Agricultural	3,700	3,200	2,800	3,000	2,800	2,500
Mining & Logging	500	500	500	500	700	700
Construction	68,000	69,200	71,400	77,300	82,000	90,400
Manufacturing (Durable & Nondurable)	150,400	154,200	158,200	157,900	158,800	156,900
Trade, Transportation and Utilities	245,600	247,000	248,800	252,800	257,000	259,100
Information (Telecom & Publishing)	24,800	23,800	24,300	25,400	24,200	25,500
Finance, Insurance & Real Estate	103,500	104,700	108,200	112,500	114,100	116,800
Services (Professional, Health, Ed. Etc.)	621,000	632,500	658,900	679,700	707,300	737,000
Government	152,300	149,300	147,900	148,300	151,900	156,200
Total All Industries	1,369,800	1,384,400	1,421,000	1,457,400	1,498,800	1,545,100

* Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

Source: California Employment Development Department.

Agriculture

Although representing a small percentage of the jobs in the County, agriculture remains an important sector of the County's economy. The total gross freight on board (f.o.b.) value of County agricultural products decreased by 3% to $132,253,000 in 2014 relative to 2013. The f.o.b. is an indicator of the first point of sale for a farmer and includes cost of production, harvesting and preparation for market. A five-year summary of farm production in the County is provided in Table A-26.

TABLE A-26

COUNTY OF ORANGE
GROSS VALUE OF FARM PRODUCTION

Production Type	2010	2011	2012	2013	2014
Animal Industry	$265,797	$319,052	$375,953	$396,010	$195,000
Field Products	936,230	1,234,321	696,850	425,653	551,000
Nursery	90,042,211	79,116,798	70,630,679	73,567,293	67,242,000
Orchards	42,760,149	46,879,663	44,120,251	40,984,835	45,473,000
Vegetables	16,369,018	18,347,870	20,486,704	21,665,539	18,792,000
Total	$150,373,405	$145,897,704	$136,310,437	$137,039,330	$132,253,000

Sources: Orange County Department of Agriculture, Annual Orange County Crop Reports.

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Labor Force, Employment and Unemployment

The following table summarizes the labor force, employment, and unemployment figures over the period 2008 through 2015 for the County and the State.

TABLE A-27

COUNTY OF ORANGE AND STATE OF CALIFORNIA
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
YEARLY AVERAGE

Year and Area	Civilian Labor Force	Civilian Employment	Civilian Unemployment	Civilian Unemployment Rate
2008				
Orange County	1,615,500	1,529,700	85,800	5.3%
California	18,178,100	16,854,500	1,323,600	7.3
2009				
Orange County	1,589,300	1,451,700	137,600	8.7
California	18,215,100	16,182,600	2,032,600	11.2
2010				
Orange County	1,538,600	1,388,900	149,700	9.7
California	18,336,300	16,091,900	2,244,300	12.2
2011				
Orange County	1,548,100	1,408,300	139,800	9.0
California	18,419,500	16,260,100	2,159,400	11.7
2012				
Orange County	1,566,100	1,443,400	122,700	7.8
California	18,554,800	16,630,100	1,924,700	10.4
2013				
Orange County	1,566,800	1,464,900	101,900	6.5
California	18,671,600	17,002,900	1,668,700	8.9
2014				
Orange County	1,575,600	1,489,200	86,400	5.5
California	18,811,400	17,397,100	1,414,300	7.5
2015				
Orange County	1,597,100	1,525,600	71,500	4.5
California	18,980,800	17,798,600	1,183,200	6.2

Source: California Employment Development Department. Data not seasonally adjusted. March 2015 Benchmark

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Taxable Sales

Table A-28 summarizes the annual volume of taxable transactions since 2012.

TABLE A-28

COUNTY OF ORANGE
TAXABLE TRANSACTIONS[1]
(In Millions)

Type of Business	2012	2013	2014	2015[2]	2016[3]
Apparel Group	$3,510.8	$3,764.1	$3,926.5	$4,153.7	$4,395.8
General Merchandise	5,975.1	6,152.1	6,297.2	6,567.3	6,887.9
Specialty Stores	5,409.0	5,431.9	5,548.3	5,832.3	6,179.2
Food Stores	2,056.8	2,111.2	2,151.7	2,214.2	2,314.5
Eating and Drinking	5,853.3	6,186.9	6,577.8	6,964.2	7,388.3
Furniture and Appliances	965.0	1,050.3	1,106.4	1,170.2	1,239.3
Building Materials	2,335.6	2,582.0	2,665.0	2,792.9	2,930.2
New Motor Vehicles	5,028.0	5,499.4	6,066.6	6,566.8	7,085.5
Other Motor Vehicles	1,523.4	1,648.2	1,770.1	1,883.6	1,997.1
Service Stations	5,063.8	4,706.7	4,822.0	4,593.9	4,805.3
Nonstore Retailers	635.7	893.3	987.1	1,087.1	1,186.6
Total Retail Sales	38,372.5	40,025.9	41,918.8	43,826.0	46,409.6
All Other	16,858.2	17,565.3	18,629.9	19,850.2	20,852.2
Total Taxable Sales	$55,230.6	$57,591.2	$60,548.7	$63,676.2	67,261.8

(1) May not add due to rounding
(2) 2015 reflects year-end estimate.
(3) 2016 reflects year-end forecast.

Source: The Chapman University Economic & Business Review, December 2015.

Housing Characteristics

The total number of housing units in the County was estimated by the California State Department of Finance to be 1,069,450 as of January 1, 2015. This compares to 969,484 reported in 2000 and 875,105 in 1990. According to CoreLogic the median home price in the County was $615,000 as compared to the $435,000 for the six Southern California Counties combined.

Building Permits

The total valuation of residential building permits issued in the County is estimated to exceed $3.0 billion in 2015 and is forecast to be $2.9 billion in 2016. Table A-29 provides a summary of residential building permit valuations and the number of new dwelling units authorized in the County during the period 2012 through 2016.

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TABLE A-29

COUNTY OF ORANGE
RESIDENTIAL BUILDING PERMIT VALUATIONS AND PERMITS ISSUED

	2012	2013	2014	2015[1]	2016[2]
Permit Valuation					
Residential*	$ 1,560,509	$ 2,653,728	$ 2,640,484	$ 3,077,547	2,922,440
Nonresidential*	1,265,430	1,521,280	1,993,154	1,979,620	2,079,713
Number of Deeds Recorded	130,317	121,803	100,882	112,503	118,081

(1) 2015 reflects year-end estimate.
(2) 2016 reflects year-end forecast.
* Permit valuations are in (000's)

Source: The Chapman University Economic & Business Review, December 2015.

Water Supply

Maintaining the County's water supply is the responsibility of the Orange County Water District ("OCWD"), manager of the County's groundwater basin, and the Municipal Water District of Orange County ("MWDOC"), the County's largest manager of imported water. More than 60% of the County's water is from local groundwater sources; the rest is imported. The County's natural underground reservoir is sufficient to carry it through temporary shortfall periods, but local supplies alone cannot sustain the present population.

Recreation and Tourism

The County is a tourist center in Southern California because of the broad spectrum of amusement parks and leisure, recreational, and entertainment activities that it offers. These tourist attractions are complimented by the year-round mild climate.

Along the County's Pacific Coast shoreline are five state beaches and parks, five municipal beaches, and five County beaches. There are three small-craft harbors in the County; Newport, Huntington, and Dana Point harbors.

Other major recreational and amusement facilities include Disneyland, Disney's California Adventure, Knott's Berry Farm, and the Spanish Mission of San Juan Capistrano. Also located within the County are the Anaheim Convention Center; Angel Stadium of Anaheim home of the Major League Baseball Team Los Angeles Angels of Anaheim; Honda Center of Anaheim home of the National Hockey Team Anaheim Ducks; Segerstrom Center for the Arts; Irvine Meadows Amphitheater, and the Art Colony at Laguna Beach with its annual art festival.

Transportation

The County is situated in one of the most heavily populated areas in California and has access to excellent roads, rail, air, and sea transportation. The Santa Ana Freeway (I 5) provides direct access to downtown Los Angeles and connects with the San Diego Freeway (I 405) southeast of the City of Santa Ana providing a direct link with San Diego. The Garden Grove Freeway (SR 22) and the Riverside Freeway (SR 91) provide east-west transportation, linking the San Diego Freeway, Santa Ana Freeway and the Newport Freeway (SR 55). The Newport Freeway provides access to certain beach communities.

Drivers in the County have access to five toll roads. The 91 Express Lanes is a 10-mile express lanes toll road in the median of the SR 91 connecting Orange County and Riverside County. The San Joaquin Toll Road (73) runs from Costa Mesa to Mission Viejo connecting to the I-405 and the I-5 freeways. The Foothill Eastern Toll Roads consisting of the 241, 261 and 133 connect to the SR 91 near the Riverside County line and I-5 freeway in the City of Irvine, the Laguna Canyon Road, and other cities in South County.

Rail freight service is provided by the Burlington Northern Santa Fe Railway and the Union Pacific Railroad Company. Amtrak provides passenger service to San Diego to the south, Riverside and San Bernardino Counties to the east, and Los Angeles and Santa Barbara to the north. Metrolink provides passenger service to San Bernardino and Riverside Counties to the east, San Diego County to the south and Los Angeles County to the north. Bus service is provided by Greyhound Bus Lines. The Orange County Transportation Authority provides bus service between most cities in the County. Most interstate common carrier truck lines operating in California serve the County.

John Wayne Airport is located in the unincorporated area between the cities of Costa Mesa, Irvine, and Newport Beach and is owned and operated by the County. The airport is classified as a medium air traffic hub by the Federal Aviation Administration, serving the County and portions of Los Angeles, Riverside, San Bernardino and San Diego counties (its "Trade Area"). The airport is an origination and destination airport, primarily for short-to-medium haul markets in its Trade Area. Presently, ten airlines operate out of the airport, including seven commercial airlines (Alaska, American, Delta, Frontier, Southwest, United, and WestJet), one commuter airline (SkyWest dba United Express and Delta Connection) and two cargo airlines (FedEx and UPS). From January through December 2015, the airport served approximately 10.2 million passengers. General aviation activities at the airport are served by two full service Fixed Base Operators.

Natural Disasters

Natural disasters, including floods, fires, and earthquakes, have been experienced in the County. Seismic records spanning the past half century and historic records dating from the 1700s through the early 1900s indicate that the County is a seismically active area.

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APPENDIX B

AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR ENDED JUNE 30, 2015

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County of Orange

Comprehensive Annual Financial Report For The Year Ended June 30, 2015

Eric H. Woolery, CPA ∽ Auditor-Controller

ACKNOWLEDGEMENTS:

Cover designed by Laura Hoffman, Graphic Artist

County of Orange

State of California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

Eric H. Woolery, CPA
Auditor-Controller

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COUNTY OF ORANGE CALIFORNIA

AUDITOR-CONTROLLER
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COUNTY OF ORANGE

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December 24, 2015

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, 2015, 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 (MGO). 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, 2015, are free of material misstatement. The independent certified public accounting firm has issued an unmodified ("clean") opinion on the County's basic financial statements as of and for the year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

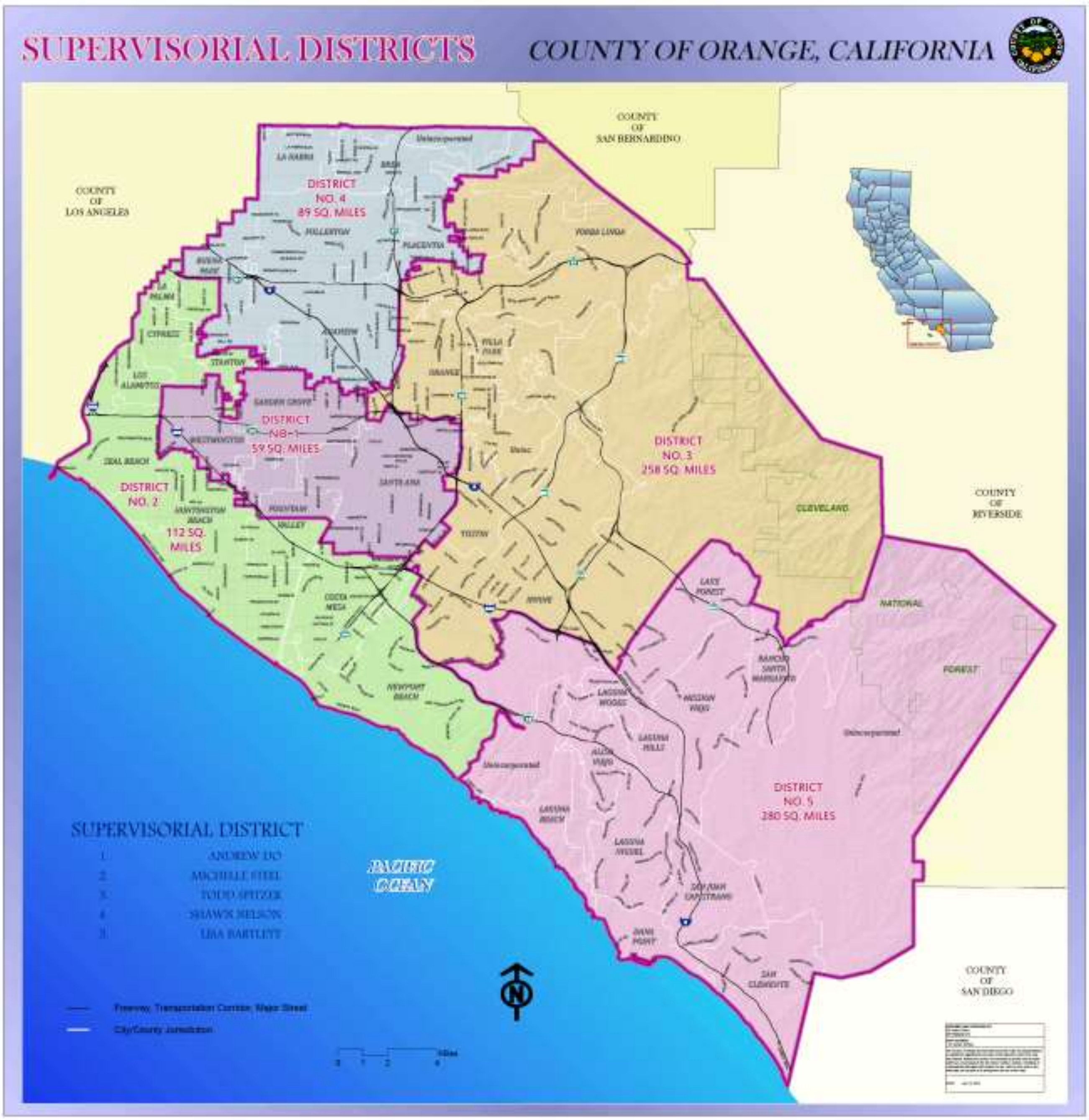
This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report. MD&A provides a narrative introduction, overview, and an analysis of the basic financial statements.

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 over 3 million. It represents the third most populous county in the state, and ranks sixth 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 November 2008, voters approved Measure J, which added Article III, Section 301 to the Charter of Orange County requiring voter approval for increases in future retirement system benefits of any employee, legislative officer, or elected official of the County of Orange in the Orange County Employees Retirement System (OCERS) or any successor retirement system, with the exception of statutorily-established cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs. In June 2012, voters approved Measure B, which requires that any Orange County Supervisors elected or appointed on or after June 5, 2012 can enroll only in the minimum pension option, i.e., the least lucrative pension plan, offered to Orange County employees. At present, the minimum pension plan is a 1.62%

at 65 pension plan. This measure amends the County Charter and applies to any current or previous Supervisor. In all other respects, the County is like a general law county. The County is governed by a five-member Board of Supervisors (the Board), who each serve four-year terms, and annually elect a Chairman and Vice-Chairman. The supervisors represent districts that are each approximately equal in population. The district boundaries were revised effective September 6, 2011, incorporating the results of the 2010 census. A County Executive Officer (CEO) oversees seventeen county departments, and elected department heads oversee six county departments. The Supervisorial Districts map below shows the boundaries of Orange County and the areas governed by each member of the Board.



The County provides a full range of services countywide, for the unincorporated areas, and contracted through cities. These services are outlined in the following table:

Countywide Services	
Affordable Housing (Housing Authority)	Veterans Services
Agricultural Commissioner	Indigent Medical Services
Airport	Jails & Juvenile Facilities
Child Protection & Social Services	Juvenile Justice Commission
Child Support Services	Landfills & Solid Waste Disposal
Clerk-Recorder	Law Enforcement
Coroner & Forensic Services	Probationary Supervision
District Attorney	Public Assistance
Elections & Voter Registration	Public Defender/ Alternate Defense
Environmental / Regulatory Health	Public & Mental Health
Flood Control & Transportation	Senior Services
OC Parks	Collection & Appeals
Disaster Preparedness	Weights & Measures
Grand Jury	Property Tax Collection

Unincorporated Area Services	
Animal Care & Control	Libraries
Flood Control	Parks
Land Use	Waste Disposal Collection
Law Enforcement	

Contract Services for Cities	
Animal Care & Control	Libraries
Law Enforcement	Public Works & Engineering
Utility Billing and Check Remittance Processing	

In addition to these services, the County is also financially accountable for the reporting of component units. Blended and fiduciary 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 two component units, the Children and Families Commission of Orange County (CFCOC) and CalOptima, which require discrete presentation in the government-wide financial statements. The County's fiduciary component unit, Orange County Development Successor Agency (OCDA), was established as a result of the dissolution of the former Orange County Development Agency. The following entities are presented as blended component units in the basic financial statements for the year ended June 30, 2015: the Orange County Flood Control District, Orange County Housing Authority, Orange County Public Financing Authority, South Orange County Public Financing Authority, Orange County Public Facilities Corporation, County Service Areas, Special Assessment Districts, Community Facility Districts, and In-Home Supportive Services Public Authority. Additional information on these entities can be found in Note 1, Summary of Significant Accounting Policies, 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-budget control 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 and major Debt Service Fund with appropriated annual budgets are presented in the Supplemental 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; outstanding encumbrances are carried forward to the following year's budget. Additional information on the budgetary process can be found in Note 1, Summary of Significant Accounting Policies, in the Notes to the Basic Financial Statements.

(Dollar Amounts in Thousands)

The County of Orange eGovernment website portal at http://www.ocgov.com provides online services and extensive information about County government to Orange County residents, businesses, partners, and visitors. The County's website provides information and online services to the public 24/7. It includes information about the Board, County job listings, purchasing bid solicitations, assessment appeals, links to court information and local court rules, voter information, County permits and forms, public safety, health and human services programs and financial information. The site also provides several online services, including live and archived Board meeting videos, the ability to order birth, death and marriage certificates, search fictitious business names, find polling locations and election results, license pets, view , print, and pay current and prior year property tax bills, pay certain invoices, and subscribe to receive emergency alerts. The County continuously strives to improve a constituent'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 continues to out-perform local surrounding counties, the state and national economies (in annual percentage growth), and, in fact, ranks higher (in absolute growth rate dollars) than the economies of the majority of the world's countries. Internal indicators show a continued slow but steady recovery of the local economy.

Orange County's unemployment rate continues to be below that of all surrounding Southern California counties, the State of California and the National level (see Table 1).

According to Chapman University, Orange County's job growth is expected to increase by 3.1% in 2015 and result in approximately 47,000 new jobs relative to 2014. This compares to 2.9% for the State of California and 2.0% for the national level.

According to Chapman University, inflation, as measured by the Consumer Price Index (CPI) in 2015, is expected to be 1.0% for Orange County, slightly lower than for the State of California at 1.4% and slightly higher than the U.S. at 0.8% (see Table 2).

Table 1: Unemployment Rate Comparison

Primary Government Entity	September 2015 Unemployment Rate
United States	4.9%
California	5.5%
Los Angeles County	6.5%
Riverside County	6.3%
San Bernardino County	5.8%
San Diego County	4.6%
Orange County	**4.0%**

Unemployment and Expected Job Growth Rates

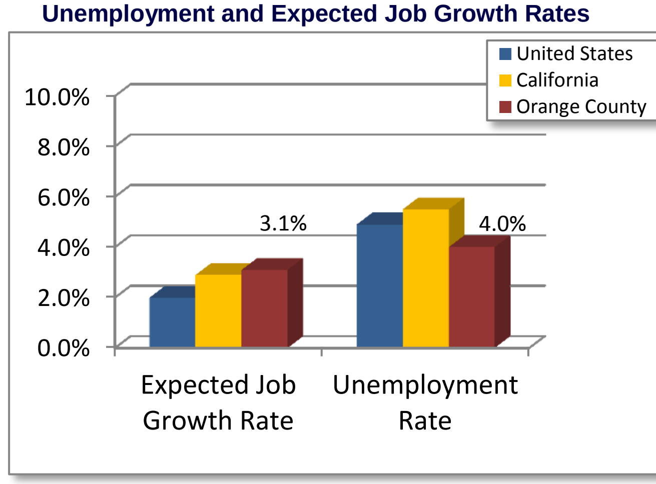


Table 2: 2015 – Projected Increase of the CPI

United States	California	Orange County
0.8%	1.4%	1.0%

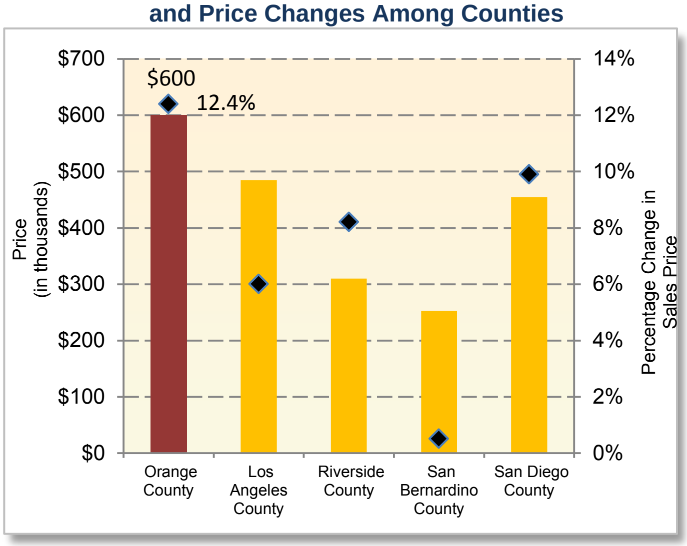
Sources: State of California, Employment Development Department
Economic & Business Review,
Chapman University, June 2015

According to the Department of Housing and Urban Development, Orange County's median family income is expected to be $85,900 (absolute dollars) in 2015, compared to $84,900 (absolute dollars) in 2014. Median family incomes in Orange County continue to exceed all surrounding Southern California counties, the State of California and the nation (see Table 3).

According to CoreLogic Information Systems, the median home sales price for new and existing homes in Orange County was $600,000 (absolute dollars) in April 2015, representing a 12.4% increase relative to 2014. The median sales price in Orange County continues to exceed all surrounding counties (see Table 4).

In terms of internal trends, current and projected indicators suggest that the Orange County economy will continue to gradually improve with 47,000 jobs added in 2015 and 41,000 in 2016.

Comparison of Median Home Sales Price and Price Changes Among Counties

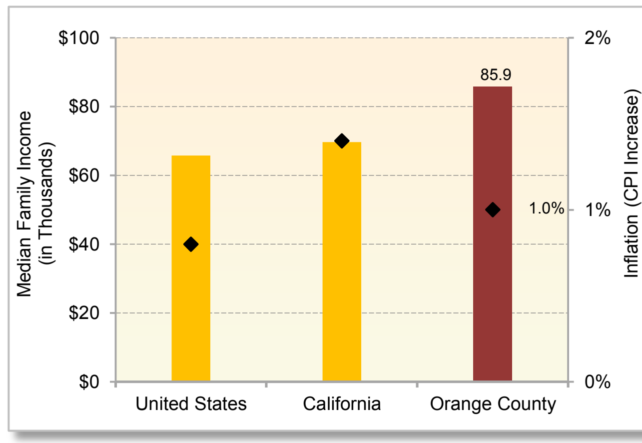


Sources: CoreLogic Information Systems, April 2015

Table 3: Median Family Income Comparison

Primary Government Entity	Median Family Income (absolute dollars)
United States	$65,800
California	$69,700
Orange County	**$85,900**
San Diego County	$73,000
Los Angeles County	$63,000
Riverside County	$60,500

Comparisons of Inflation and Median Family Income



Sources: Economic & Business Review, Chapman University, June 2015
U.S. Department of Housing and Urban Development, 2015

Table 4: Median Home Sales Price Comparison – Southern California Counties – April 2015

Primary Government Entity	Median Home Sales Price Change increase	Median Home Sales Price (absolute dollars)
Orange County	**12.4%**	**$600,000**
Los Angeles County	6.0%	$485,000
San Diego County	9.9%	$455,000
Riverside County	8.2%	$310,000
San Bernardino County	0.5%	$252,500

Sources: State of California, Employment Development Department
Economic & Business Review, Chapman University, June 2015
Corelogic Information Systems, April 2015
Note: Unemployment rates are for the month of September

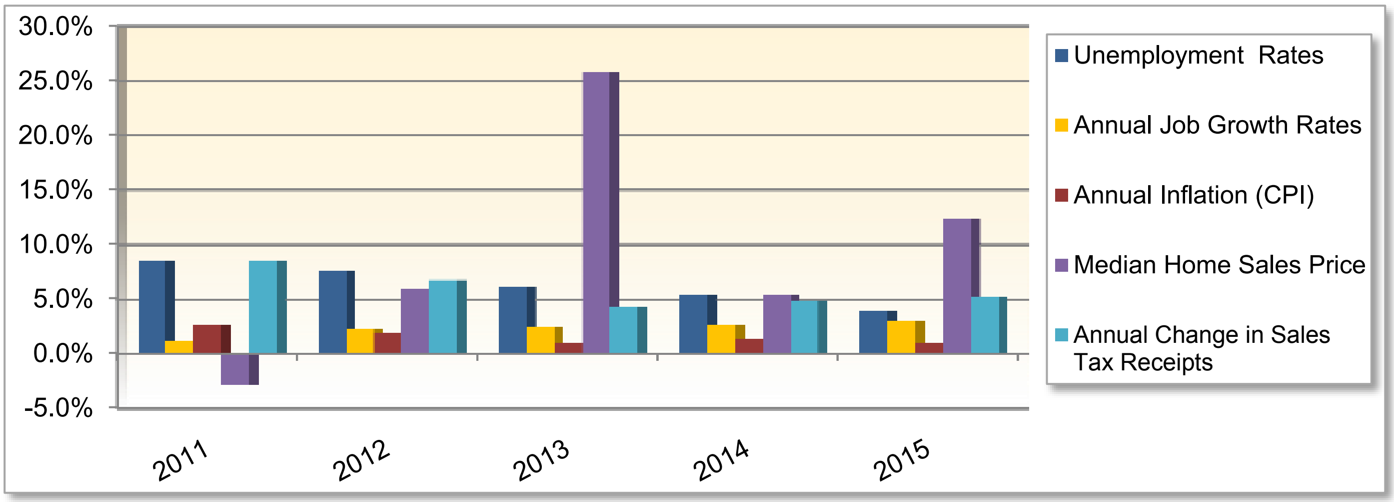
(Dollar Amounts in Thousands)

Table 5 shows various internal indicators reflecting steady growth of Orange County's economy. The unemployment rate decreased to 4.0% in September 2015 relative to 5.4% in September 2014. Job growth is expected to increase slightly at 3.1% in 2015 compared to 2.6% in 2014. Median home prices increased by 12.4% in April 2015, relative to 5.4% in April 2014. Forecasted sales tax receipts slightly increased to 5.2% in 2015.

Table 5: Orange County Historical Data

Historical Indicators	2011	2012	2013	2014	2015
Unemployment Rates	8.6%	7.7%	6.2%	5.4%	4.0%
Annual Job Growth	1.2 %	2.3 %	2.5%	2.6%	3.1%
Annual CPI Inflation	2.7 %	2.0%	1.1%	1.4%	1.0%
Median Home Sales Price increase	(2.8%)	6.0%	25.8%	5.4%	12.4%
Annual Change in Sales Tax Receipts	8.5 %	6.8%	4.3%	4.8%	5.2%

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, June 2015
Corelogic Information Systems, April 2015

In summary, the economy in Orange County continues to show signs of steady growth.

Long–Term Financial Planning

Strategic Plan: In March 1997, the Board initiated a financial planning process that is a key component of the County's commitment to fiscal responsibility, accountability and efficiency. 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 with financial impacts identified over the plan period. 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.

The 2015 Strategic Financial Plan (SFP) was presented to the Board on December 8, 2015. The 2015 SFP is the foundation in planning for continued financial stability and will be augmented by the monitoring and establishment of budgetary controls, via the quarterly budget reporting process and adoption of the Annual Budget. The five-year SFP projections indicate that General Purpose Revenue growth will be in the range of 4.3% for the first year of the plan with growth rates averaging 2.5% in years two through five. The moderate growth rate for revenue, coupled with the increasing cost of doing business, will require the County to carefully manage programs and services levels. The County continues to believe that sustained job growth and reduced unemployment are the key indicators for economic recovery.

In order to address identified budget issues and prepare for the continued uncertainty of the general and local economy, the following represent some of the actions taken or identified as options for early planning. Early action is critical to ensure baseline services are met and that the County continues to experience financial stability.

- The 2015 SFP reflects only a 1% increase in Fiscal Year (FY) 2016-17 Net County Cost limits, with the remaining excess funds distributed and/or set-aside to address the most critical strategic needs for the County
- Continuation of the policy to not backfill State budget reductions
- Elimination of vacant positions
- Internal financing program to support major capital and information technology projects
- Maintaining prudent levels of General Fund and Contingency Reserves

The County continues to move forward on several large projects identified below. In addition, the County is in various stages of planning for several other projects that will require long-term financial planning including upgrade of the 800 MHz Countywide Coordinated Communications System, replacement of Central Utility Facility infrastructure, the Civic Center Master Plan, and development of the County property at the former Marine Corps Air Station El Toro in Irvine (“100 acres”). Development of the 100 acres and other various County-owned properties will require up-front financial planning and investment in order to generate revenue in future years on a long-term basis.

Santa Ana River Mainstem Project: The Santa Ana River Mainstem Project (SARMP) 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 SARMP. Construction for the SARMP was authorized by the Water Resources Development Act of 1986. Construction for the SARMP was initiated in 1989, and completion is scheduled for December 2022.

The SARMP 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 SARMP is available in Note 15, Construction and Other Significant Commitments. To learn more about the SARMP, visit the Orange County Flood Control Division's website at http://www.ocflood.com.

OC Dana Point Harbor Revitalization Plan: The OC Dana Point Harbor Capital Improvement Plan includes revitalization of Dana Point Harbor. The Revitalization Project is a multi-phased project with total costs estimated at $140 million pending final project design approvals, and anticipating a systematic long-term repair and/or replacement project for the waterside as opposed to a total redesign and rebuild of the marinas. The initial phases of improvements are expected to be funded with a combination of external financing and funds on hand that have been reserved for the Harbor Improvement Plan. OC Dana Point Harbor and County Executive Office staff are expected to finalize the financial strategy for the complete Revitalization Plan next fiscal year.

James A. Musick Facility Expansion: On March 8, 2012, the State approved $100,000 in funds for the County for expansion of the James A. Musick Facility (Assembly Bill 900 AB900). This project is currently in the design phase with construction estimated for completion in FY 2018-19. The County must front costs initially until the notice to proceed for construction is approved by the State. At that time, all past costs incurred can be invoiced for reimbursement by the State in full, and all future costs will be invoiced for reimbursement by the State on an ongoing basis until construction completion and occupancy. It is anticipated that costs will be reimbursed beginning in FY 2016-17. Funds from alternative liquidity sources will be utilized to fund the up-front costs and returned within the required three-year period as reimbursements are received from the State.

On March 13, 2014, the State conditionally approved $80,000 in funds for the County for further expansion of the James A. Musick Facility. This project is in the initial stages and will be completed after the AB900 project in FY 2019-20, and the financial requirements are consistent with those described above.

La Pata Avenue Gap Closure & Camino Del Rio Extension Project: The County has begun the construction of the La Pata Avenue Gap Closure Project (Project) that will widen La Pata Avenue and implement a gap closure between the cities of San Juan Capistrano and San Clemente. This is a cooperative project between the City of San Clemente, City of San Juan Capistrano, OC Waste & Recycling, and OC Public Works, with the County acting as the lead agency. The total Project cost is estimated at $127,000 and is funded from State 1B, Measure M1 and M2, gas tax, developer agreement, and community facility district revenues. A construction contract for $72,741 was awarded by the Board of Supervisors to Sukut Construction, Inc. on December 10, 2013 and a construction management contract for $7,706 was awarded to Hill International, Inc. on February 4, 2014. The groundbreaking ceremony was held on April 4, 2014. The Notice to Proceed for the initial phase was issued on April 22, 2014 and has a tentative completion date in fall of 2016. If the remaining two phases are executed within the first two years of the initial phase, all three phases are tentatively scheduled for completion in early spring of 2018.

Relevant Financial Policies

To achieve the goal of providing outstanding and cost-effective regional public services, the County 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 promotes financial soundness, efficiency in government and solvency in public finance.

General Fund Reserves Policy

The County General Fund Reserves Policy provides guidance in the creation, maintenance and use of reserves. The policy covers formal and informal reserves, and includes provisions for reserves such as appropriations for contingencies, reserve-like appropriations, and reserve-like funds held by others such as the OCERS Investment Account. The policy also recognizes whether funds are legally required or discretionary, or have special restrictions. The reserves policy is maintained and updated, as needed, through the County's annual SFP process. The reserves policy, targets and balances are included in the annual SFP document.

The General Fund Reserves policy is designed to provide flexibility to the County as well as the following:

- Resources to address unanticipated or cyclical economic conditions
- Resources for emergencies and/or catastrophic events
- Mitigation of the volatility of revenues and expenditures in managing temporary cash flow shortages
- Capacity to cover unexpected large one-time expenses and opportunities
- Capacity to fund capital investments
- Capacity to minimize borrowing costs
- Capacity to provide some level of protection against statutory changes to County revenues and impacts from federal and state actions

The County has a variety of reserve funds available to both the General Fund and Non-General Funds including:

- Fund Balance Assigned for Contingencies
- Fund Balance Assigned for Operations
- Fund Balance Assigned for Construction and Maintenance
- Fund Balance Assigned for Capital Projects
- Fund Balance Assigned for Teeter Loss Reserve
- Fund Balance Assigned for Reserve Target
- Reserve-like Funds
- Reserve-like Appropriations
- Department Type Reserves

All of the above are reserves normally modified at the time of budget adoption (Government Code Section 29085) or at fiscal year-end. Changes to reserve amounts at other times require a 4/5 vote of the Board. A 4/5 vote is also required to make such reserves available for appropriation to expend the funds, if needed, during the FY (Government Code Section 29130).

Reserve Targets and Descriptions

Under GFOA recommended practice, the County establishes an overall reserve target, and allocates the calculated target among the classes of obligated fund balances as appropriate. The County may fund more or less to each reserve class, for a variety of reasons such as its current financial condition, the need to set aside for particular goals or directives, the need to bridge one-time gaps, etc. The goal is to ensure a prudent reserve balance that is maintained and replenished on a regular basis.

In implementing the GFOA's best practice, the County elected to establish a funding target based upon two months of General Fund operating revenues. Analysis of the historical average of two months of operating revenues as well as FY 2015-16 adopted budgeted revenues, yielded a funding target of approximately 17% of General Fund operating revenues.

Contingencies

The purpose and use of this reserve is to cover unanticipated and severe economic downturns, major emergencies, or catastrophes that cannot be covered with existing appropriations. In particular, continued drought conditions with the attendant risk of wildfires, highlights the potential for catastrophic events within the County. A significant event could create the need for a higher funding level of this reserve. The target amount for this reserve is 15% of ongoing annual General Purpose Revenues (excluding fund balance unassigned and one-time amounts and transfers).

The following table summarizes the County's financial management practices:

Relevant Financial Policies	
Multi-year SFP	The County's SFP 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. Performance measures and strategies are key elements of the SFP 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, 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 SFP process. Department budgets are consistent with the priorities and operations plans contained in the SFP. 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 and informal 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	The County's General Fund maintains a reserve for contingencies, which was established through the SFP process. The target amount for this reserve is 15% of ongoing annual general purpose revenues (excludes fund balance unassigned and one-time amounts and transfers), or $102,040. This compares to the GFOA guidelines for funding contingencies at 15% or higher. The September 30, 2015 balance is $61,300, approximately $40,740 below the revised target. In addition to the reserve for contingencies, the County budgets an annual appropriation for significant unanticipated emergencies, catastrophes, one-time expenditures, and opportunities of no less than $5,000 in the General Fund.
Debt Disclosure Practices	The County presents a set of disclosures in the County's adopted Budget document and the CAFR, as well as Continuing Disclosure Annual Reports on its website and the Electronic Municipal Market Access (EMMA) repository.
Pay-as–you-go Capital Funding	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 SFP 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.
Credit and Debt Management Policy	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 or defeasance of debt to lower the financial burden on the General Fund.
Public Financing Advisory Committee	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 unless recommended in writing by the PFAC. The PFAC membership consists of the following: five public voting members, each representing a district, and three Ex-Officio County government members (the County Executive Officer (non-voting), the elected Treasurer-Tax Collector, and the elected Auditor-Controller).
Audit Oversight Committee	The Audit Oversight Committee (AOC) is an advisory committee to the Board of Supervisors that provides oversight of the activities of the County Auditor-Controller's Internal Audit Division and the County's external audit coverage including financial reporting and federal and state audit activities, and that discusses the adequacy of the County's internal control structure. The AOC membership consists of the following: the Chairman and Vice-Chairman of the Board, the elected Auditor-Controller, the County Executive Officer, the elected Treasurer-Tax Collector, the Performance Audit Director, and four public members from the private sector appointed by the Board. The public members shall be appointed by the Board for a term of four years and may be reappointed or removed by the Board.

Relevant Financial Policies (Continued)	
Treasury Oversight Committee	The Treasury Oversight Committee (TOC) is responsible for reviewing and monitoring the annual Investment Policy Statement (IPS) prepared by the Treasurer. In addition, the TOC causes an annual audit of the Treasurer's compliance with the IPS. The TOC shall also investigate any and all irregularities in the Treasurer's operations, which become known to the TOC. The TOC will develop and document policy and procedures to investigate and report such irregularities. Annually, the TOC reviews the Treasurer's IPS, including all proposed amendments or modifications to the policy. The Treasurer then submits the IPS to the Board for approval, including any additions or amendments thereto. The TOC membership consists of the following: The elected Auditor-Controller, the County Executive Officer, the elected County Superintendent of Schools, or their respective designees, and four members of the public. The public members shall be nominated by the Treasurer and confirmed by the Board.
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 for reporting suspected waste, fraud, violations of County policy or misuse of County resources by vendors, contractors or County employees.

Major Initiatives

Funding Equity: The County of Orange hovers at the bottom of funding for counties statewide, receiving the lowest percentage of property taxes in California to support services—about 6 cents on the dollar. The state average is 17 cents. The formula for returning local property taxes to the counties where they were collected was set in 1978 and has not been updated since. This systematically disadvantages the County's ability to provide services to its diverse population.

The County's predicament does not have easy fixes. Shifting funding formulas could affect other counties receiving more of their share of taxes, as well as other taxing entities such as cities, special districts, and schools, which have constitutional protections for state funding. The answer to assuring funding equity for Orange County, therefore, lies in increasing funding, programs and partnerships that specifically benefit County programs and services. When the state shifts or adds responsibilities at the county level, the County will seek enough funding for those programs to ensure their success. Orange County's robust legislative agenda seeks creative and substantive ways to assure our residents are provided with their fair share of the taxes they pay to support the programs and services they deserve.

State Prison Realignment: In 2011, California, with passage of Assembly Bill 109, ordered the realignment of certain state prisoners to serve their sentences in county jails instead of state prisons to comply with court-ordered overcrowding reductions. Orange County accounts for 8.1% of the state's population and 6.4% of the total prison population. In FY 2014-15, the County spent $63,400 and carried over $4,600 surplus to FY 2015-16.

Realignment has led to multiple challenges, including the need for more in-custody housing options and bed space, additional case-management resources, inmate screening and medical/psychiatric programs. Felony caseloads have increased substantially with a corresponding increase in the need for additional court hearings and appearances. On November 4, 2014 voters passed Proposition 47, "The Safe Neighborhood and Schools Act," which reduced the classification of most non-serious, non-violent property and drug crimes from felonies to misdemeanors. This change reduced the number of new felony cases and permitted re-sentencing for anyone currently serving a sentence for those offenses, ultimately reducing the AB 109 and general jail populations. This change resulted in lower felony caseloads and a temporary increase in workloads due to the large number of re-sentencing hearings.

Labor Agreements: Most County employees are represented by 16 bargaining units within 7 labor organizations. The principal organization is the Orange County Employees Association (OCEA), which represents eight units totaling about 12,059 employees. The next largest unions are the Association of Orange County Deputy Sheriffs, at about 2,020 members; and about 1,561 eligibility workers are represented by the American Federation of State and Municipal Employees. All but four contracts have been successfully negotiated and County employees continue to work under their contract terms with no interruption.

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, 2014. This represents the County's 20th 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 GAAP 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 12th consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2014. 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. The "OC Citizens' Report" is available for viewing at http://ac.ocgov.com/reports/pafr.

Acknowledgments: We would like to express our sincere appreciation to County staff and the staff of the certified public accounting firm of MGO. We 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,

Eric H. Woolery, CPA
Auditor-Controller

Michelle Aguirre
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Orange

California

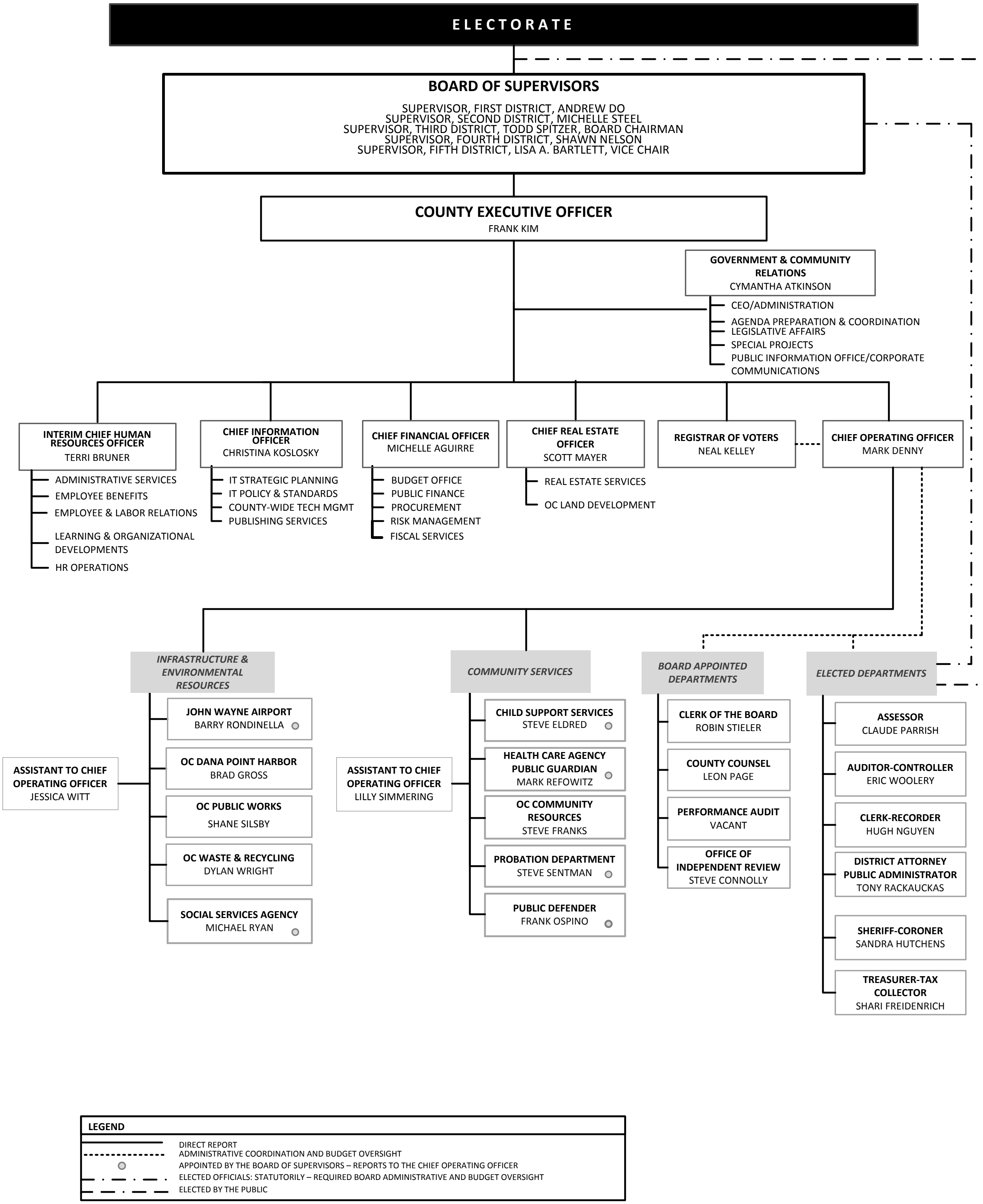
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Jeffrey R. Emer

Executive Director/CEO

ORGANIZATIONAL CHART
(As of December 3, 2015)



COUNTY OF ORANGE
CALIFORNIA

Independent Auditor's Report

The Honorable Board of Supervisors
County of Orange, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County'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 did not audit the financial statements of the Children and Families Commission of Orange County (CFCOC) and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima), which collectively represent 100% percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for CFCOC and CalOptima, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Roads Fund, Flood Control District Fund, and Other Public Protection Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, effective July 1, 2014, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The implementation of these statements resulted in a restatement of net position as of July 1, 2014 in the amount of $3,686,767,000, $80,522,000, and $116,315,000 for the governmental activities, the business-type activities, and the proprietary funds, respectively.

Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules related to the Orange County Extra-Help Defined Benefit Plan, schedules related to the Orange County Employees Retirement System, and schedule related to the Orange County Retiree Medical Plan 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.

Other Information

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

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 individual nonmajor fund financial statements and budgetary 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.

Macias Gini & O'Connell LLP

Newport Beach, California
December 17, 2015

COUNTY OF ORANGE
CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(UNAUDITED)

This section of the County's Comprehensive Annual Financial Report (CAFR) provides a narrative overview and analysis of the financial activities of the County for the year ended June 30, 2015. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides a clear picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total change in net position, which is the difference between total revenues including transfers in and expenses including transfers out, increased by $324,462, or 19% as compared to last year.
- Long-term debt decreased by $76,240 or 14% during the current fiscal year.
- The County's governmental funds reported combined ending fund balances of $2,186,691, an increase of $219,067, or 11% in comparison with the prior year.
- General Fund revenues and transfers ended the year 3% below budget.
- General Fund expenditures and other financing uses ended the year 7% below budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements presented in the County's CAFR are divided into three different sections:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

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The following table summarizes the major features of the basic financial statements:

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of Financial Statement	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Scope	Entire entity (except fiduciary funds)	Day-to-day operating activities for basic services	Day-to-day operating activities for business-type services	Resources on behalf of others
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus (except for agency funds)
Type of asset, deferred outflows of resources, liability, and deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources , both financial and capital, short-term and long-term	Current assets, liabilities, and deferred inflows of resources that come due during the year or soon thereafter	All assets, deferred outflows of resources, liabilities, and deferred outflows of resources both financial and capital, short-term and long-term	All assets, deferred outflows of resources, and deferred inflows of resources held in a trustee or agency capacity for others
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements consist of the following two financial statements: the Statement of Net Position and the Statement of Activities. Both of these statements were prepared using an accounting method and a measurement focus similar to those used by private-sector companies, the accrual basis of accounting and the economic resources measurement focus. The ***Statement of Net Position*** provides information regarding all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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 County is improving or deteriorating. The ***Statement of Activities***, on the other hand, provides information on how the government's net position changed during the most recent fiscal year regardless of the period when the related cash or cash equivalent is received or paid. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The Statement of Net Position and the Statement of Activities distinguish functions of the County that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include (1) general government, (2) public protection, (3) public ways and facilities, (4) health and sanitation, (5) public assistance, (6) education, and (7) recreation and cultural services. The business-type activities of the County include airport, waste management, and compressed natural gas.

The government-wide financial statements also provide information regarding the County's component units, entities for which the County (the primary government) is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations, and therefore, data from these component units are combined with data of the primary government. Financial information for the Children and Families Commission of Orange County (CFCOC) and CalOptima, discretely presented component units, are reported separately from the financial information presented for the primary government itself. A separate stand-alone annual financial report can be obtained for the CFCOC by accessing Orange County's website at the following address: http://ac.ocgov.com/info/financial/. A separate stand-alone annual financial report can be obtained for CalOptima by accessing the website at http://wpso.dmhc.ca.gov/fe/search/#top, and select the Health Plan "Orange County Health Authority" and Statement Type "Annual Audit Reports."

Fund Financial Statements

- **Fund** - a separate accounting entity with a self-balancing set of accounts.
- Focus is on **major funds**.
- Provides information regarding the three major categories of all County funds: **governmental, proprietary, and fiduciary**.

The fund financial statements report on groupings of related funds that are used to maintain control over resources that have been segregated for specific activities or objectives. A fund is a separate accounting entity with a self-balancing set of accounts. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental and proprietary fund financial statements is on major funds as determined by the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 34 *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* and GASB Statement No. 65 *"Items previously Reported as Assets and Liabilities."* All of the County funds can be divided into three major categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds **-** Governmental funds include most of the County's basic services and 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 funds financial statements are prepared using the modified accrual basis of accounting and current financial resources measurement focus.

Because the focus of governmental 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 government's near-term financing decisions. Reconciliations are prepared for the governmental funds' Balance Sheet and the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances to facilitate comparisons between governmental funds and governmental activities. The primary differences between the government-wide and fund financial statements relate to noncurrent assets, such as land and structures and improvements, and noncurrent liabilities, such as bonded debt, the County's proportionate share of the net pension liability and amounts owed for compensated absences and capital lease obligations, which are reported in the government-wide statements but not in the fund financial statements.

The County maintains several individual governmental funds organized according to their type (General Fund, Special Revenue, Debt Service, Capital Projects and Permanent Funds). Information is presented separately in the governmental funds' Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is always a major fund, and all other major funds. Information for nonmajor funds is presented in the aggregate in these statements. Individual fund data for each of the nonmajor governmental funds is presented elsewhere in this report. The County adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with the budget.

Proprietary Funds **-** The County maintains two different types of proprietary funds: Enterprise Funds and Internal Service Funds. **Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Airport, Waste Management, and Compressed Natural Gas. **Internal Service Funds** are used to accumulate and allocate costs internally among the County's various functions such as insurance, transportation, publishing, and information technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Airport and Waste Management operations, which are both considered to be major funds of the County. Conversely, the Internal Service Funds are combined into a single, aggregated presentation in the proprietary funds financial statements with the individual fund data provided in combining statements, which can be found elsewhere in this report.

Fiduciary Funds - Fiduciary funds include the **Trust** and **Agency** funds and are used to account for assets held on behalf of outside parties, including other governments. Financial information for fiduciary funds is not reported in the government-wide financial statements because the resources of these funds are not available to support the County's programs. The combining statements for fiduciary funds are included elsewhere in this report.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. To find a specific note, refer to the Table of Contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At June 30, 2015, the County's combined net position (governmental and business-type activities) totaled $2,007,750, a decrease of 63% from unrestated FY 2013-14.

COMPONENTS OF NET POSITION

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The largest component of the County's net position, which totals $3,313,004, was **net investment in capital assets,** which represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets and debt-related deferred outflows and inflows of resources. The County's capital assets are used to provide needed services to its citizens. Since the capital assets themselves cannot be used to liquidate the associated debt, the resources needed to repay the debt must be provided from other sources.

The County's **restricted** net position totals $1,324,014. Restricted net position represents resources that are subject to external restrictions on their use and are available to meet the County's ongoing obligations for programs with external restrictions. External restrictions include those imposed by grantors, contributors, laws/regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation, including those passed by the County itself.

The final component of net position is **unrestricted net position**. Unrestricted net position is resources that the County may use to meet its ongoing obligations to citizens and creditors. As of June 30, 2015, governmental activities showed a deficit of $2,991,814 in unrestricted net position, compared to $331,408 at June 30, 2014. A key element contributing to the change is the implementation of GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions*" (GASB Statement No. 68) and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*" (GASB Statement No. 71) to present the County's proportionate share of net pension liability on the financial statements. Refer to Note 18 Retirement Plans for more details.

The following table presents condensed financial information derived from the government-wide Statement of Net Position:

NET POSITION – Primary Government
June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
ASSETS						
Current and other assets	$ 3,216,086	$ 3,156,094	$ 827,258	$ 784,278	$ 4,043,344	$ 3,940,372
Capital assets	2,783,675	2,756,054	835,176	823,019	3,618,851	3,579,073
Total Assets	**5,999,761**	**5,912,148**	**1,662,434**	**1,607,297**	**7,662,195**	**7,519,445**
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Refunding	6,225	9,622	--	--	6,225	9,622
Deferred Outflows of Resources Related to Pension	652,309	--	14,275	--	666,584	--
Total Deferred Outflows of Resources	**658,534**	**9,622**	**14,275**	**--**	**672,809**	**9,622**
LIABILITIES						
Long-term liabilities	4,724,559	973,983	462,586	408,736	5,187,145	1,382,719
Other liabilities	666,496	622,850	79,365	72,921	745,861	695,771
Total Liabilities	**5,391,055**	**1,596,833**	**541,951**	**481,657**	**5,933,006**	**2,078,490**
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows of Resources Related to Pension	385,819	--	8,429	--	394,248	--
Total Deferred Inflows of Resources	**385,819**	**--**	**8,429**	**--**	**394,248**	**--**
NET POSITION						
Net Investment in Capital Assets	2,670,577	2,646,812	642,427	624,621	3,313,004	3,271,433
Restricted	1,202,658	1,346,717	121,356	116,148	1,324,014	1,462,865
Unrestricted	(2,991,814)	331,408	362,546	384,871	(2,629,268)	716,279
Total Net Position	**$ 881,421**	**$ 4,324,937**	**$ 1,126,329**	**$ 1,125,640**	**$ 2,007,750**	**$ 5,450,577**

* The balances shown in FY 2014 have not been restated to include adjustments in Note 2, Change in Accounting Principle

As of June 30, 2015, the County's total assets and deferred outflows of resources increased by 11% or $805,937 during the current fiscal year. Deferred outflows of resources related to pension increased by $666,584 due to the changes in net pension liability measurements, such as the difference between expected and actual expense, changes of assumption, changes in proportion and difference between employer contributions and proportionate share of contributions, used in the actuarial study and the County's pension contribution after the measurement date as required by GASB Statement No. 68 and GASB Statement No. 71. Partially offsetting this increase was a decrease in deferred outflows for charges on refunding due to the amortization of the deferred loss on refunding for the 2005A Refunding Recovery Bonds and 2005 Lease Revenue Bonds. Refer to Note 2, Change in Accounting Principle and Note 18 Retirement Plans for further information regarding the implementation of GASB Statement No. 68 and GASB Statement No. 71.

Total liabilities and deferred inflows of resources for FY 2014-15 increased by 204% or $4,248,764. Long-term liabilities increased by 275% or $3,804,426, as a result of the County's proportionate share of the net pension liability. Deferred inflows of resources related to pension increased $394,248 due to the changes in the net pension liability measurements used in the actuarial study as required by GASB Statement No. 68.

(Dollar Amounts in Thousands)

The following table provides summarized data of the government-wide Statement of Activities:

CHANGES IN NET POSITION – Primary Government
For the Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
REVENUES						
Program Revenues:						
Charges for Services	$ 563,013	$ 535,382	$ 281,368	$ 261,857	$ 844,381	$ 797,239
Operating Grants and Contributions	1,996,861	2,033,550	255	900	1,997,116	2,034,450
Capital Grants and Contributions	33,241	54,478	9,215	5,277	42,456	59,755
General Revenues:						
Property Taxes	505,189	444,104	--	--	505,189	444,104
Property Taxes in Lieu of Motor Vehicle License Fees	314,957	295,798	--	--	314,957	295,798
Other Taxes	71,613	73,178	109	101	71,722	73,279
Grants and Contributions not Restricted to Specific Programs	49,476	14,192	--	--	49,476	14,192
State Allocation of Motor Vehicle License Fees	764	895	--	--	764	895
Other General Revenues	76,585	72,871	4,639	6,241	81,224	79,112
Total Revenues	**3,611,699**	**3,524,448**	**295,586**	**274,376**	**3,907,285**	**3,798,824**
EXPENSES						
General Government	191,793	131,026	--	--	191,793	131,026
Public Protection	1,326,028	1,261,984	--	--	1,326,028	1,261,984
Public Ways and Facilities	114,398	127,561	--	--	114,398	127,561
Health and Sanitation	537,580	626,063	--	--	537,580	626,063
Public Assistance	1,049,665	988,735	--	--	1,049,665	988,735
Education	43,314	41,240	--	--	43,314	41,240
Recreation and Cultural Services	102,069	-- 96,820	--	--	102,069	96,820
Interest on Long-Term Debt	23,560	28,028	--	--	23,560	28,028
Airport	--	--	124,778	120,731	124,778	120,731
Waste Management	--	--	69,307	94,161	69,307	94,161
Compressed Natural Gas	--	--	331	379	331	379
Total Expenses	**3,388,407**	**3,301,457**	**194,416**	**215,271**	**3,582,823**	**3,516,728**
Excess before Transfers	223,292	222,991	101,170	59,105	324,462	282,096
Transfers	19,959	17,557	(19,959)	(17,557)	--	--
Change in Net Position	**243,251**	**240,548**	**81,211**	**41,548**	**324,462**	**282,096**
Net Position - Beginning of the Year, as Restated	638,170	4,084,389	1,045,118	1,084,092	1,683,288	5,168,481
Net Position - End of the Year	**$ 881,421**	**$ 4,324,937**	**$ 1,126,329**	**$ 1,125,640**	**$ 2,007,750**	**$ 5,450,577**

* The balances shown in FY 2014 have not been restated to include adjustments in Note 2, Change in Accounting Principle

As of June 30, 2015, the County's change in net position, excluding the restatement of net position, increased by $324,462 during the current fiscal year. Revenues for the year totaled $3,907,285, an increase of $108,461 from prior year's total revenues. Expenses totaled $3,582,823, an increase of $66,095 from the previous year's total expenses.

Governmental Activities

The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating grants and contributions comprised the largest revenue source for the County followed by charges for services. Operating grants and contributions are monies received from parties outside the County and are generally restricted to one or more specific programs such as State and Federal revenues for public assistance and for health care. Charges for services are revenues that arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Examples of the types of services that fall under this category include engineering services provided to cities under contract, park and recreation fees, and law enforcement services provided to other governmental agencies under contract.

At the end of FY 2014-15, total revenues for governmental activities, including transfers from the business-type activities, were $3,631,658, an increase of $89,653 from the previous year. Expenses totaled $3,388,407, an increase of $86,950 from the prior year. During the current fiscal year, net position for governmental activities increased by $243,251 from the prior fiscal year after restatement of beginning net position as of July 1, 2014 for an ending balance of $881,421. Key elements of the increase are as follows:

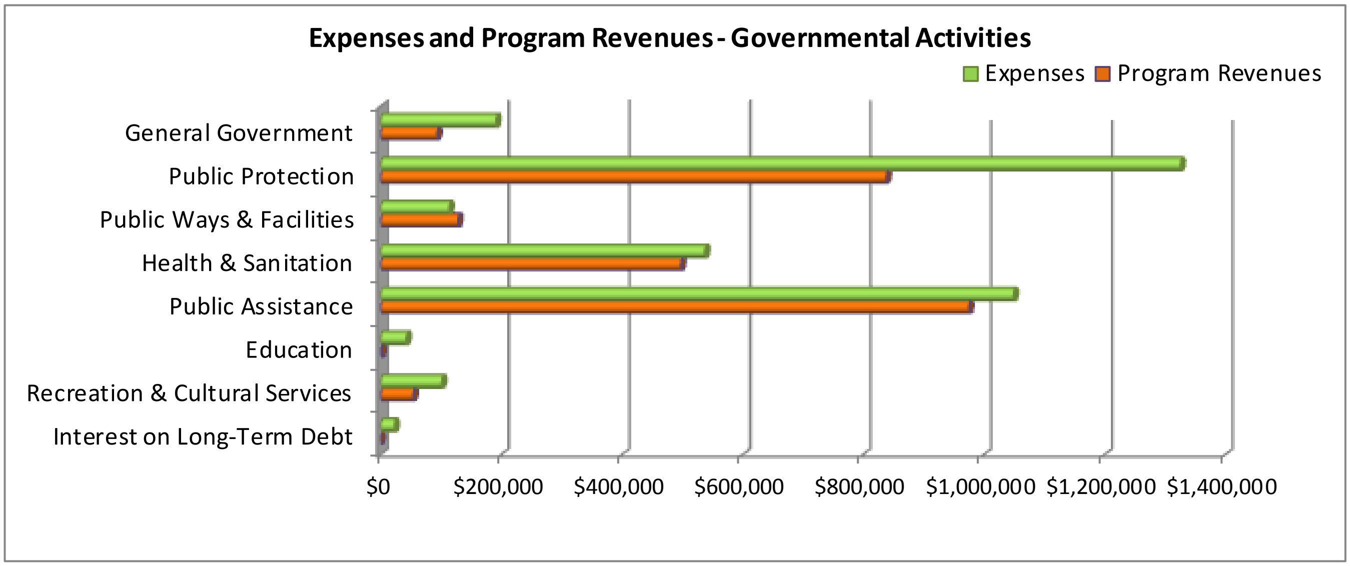
<u>Revenues</u>

- Property Taxes increased by $61,085, mainly due to a change in the secured assessed values and a change in the Teeter Plan Reserve methodology for calculating the reserve requirement for the Tax Loss Reserve Fund. This reserve methodology is legally allowable to be changed by the California Revenue and Taxation Code and was adopted by a Board resolution.
- Grants and Contributions not restricted to Specific Programs increased by $35,284, primarily due to an increase in monies received from the State for reimbursement of mandate related costs incurred prior to 2004 which were previously allowed for.
- Charges for Services increased by $27,631, due primarily to an increase in mental health services for educational related mental health and Medi-Cal programs under Proposition 63 Mental Health Services Act (MHSA). In addition, revenues increased from road and street services for the La Pata fee program. Partially offsetting the increase in Charges for Services was a decrease in revenues recognized for the Immigration Customs and Enforcement (ICE) program.
- Partially offsetting the general increase in revenues was a decrease of $36,689 in operating grants and contributions, primarily due to the Affordable Care Act, which decreased revenues from the Low Income Health Program. In addition, revenues decreased for the Highway Users Tax as a result of a lower allocation and a change in methodology for not accruing the July payment regulated by the State.

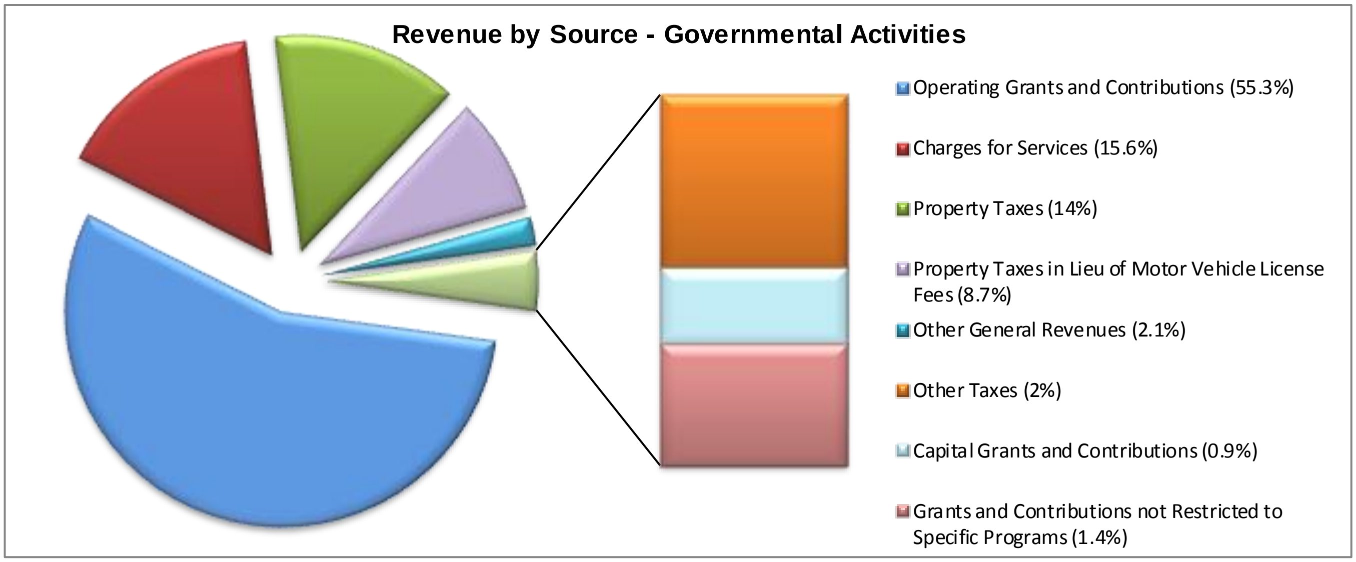
<u>Expenses</u>

- An increase in general government expenses of $60,767 was primarily due to the implementation of GASB Statement Nos. 68 and 71, which increased pension related expense items not previously accounted for. In addition, partly contributing to the increase was the intangible asset impairment loss of the Property Tax Management System.
- Expenses in public protection and public assistance increased by $64,044 and $60,930 respectively, primarily due to an increase salaries and benefits (S&EB) due to additional positions added to support new and ongoing demands in social services programs. In addition, there was an increase in pension related expense items as a result of the implementation of GASB Statement Nos. 68 and 71.
- Partially offsetting the increase in expenses was a decrease in health and sanitation by $88,483 due to a decrease in services as a result of the transition of Low Income Health Program (LIHP) to CalOptima as required in the Affordable Health Care Act, which resulted in a lower enrollment in the Medical Safety Net program.
- Public Ways and Facilities decreased by $13,163, which was primarily attributable to the decrease in professional services for various road projects that were completed. In addition, there was a reduction in salaries and benefits due to the reorganization of various positions to other departments.

The following chart presents a comparison of expenses by function and the associated program revenues for governmental activities:

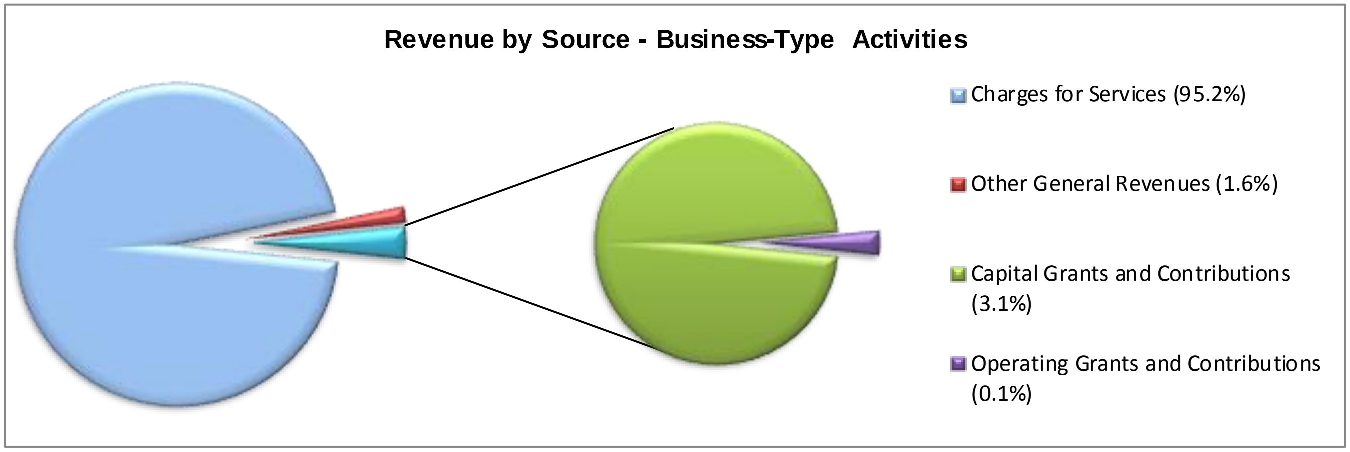


The chart below presents the percentage of total revenues by source for governmental activities:



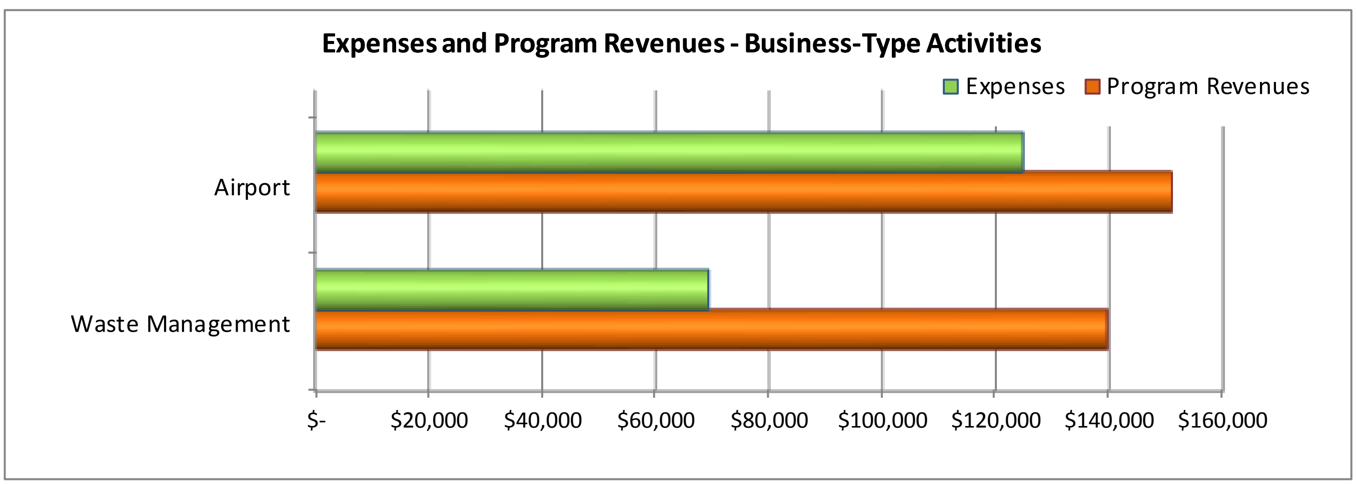
Business-Type Activities

The County has three business-type activities: Airport, Waste Management, and Compressed Natural Gas. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported charges for services as their largest source of revenues.



At the end of FY 2014-15, the business-type activities' total revenues exceeded expenses and transfers resulting in an increase of $81,211 in net position compared to the prior year's increase of $41,548. Revenues totaled $295,586, an increase of $21,210 from the previous fiscal year, which is attributable to an increase in revenues received by the Airport for passenger parking, rental car and specialty concessions, operation of the international arrival facilities and cost reimbursements for federally funded construction projects. Also, the increase in revenue was in part due to an increase to Waste Management's revenues from importation and in-county disposal tonnage and fees. Expenses, including transfers to governmental activities, totaled $214,375, representing a decrease of $18,453 from the previous year. The decrease was primarily the result of decreases in closure and postclosure care costs, pollution remediation, and cost of services and supplies. The decrease was offset by increases in depreciation and amortization expenses and impairment loss related to the Common Use Passenger Processing System (CUPPS). Other factors concerning the finances of the County's two major enterprise funds are discussed in the Proprietary Funds section of the "Financial Analysis of the County's Funds."

The following chart displays expenses and the associated program revenues by function for the business-type activities (major enterprise funds):



(Dollar Amounts in Thousands)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental Funds

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet, with the difference reported as fund balance. Fund balance, excluding nonspendable and restricted fund balances, may serve as a valuable measure of the government's available financial resources for spending at the end of a fiscal year. This amount is available for spending at the discretion of the County's Board of Supervisors (the Board) in order to achieve the established function of the respective funds.

At June 30, 2015, the County's governmental funds reported total fund balances of $2,186,691 which is an increase of $219,067 in comparison with prior year ending fund balances.

Comparative Analysis of Changes in Fund Balances

The following schedule presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net change in fund balances for the governmental funds for the current and previous fiscal year:

GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES
For the Years Ended June 30, 2015 and 2014

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2015	2014	2015	2014	2015	2014
General Fund	$ 3,001,243	$ 2,879,856	$ 2,853,121	$ 2,808,016	$ 148,122	$ 71,840
Roads	98,640	109,937	90,118	107,694	8,522	2,243
Flood Control District	163,096	169,260	121,287	154,993	41,809	14,267
Other Public Protection	66,846	49,261	66,747	48,203	99	1,058
Teeter Plan Notes	31,715	50,786	40,854	43,959	(9,139)	6,827
Other Governmental	652,592	600,011	622,938	615,209	29,654	(15,198)
Total	**$ 4,014,132**	**$ 3,859,111**	**$ 3,795,065**	**$ 3,778,074**	**$ 219,067**	**$ 81,037**

In addition to the effects of expenditure-driven grants, the following information provides explanations for the significant changes in fund balance:

General Fund

The General Fund is the chief operating fund of the County. At the end of FY 2014-15, revenues and other financing sources exceeded expenditures and other financing uses resulting in an increase in fund balances of $148,122 compared to last year's increase in fund balances of $71,840. Revenues and other financing sources increased by $121,387 and expenditures and other financing uses increased by $45,105. The following is a brief summary of the primary factors that contributed to the increase in the net change in fund balance for the General Fund in FY 2014-15:

Revenues

- Tax revenue increased by $30,237, which was primarily due to increases in secured property taxes and property taxes in-lieu of vehicle license fees (VLF) resulting from an increase in secured assessed values. Partially offsetting the increase in tax revenues was a decrease in supplemental and other property tax revenues.
- Fines, Forfeitures, and Penalties revenue increased by $49,024, primarily due to the adoption of Board Resolution 14-096 which changed the minimum reserve requirements for the Teeter Plan Loss Reserve.
- Transfers to the General Fund increased by $30,829 due to an increase in Social Services Agency (SSA) Wraparound claims for Children's Services, General Relief Assistance, and facilities development and maintenance costs. Wraparound is a State funded program that offers intensive services to children and youth at risk of placement in group homes. The County is authorized to use the State and County's share of foster

care placement dollars that would have otherwise been paid to a group home to provide wraparound services. The program is funded by the 2011 Public Safety Realignment (AB109) dedicated State sales tax and vehicle license fees.

- There were also increases in transfers from the Juvenile Justice Reform fund due to fund closure, Excess Public Safety Sales Tax for the District Attorney's budget requirement and the Sheriff Department's Field Based Reporting System. In addition, there were transfers from various funds including the Sheriff Narcotics programs and Supplemental Law Enforcement Services funds for overtime costs related to asset forfeiture seizures, equitable sharing of asset forfeiture revenue and expenses incurred at County Jails. These increases were partially offset by a decrease in transfers for OC Tobacco Settlement Revenue due to lower reimbursement claims in FY 2014-15.

Expenditures

- Expenditures for the general government increased by $36,265, which was primarily due to the County not utilizing funds available in the County Investment Account to meet its Annual Required Contribution compared to prior year, the first of five payments per the Vehicle License Fee Adjustment Amount (VLFAA) settlement agreement, and centralization of property tax systems to improve data sharing, processes, and efficiencies across departments. In addition, there were increased professional services expenditures for capital projects including the developer contract for the master planning of the MCAS El Toro 100-Acre parcel and increased S&EB expenses for the centralization of County Executive Office real estate functions.
- Expenditures for public protection increased by $43,917. Factors contributing to this increase in expenditures were the County's loss in the OC Attorney's Association lawsuit which increased the S&EB expenses for the District Attorney and Public Defender departments, the County's loss in the Gang Injunction lawsuit, and ongoing operational cost increases in the Sheriff's Department for S&EB and Services and Supplies (S&S). In addition, the Probation department had an increase in S&S for Enterprise IT billings and other professional services, offset by a decrease in temporary help services.
- Expenditures for health and sanitation decreased by $105,885, primarily due to a decrease in professional services and S&S related to the Low Income Health Program (LIHP) and Medical Services Initiative (MSI) claims and pharmacy contracts.
- Expenditures for public assistance increased by $55,907 primarily due to increases in operational costs for SSA in the areas of S&EB, S&S and Other Charges resulting from increases in staffing needs, contracts for services, information technology, facility improvements and other services required for the CalWORKs program, In-Home Supportive Services, Children and Family Services and Administrative Services.
- Expenditures for transfers increased by $13,562 due primarily to higher transfers to the Plan of Adjustment Available Cash Fund used to amortize bankruptcy related losses to County administered accounts and transfers for various capital projects including HVAC Systems, Central Utility Facility infrastructure upgrades, and purchase of a dispatch console platform for the Sheriff's 800 MHz Countywide Coordinated Communication System (800 MHz CCCS).

Roads

This fund accounts for the maintenance and construction of roadways, and for specialized engineering services to other governmental units and the public. At the end of FY 2014-15, fund balance increased by $8,522 compared to last year's increase in fund balance of $2,243. Revenues and other financing sources decreased by $11,297 primarily due to a decrease in intergovernmental revenues for the Highway Users Tax as a result of a lower allocation and a change in methodology for accruing the July payment from the State. Slightly offsetting this decrease was an increase in charges for services as a result of the revenue recognition for the La Pata Fee Program, reduced by lower amounts of revenues recorded for fee credit relinquishments that are done throughout the year once projects are completed for the South County Roadway Improvement Program (SCRIP). Expenditures decreased by $17,576 primarily due to a decrease in professional services by $12,330 related to the completion of asphalt overlay resurfacing of various streets on March 14, 2014 and completion of various road and bridge projects such as the Moulton Parkway Widening, Segment 3, Phase II completed in November 2014 and the Cerritos Avenue Reconstruction and Sewer Modification completed in July 2014.

Flood Control District

This fund accounts for the planning, construction, and operation of flood control and water conservation works, such as dams, basins, and trunk channels, and for the retardation, conservation, and controlled discharge of storm waters. At the end of FY 2014-15, there was an increase in fund balances of $41,809 compared to last year's increase in fund balances of $14,267. Revenues and other financing sources decreased by $6,164 due mainly to a decrease in intergovernmental revenues of $25,907 from the Department of Water Resources for the Santa Ana River Interceptor (SARI) Line project claims, partially offset by an increase in other revenues as a result of a litigation settlement for the Los Alamitos Pump Station. Refer to Note 11 for detailed information regarding the SARI project and financing agreement. Expenditures and other financing uses decreased by $33,706 primarily due to a decrease in capital outlay expenditures related to the completion of construction for the SARI main line in August 2014 and the East Garden Grove Wintersburg Channel Improvements in December 2014. Partially offsetting the decrease was an increase in expenditures for the purchase of real property as part of the Prado Dam Project.

Other Public Protection

This group of funds is used to account for safety and law enforcement activities. At the end of FY 2014-15, there was an increase in fund balances of $99 compared to last year's increase in fund balances of $1,058. Revenues and other financing sources increased by $17,585 which was attributable to an increase in fines, forfeitures and penalties of $9,189, primarily for penalty and settlement collections in the District Attorney's Consumer Protection funds, offset by a decrease in penalty assessment revenues for the Orange County Jail Fund. Charges for services increased $4,837 primarily due to cost sharing with various cities and governmental entities for the replacement of obsolete radio equipment to extend the life of the existing 800 MHz Countywide Coordinated Communication System and charges for the CAL-ID Automated Fingerprint Identification System. Expenditures and other financing uses increased by $18,544 primarily due to transfers out of $15,828 to reimburse the Sheriff's department for overtime on the Sheriff Narcotics Program, Gang Enforcement Team, South Patrol, and communications rebanding project and transfers out of the Juvenile Justice Reform fund to the Probation Department due to fund closure.

Teeter Plan Notes

This fund accounts for the financing of the County's purchase of delinquent taxes receivable pursuant to the Teeter Plan. At the end of FY 2014-15, fund balances decreased by $9,139 compared to last year's increase in fund balances of $6,827. Revenues and other financing sources decreased by $19,071 primarily due to a decrease of $8,098 in notes issued and a decrease of $10,889 in penalties and costs on delinquent taxes which are now recorded in the General Fund based on a Board resolution adopted in FY 2014-15. Expenditures decreased by $3,105 primarily due to a decrease in principal retirement for the partial redemption of the Teeter Plan Notes.

Other Governmental Funds

Other governmental funds encompass nonmajor funds, which include special revenue funds, debt service funds, capital projects funds, and a permanent fund. At the end of FY 2014-15, fund balances increased by $29,654 in comparison to prior year's decrease in fund balances of $15,198. Revenues and other financing sources increased by $52,581 primarily due to an increase in intergovernmental revenues for State allocations of the MHSA, an increase in transfers in for non-General Fund multi-year countywide capital projects, and higher secured taxes apportioned in FY 2014-15. Expenditures and other financing uses increased by $7,729, primarily due to transfers out to the General Fund to cover unanticipated SSA wraparound and general relief costs. The increase in expenditures was partially offset by a decrease in transfers for the Tobacco Settlement Fund due to a continued decline in cigarette sales and a decrease in miscellaneous expenses due to the closing of Community Facility District (CFD) construction funds.

The following chart shows the fund balances, and percentage change in fund balances for governmental funds for the current and previous fiscal year:

COMPARATIVE FUND BALANCE
Governmental Funds
June 30, 2015 and 2014

	2015	2014	Increase/(Decrease) %
General Fund	$ 664,508	$ 516,386	29 %
Roads	61,802	53,280	16 %
Flood Control District	418,945	377,136	11 %
Other Public Protection	145,960	145,861	--
Teeter Plan Notes	52,505	61,644	(15)%
Other Governmental Funds	842,971	813,317	4 %
Total	**$ 2,186,691**	**$ 1,967,624**	11 %

Proprietary Funds

The proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Airport and Waste Management funds, which are considered to be major funds of the County, and Compressed Natural Gas fund. Internal Service Funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

Comparative Analysis of Changes in Fund Net Position

The following table presents the enterprise funds' actual revenues, expenses, contributions, transfers, and changes in fund net position for the current and previous fiscal year:

ENTERPRISE FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, CONTRIBUTIONS, TRANSFERS AND CHANGES IN FUND NET POSITION
For the Years Ended June 30, 2015 and 2014

	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Position	
	2015	2014	2015	2014	2015	2014
Airport	$ 152,732	$ 143,766	$ 125,072	$ 121,514	$ 27,660	$ 22,252
Waste Management	142,250	130,025	89,117	111,380	53,133	18,645
Compressed Natural Gas	423	497	480	729	(57)	(232)
Total	**$ 295,405**	**$ 274,288**	**$ 214,669**	**$ 233,623**	**$ 80,736**	**$ 40,665**

Airport
This fund accounts for major construction and self-supporting aviation related activities rendered at John Wayne Airport, Orange County (JWA). At the end of FY 2014-15, there was an increase in fund net position of $27,660 compared to the prior year increase of $22,252. Revenues and contributions increased by $8,966 primarily due to an increase in revenue for passenger parking, revenue received for rental car and specialty concession lease agreements, revenue from operation of the international arrival facilities, and cost reimbursements for federally funded construction projects. Expenses increased by $3,558 primarily due to an increase in depreciation and amortization expense and impairment loss of a capital asset related to the Common Use Passenger Processing System (CUPPS) hardware and software, partially offset by a decrease in professional and specialized services.

Waste Management
This fund is used to account for the operation, expansion, closing of existing landfills and the opening of new landfills. Monies are collected through gate tipping fees, which users pay based primarily on tonnage. At the end of FY 2014-15, there was an increase in fund net position of $53,133 compared to the prior year increase of $18,645. Revenues and transfers increased by $12,225, which was primarily due to an increase in sanitation and landfill

disposal fees collected for waste, recycling, and importation, as well as importation tonnage and in-county disposal tonnage. Expenses and transfers decreased by $22,263 primarily due to a decrease in closure and postclosure care costs and pollution remediation expenses, as well as decreased transfers to the General Fund for net imported waste revenue in support of the County Bankruptcy Recovery Plan. Offsetting the decrease in expenses and transfers was an increase in professional and specialized service costs.

Compressed Natural Gas (CNG)
This fund was established in FY 2009-10 and accounts for the operation and maintenance of the CNG facility. Revenues consist primarily of compressed natural gas sales to both the County and the public.

For further comparative analysis of changes in Fund Net Position, please see the Business-Type Activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors involved in the variances between: 1) the Original Budget and the Final Amended Budget; and 2) the Final Amended Budget and the Actual Amounts for the General Fund. In addition to the effects of expenditure-driven grants, the following information provides explanations for significant variances. Refer to the Budgetary Comparison Statement for details on this budgetary comparison.

Original Revenue Budget vs. Final Revenue Budget

The following provides a summary of the primary factors attributable to the increase or decrease in the General Fund final amended budget revenues compared to the original budget revenues:

Transfers In
- An increase of $11,046 due to an agreement with the OC Waste and Recycling (OCWR) Department to transfer net imported waste revenue in support of the County Bankruptcy Recovery Plan.
- An increase of $3,303 for the Probation Department primarily due to closing of the Juvenile Justice Reform fund and transfer of remaining balances to Probation.
- An increase of $4,792 in the Sheriff-Coroner Department primarily due to transfers from Proposition 69 – DNA Identification fund, Excess Public Safety Sales Tax fund, and Regional Narcotics Suppression Program to enhance DNA processing, upgrade the current reporting system to improve workflow efficiencies and reimburse overtime costs related to asset forfeitures.
- An increase of $7,100 in the General Relief budget control due to transfers from Facilities Development and Maintenance Fund to offset costs from increased caseloads in the General Relief budget control.

Intergovernmental Revenue
- An increase of $8,588 in the Sheriff-Coroner Department for AB 109 realignment revenue and Proposition 172 revenue to support department operations, as well as for various program revenue adjustments for grants and reimbursement agreements.
- An increase of $11,614 in the Social Services Agency (SSA) to align with the FY 2014-15 State and Federal allocations and grants for various programs including Medi-Cal, CalFresh, and CalWORKs.

Bond Issuance Proceeds
- An increase of $365,000 due to the anticipated proceeds from the County's issuance of the Taxable Pension Obligation Bonds, 2015 Series A. Refer to Note 10 for information regarding the Taxable Pension Obligation Bonds, 2015 Series A.

Final Revenue Budget vs. Actual Revenue Amounts

The following information provides a summary of the primary factors that caused significant variances in the General Fund actual revenues compared to the final revenue budget:

Fines, Forfeitures, and Penalties
- A $47,393 positive variance primarily due to a one-time accrual of Teeter Penalty revenue resulting from the change in the Teeter Plan Reserve calculation methodology.

Transfers In

- A $121,399 negative variance primarily comprised of the following:
  - A $60,727 negative variance in Health Care Agency primarily due to a reduction in Mental Health Services Act (MHSA) transfers because of delays in projects and start-up of contracted services, as well as a delay in transfers from the OC Tobacco Settlement Revenue Fund.
  - A $12,681 negative variance in Social Services Agency primarily due to lower claims as a result of lower expenditures caused by the deferral of facility maintenance projects and other budgeted expenditures, as well as reduced spending in Wraparound direct services contracts and other Wraparound funded expenditures.
  - A $22,506 negative variance was due to no transfer of penalty revenue occurring in FY 2014-15. Instead, this revenue was directly recorded in Fines, Forfeitures, and Penalties in the General Fund.
  - A $6,344 negative variance in Capital Projects due to the deferral of the Orange County Homeless Shelter project and a delay in transferring corresponding project funding from the CEO Single Family Housing fund.

Bond Issuance Proceeds

- A $25,375 negative variance in Prepaid Pension Obligation due to several County departments that had sufficient funds to prepay their pension contribution costs to OCERS so they opted out of the financing.

Original Expenditure Budget vs. Final Expenditure Budget

The following provides a brief summary of the primary factors attributable to the increase in the General Fund final amended budget expenditures compared to the original budget expenditures:

Prepaid Pension Obligation

- An increase of $365,000 in appropriations for the retirement prepayments to OCERS for the County's FY 2014-15 employer contribution and related expenses.

Capital Projects

- An increase of $16,047 in appropriations primarily for the purchase of a leasehold interest in the Air Space Lease in the Transit Tower and adjacent parking structure, and the purchase of a dispatch console platform and upgrades to the workstation to accommodate the new equipment for the Sheriff's 800 MHz CCCS, and an increased budget for various capital projects, such as rebuilding air-handling units in the Central Men's Jail, replacing the structural wood sub-floor in the James A. Musick Jail Facility West Compound Barracks, replacing steam lines for the kitchen at the Theo Lacy Jail Facility, and replacing vehicle gates at the Central Men's Jail.

Sheriff-Coroner

- An increase of $18,622 in appropriations primarily to offset overtime and S&S costs associated with providing law enforcement services, traffic safety, forensic science and homeland security, as well as increased overtime and S&S costs associated with the 2011 Public Safety Realignment (AB109).

Final Expenditure Budget vs. Actual Expenditure Amounts

The following provides a summary of the primary factors that caused significant variances in the General Fund actual expenditures as compared to the final expenditures budget:

Prepaid Pension Obligation

- A $24,737 positive variance primarily due to a lesser financing of the County's FY 2014-15 prepayment to OCERS. Several County departments had sufficient funds available to prepay their pension contribution costs to OCERS so they opted out of the financing.

Probation

- A $18,771 positive variance primarily due to lower salaries and benefits caused by a high vacancy rate as retirements and separations outpaced recruitments. In addition, the department experienced lower than anticipated facility costs and continues its search for a suitable location for the South County Office.

(Dollar Amounts in Thousands)

Sheriff-Coroner

- A $10,170 positive variance primarily due to cost containment efforts by the department to delay filling vacant positions and the deferral of facility maintenance and equipment purchases.

Health Care Agency

- A $71,931 positive variance resulting from S&S savings, primarily due to the delayed startup of MHSA program. Additionally, lower salaries and benefits from delays in recruitments, savings from shifting the Royale Convalescent Hospital from a lease purchase to a lease agreement and lower than budgeted support and care costs for the California Children services programs were realized.

Aid To Families with Dependent Children – Foster Care

- A $6,319 positive variance due to reduced spending in direct service contracts for Wraparound and lower than anticipated supportive service for CalWin caseloads.

OC Community Resources

- A $19,428 positive variance primarily due to a minor reorganization in OC Community Resource's Central Projects Office, that lead to decreased contract spending and salaries and benefits.

Social Services Agency

- A $43,070 positive variance due to lower salaries and benefits as a result of higher than anticipated vacancies, decreased contract services spending, and delayed IT and facility projects.

Capital Assets

At June 30, 2015, the County's capital assets for both the governmental and business-type activities amounted to $3,618,851, net of accumulated depreciation. The investment in capital assets includes land, structures and improvements, land improvements, equipment, software, infrastructure (roads, bridges, flood channels, trails, traffic signals, and harbors), intangible in progress, land use rights, and construction in progress. The total increase in the County's investment in capital assets for the current year was 1%.

Capital assets for the governmental and business-type activities are presented below to illustrate changes:

CAPITAL ASSETS
(Net of Depreciation)
June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2015	2014	2015	2014	2015	2014	% Change
Land	$ 823,484	$ 813,756	$ 37,842	$ 38,083	$ 861,326	$ 851,839	1 %
Structures and Improvements	585,638	604,987	507,111	533,683	1,092,749	1,138,670	(4)%
Land Improvements	473	--	--	--	473	--	--
Equipment	96,094	64,649	21,998	20,950	118,092	85,599	38 %
Software	46,589	50,575	891	809	47,480	51,384	(8)%
Infrastructure	1,113,759	1,095,609	192,367	201,410	1,306,126	1,297,019	1 %
Intangible in Progress	857	22,273	879	--	1,736	22,273	(92)%
Land Use Rights	6,992	6,992	--	--	6,992	6,992	--
Construction in Progress	109,789	97,213	74,088	28,084	183,877	125,297	47 %
Total	**$ 2,783,675**	**$ 2,756,054**	**$ 835,176**	**$ 823,019**	**$ 3,618,851**	**$ 3,579,073**	**1 %**

The following lists the significant capital asset acquisitions in FY 2014-15:

General Fund

- $10,464 for the purchase of a leasehold interest in the Air Space Lease in the Transit Tower, occupied by the Health Care Agency

- $1,364 for construction costs associated with recentralization of the Human Resource Services Department
- $1,088 for the purchase of IT equipment for the Information Services Bureau at the Sheriff-Coroner

Roads
- $20,025 for the La Pata Avenue Gap Closure – Calle Saluda to South of Ortega Highway
- $3,039 for the Lincoln Avenue Bridge Widening at the Santa Ana River
- $1,157 for Crystal Canyon Road Drainage and Rehabilitation Project
- $1,047 for the Moulton Parkway Widening Segment 3 Phase II – North of El Toro Road to North of Santa Maria

Flood Control District
- $9,205 for the Newland Storm Channel Improvement Project
- $4,584 for the Trabuco Creek Channel Phase VII Project
- $2,220 for the acquisition of property located within the Prado Dam Project for flood control protection
- $2,080 for the Rossmoor Storm Channel Improvement Project
- $1,077 for the Los Alamitos Pump Station Project

Other Governmental Funds
- $6,294 for the purchase of law enforcement vehicles
- $4,853 for the replacement of dispatch console systems at the Sheriff's main dispatch center system at Loma Ridge
- $3,888 for major utility upgrades at the Irvine Ranch Historic Park
- $3,302 for the purchase of an Automated Biometric Identification System by the Sheriff-Coroner
- $2,674 for the expansion of the James A. Musick Facility Jail Expansion Design Phase I
- $2,084 for the purchase of a mainframe to service Sheriff-Coroner's Data Center operations
- $1,922 for expansion of the San Clemente Branch Library

Airport
- $11,958 for the construction of the Terminals A & B Baggage Handling System
- $2,136 for the Bristol Street Stabilization Project
- $1,634 for the improvements of the Terminals A & B

Waste Management and Recycling
- $20,962 for the construction of the East Flank Landslide Remediation Project
- $7,370 for the construction and utility improvement for the Olinda Alpha Phase I Partial Final Closure
- $3,936 for heavy equipment at the Central Regional Landfill
- $1,104 for heavy equipment at the South Regional Landfill

Additional information on the County's capital assets can be found in Note 5, Changes in Capital Assets.

Commitments for Capital Expenditures
At the end of FY 2014-15, significant commitments for capital expenditures included the following:

- $42,195 for the La Pata Avenue Gap Closure/Widening
- $6,406 for the Newland Storm Channel Confluence to Bolsa
- $6,282 for the Santa Ana River Interceptor Line Project
- $6,280 for the Olinda Alpha Landfill Phase I Partial Final Closure Construction and Utility Improvements
- $5,627 for the Greenville-Banning Channel Improvement Project
- $3,338 for the Los Alamitos Pump Station and Pump House
- $3,385 for the Cow Camp Road Project
- $2,991 for the purchase of law enforcement vehicles
- $2,973 for the Fletcher Channel and Retarding Basin-From Santa Ana River to Upstream
- $2,652 for the Airport Parking Structure C, Phase 2
- $2,583 for the Airport Main Street and Employee Lot Resurfacing

(Dollar Amounts in Thousands)

Additional information on the County's commitments for capital acquisitions can be found in Note 15, Construction and Other Significant Commitments.

Long-Term Debt

At June 30, 2015, the County had total debt obligations outstanding of $467,513 excluding capital lease obligations, compensated absences and other liabilities. During the year, the County's outstanding bond obligations decreased by 14%, which is attributable to the retirement of $118,191 of bond obligations, which includes the full redemption of the Recovery Bonds and the retirement of $36,010 in Revenue Bonds. Partially offsetting the decrease was the addition of $31,541 of Teeter Plan Notes.

The County is limited by law in issuing general obligation bonded debt to 1.25 percent of the last equalized assessment property tax roll. However, this does not affect the financing of any of the County's planned facilities or services. As of the end of the fiscal year, the County had no net general obligation bonded debt. The County's debt obligations are in the form of revenue bonds, certificates of participation (COPs), and other forms of debt not covered by the general obligation bonded debt limitation.

The following table summarizes the County's outstanding bonds at June 30, 2015:

LONG-TERM DEBT BOND OBLIGATIONS
June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total		(Decrease)
	2015	2014	2015	2014	2015	2014	% Change
Revenue Bonds	$ 96,645	125,660	$ 204,274	$ 211,269	$ 300,919	$ 336,929	(11)%
Certificates of Participation	1,744	2,262	--	--	1,744	2,262	(23)%
Pension Obligation Bonds	27,227	32,193	--	--	27,227	32,193	(15)%
Recovery Bonds	--	17,556	--	--	--	17,556	(100)%
Teeter Plan Notes	33,823	39,830	--	--	33,823	39,830	(15)%
Add: Premium/(Discount) on Bonds Payable	9,235	13,071	(1,738)	(1,465)	7,497	11,606	(35)%
Add: Interest Accretion on CABs	96,303	103,377	--	--	96,303	103,377	(7)%
Total	**$ 264,977**	**$ 333,949**	**$ 202,536**	**$ 209,804**	**$ 467,513**	**$ 543,753**	**(14)%**

The following summarizes the County's long-term debt issuance during FY 2014-15:

Teeter Plan Notes On July 15, 2014, the County issued an additional $31,541 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll.

On December 30, 2014 and June 25, 2015, the County used all of the accumulated base taxes to redeem $27,532 and $10,016, respectively, of the Teeter Plan Notes. As of June 30, 2015, the outstanding principal amount of the Teeter Plan Notes was $33,823.

Additional information on the County's long-term debt activity can be found in Note 11, Long-Term Obligations.

Bond Ratings

The County maintained its issuer ratings of AA from Standard & Poor's Rating Services (S&P), Aa1 from Moody's Investors Service, and currently Fitch Ratings does not provide issuer ratings. In FY 2014-15, the following change occurred in the County's underlying debt:

On June 1, 2015, the 2005A Refunding Recovery Bonds were fully redeemed and will no longer be disclosed as part of the County's underlying debt.

The County has the following long-term underlying debt ratings:

LONG-TERM DEBT RATINGS
June 30, 2015

	Standard & Poor's	Moody's	Fitch
2005 Lease Revenue Bonds	AA-	Aa3	AA
1991 Parking COPs	NR	Aa3	NR
2006 Lease Revenue Bonds	AA-	Aa3	AA
2012 Lease Revenue Bonds	AA-	Aa3	NR
Teeter Plan Notes	NR	NR	NR
1996A Pension Obligation Bonds	NR	Aa1	AA
1997A Pension Obligation Bonds	NR	Aa1	AA
Airport 2009A Revenue Bonds	AA-	Aa3	AA-
Airport 2009B Revenue Bonds	AA-	Aa3	AA-

OTHER POTENTIALLY SIGNIFICANT MATTERS

The County's management has determined that the following are significant matters that have a potential impact on the County's financial position or changes in financial position:

State Legislation and Budget

Orange County Vehicle License Fees (VLF)
On June 30, 2011, the Governor signed SB 89, which redirected Orange County's annual receipt of approximately $49,000 in VLF revenue (Revenue & Taxation Code Section 11001.5(a)(1) and 11005(a)).

All counties in California receive property taxes in lieu of VLF pursuant to Section 97.70 of the Revenue and Taxation Code as a result of the VLF for property tax swap of 2004. However, in 2004, Orange County's share of property tax in lieu of VLF, which is also known as its "vehicle license fee adjustment amount (VLFAA)," was reduced by approximately $54,000. This reduction was to offset the amount of VLF the County received until the passage of SB 89, and that had been pledged for the service of bankruptcy related indebtedness at the time that Section 97.70 was adopted in 2004.

The elimination of the County's VLF revenue required the Orange County Auditor-Controller to calculate Orange County's allocation of property taxes in lieu of VLF in a manner consistent with the other 57 counties in the State. Due to the growth in property valuation since 2005, when the VLF Swap was enacted, the calculated property tax in lieu of VLF was $73,500 for FY 2012-13. This amount was included in the County's budget for FY 2011-12 and 2012-13. In an attempt to deprive the County not only of the $54,000 in VLF revenue, but also the $73,500 of annual property tax revenue that was legally owed, the State Department of Finance initiated litigation to challenge the County's calculation of the VLFAA. Ultimately, the Court ruled in favor of the State.

The Court's ruling resulted in the loss of the $73,500 VLFAA revenue and a requirement for the County to repay $150,000 to the State ($147,000 retained in FYs 2011-12 and 2012-13, plus interest). On September 27, 2013, Assembly Bill (AB) 701 was signed by the Governor to resolve the dispute between the State and the County. AB 701 provides for an additional $53,000 in annual VLFAA beginning in FY 2013-14, including growth, in lieu of the $50,000 in property tax revenue previously provided by SB 8 X3, which was a flat amount with no growth. AB 701 provides stability for the County by securing the property tax revenues, including growth, and by allowing for repayment of the $150,000 over five years. The $150,000 due to the State was formally set aside in reserve in the FY 2013-14 First Quarter Budget Report. The first payment of $5,000 was paid to the State in FY 2014-15. The second payment of $15,000 will be paid to the State in FY 2015-16.

Long-Term Financial Planning

Property Tax Management System Upgrade

The County's property tax assessment, collection and allocation system processes property taxes and special assessments for the county, cities, school districts and special districts within the County. The current system was developed in the late 1980's in a now obsolete programming language. Maintenance of the system requires specialized knowledge that is hard to obtain. Under direction from the Board to rewrite the system and to respond to the Grand Jury's recommendation to replace the mainframe with an open system platform, the Auditor-Controller, Clerk of the Board, and Treasurer-Tax Collector embarked on a multi-year phased implementation of the new Property Tax Management System (PTMS).

In January 2006, a contract was awarded to Sierra Systems to conduct a needs assessment and to document the requirements of the new PTMS. This project also included documenting the business rules, identifying areas for improvement, and creating a blueprint for implementation. The needs assessment project was completed in July 2007.

On July 15, 2008, the Board approved a contract to develop and implement the new PTMS based on the required specifications documented during the needs assessment. In May 2010, a few modules went live initially. But out of twenty-seven (27) modules that were required, only two minor modules remain in partial operation. Additional software development was performed during FY 2011-12 and FY 2012-13; however, as of January 9, 2013, the contract expired and the project was placed on hold.

The PTMS upgrade incurred $18,112 in capitalized costs. This amount was reported as a loss in the Statement of Activities because the resulting product is incomplete and was rendered inoperable. Refer to Note 5, Changes in Capital Assets, for further information regarding the impairment.

In looking into the solution for Property Tax Management, the PTMS Steering Committee is exploring re-platforming the system. As opposed to complete development from new specifications, this would take the existing system and transform it to operate on an open system platform with similar functionality. A Request for Proposal will be issued for this project.

Funding Progress of the County's Retirement System (System)

The funded ratio of the System is a measure of the ability of the System to make obligated payments to current retirees and future retirees. The funded ratio (actuarial value of plan assets divided by actuarial accrued liability) dropped from 82.76% in 2002 to 70.85% in 2004. Since 2004, the funded ratio increased to 74.08% in 2007 before dropping to 62.52% as of December 31, 2012. As of December 31, 2014, the funded ratio was 69.76%. An increase in funding status is caused by multiple factors, including additional UAAL (Unfunded Actuarial Accrued Liability) payments by certain plan sponsors, lower than expected salary growth, lower than expected cost of living adjustment (COLA) increases, and changes in actuarial assumptions, which included a net increase in mortality rates.

On November 4, 2008, the voters in Orange County approved Measure J, which requires voter approval for any future pension benefit enhancements. The County carefully monitors the activities at OCERS and regularly provides input to OCERS management, as well as providing input at OCERS Board meetings as deemed appropriate.

Reduction in OCERS Assumed Investment Rate of Return

The assumed investment rate of return is the rate of investment yield that the Plan will earn over the long-term future.

On December 5, 2012, the OCERS Board voted to reduce the assumed investment rate of return from 7.75% to 7.25%. The reduction was phased in over a two-year period beginning July 2014 at 7.5% and further reducing to 7.25% effective July 2015. The assumed rate of return reduction had the impact of increasing contribution rates of members and plan sponsors.

Actuarial Funding Policy (Amortization)
On December 5, 2013, the OCERS Board voted to reduce the amortization period for future Unfunded Actuarial Accrued Liability (UAAL) from 30 years to 20 years. This will allow for future UAAL to be paid off in a shorter period of time and will ultimately reduce retirement rates and costs over time.

Actuarial Assumptions
The 2012 valuation was impacted by economic assumption changes including a decrease in inflation assumptions from 3.50% to 3.25% per annum and an increase in the current real “across the board” salary assumption increase from .25% to .50%. These two assumptions had a cancelling effect on one another.

Requests for Information

We hope that the preceding information provided a general overview of the County’s overall financial status. For questions or comments concerning information contained in this report, please contact the Auditor-Controller’s Office, County of Orange, 12 Civic Center Plaza, Santa Ana, CA 92702 or you can access our website at http://ac.ocgov.com.

COUNTY OF ORANGE
CALIFORNIA

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
ASSETS					
Cash and Cash Equivalents	$ 2,022,702	$ 549,320	$ 2,572,022	$ 51,814	$ 26,297
Restricted Cash and Cash Equivalents	185,614	197,131	382,745	--	300
Investments	120,287	29,182	149,469	--	1,205,075
Deposits In-Lieu of Cash	35	44,142	44,177	--	--
Internal Balances	19,840	(19,840)	--	--	--
Due from Component Unit	201	--	201	--	--
Due from Primary Government	--	--	--	4	--
Prepaid Costs	290,834	4,146	294,980	156	20,411
Inventory of Materials and Supplies	2,104	--	2,104	--	--
Receivables, Net of Allowances					
Accounts	6,984	15,735	22,719	--	559,110
Taxes	31,969	--	31,969	4,337	--
Interest/Dividends	4,754	1,127	5,881	23	--
Deposits	4,924	100	5,024	9,027	--
Advances	40	--	40	--	--
Due from Other Governmental Agencies, Net	452,487	6,215	458,702	4,061	--
Notes Receivable, Net	28,255	--	28,255	--	--
Net Other Postemployment Benefits	45,056	--	45,056	--	--
Capital Assets					
Not Depreciable/Amortizable	941,122	112,809	1,053,931	--	8,887
Depreciable/Amortizable, Net	1,842,553	722,367	2,564,920	--	44,462
Total Capital Assets	2,783,675	835,176	3,618,851	--	53,349
Total Assets	5,999,761	1,662,434	7,662,195	69,422	1,864,542
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	6,225	--	6,225	--	--
Deferred Outflows of Resources Related to Pension	652,309	14,275	666,584	522	4,951
Total Deferred Outflows of Resources	658,534	14,275	672,809	522	4,951

(Dollar Amounts in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
LIABILITIES					
Accounts Payable	$ 94,447	$ 17,641	$ 112,088	$ 4,232	$ 10,247
Salaries and Employee Benefits Payable	89,855	2,069	91,924	83	9,232
Retainage Payable	6,008	2,178	8,186	1,914	--
Interest Payable	2,827	5,249	8,076	--	--
Deposits from Others	36,721	45,890	82,611	--	--
Due to Primary Government	--	--	--	201	--
Due to Component Unit	4	--	4	--	--
Due to Other Governmental Agencies	31,321	3,177	34,498	4,204	17,705
Unearned Revenue	65,688	3,161	68,849	--	207,946
Short-Term Bonds Payable	339,625	--	339,625	--	--
Long-Term Liabilities					
Net Pension Liability	3,815,663	83,384	3,899,047	3,957	1,059
Due Within One Year					
SARI Line Loans	1,429	--	1,429	--	--
Estimated Liability - Litigation and Claims	15,500	--	15,500	--	--
Interest Accretion on Capital Appreciation Bonds Payable	31,089	--	31,089	--	--
Insurance Claims Payable	51,836	--	51,836	--	--
Medical Claims Payable	--	--	--	--	670,333
Capitation and Withholds	--	--	--	--	290,633
Compensated Employee Absences Payable	88,516	2,278	90,794	67	--
Arbitrage Rebate Payable	837	--	837	--	--
Capital Lease Obligations Payable	11,444	--	11,444	--	--
Notes Payable	33,823	--	33,823	--	--
Bonds Payable	41,593	7,409	49,002	--	--
Net Other Postemployment Benefit Obligation	--	--	--		26,802
Pollution Remediation Obligation	--	514	514	--	--
Landfill Site Closure/Postclosure Liability	--	1,319	1,319	--	--
Due in More than One Year					
SARI Line Loans	34,848	--	34,848		
Estimated Liability - Litigation and Claims	130,000	--	130,000	--	--
Interest Accretion on Capital Appreciation Bonds Payable	65,214	--	65,214	--	--
Insurance Claims Payable	155,741	--	155,741	--	--
Compensated Employee Absences Payable	85,870	2,611	88,481	31	--
Arbitrage Rebate Payable	19	--	19	--	--
Capital Lease Obligations Payable	67,724	--	67,724	--	--
Bonds Payable	93,258	195,127	288,385	--	--
Pollution Remediation Obligation	--	12,218	12,218	--	--
Capital Asset Obligation	155	--	155	--	--
Landfill Site Closure/Postclosure Liability	--	157,726	157,726	--	--
Total Liabilities	5,391,055	541,951	5,933,006	14,689	1,233,957
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	385,819	8,429	394,248	783	5,581
Total Deferred Inflows of Resources	385,819	8,429	394,248	783	5,581
NET POSITION					
Net Investment in Capital Assets	2,670,577	642,427	3,313,004	--	53,349
Restricted for:					
Expendable					
Pension Benefits	112,544	--	112,544	--	--
Capital Projects	6,154	--	6,154	--	--
Debt Service	37,734	7,324	45,058	--	--
Legally Segregated for Grants and Other Purposes	1,045,897	--	1,045,897	--	--
Regional Park Endowment	141		141	--	--
CalOptima	--	--	--	--	86,145
Passenger Facility Charges Approved Capital Projects	--	70,538	70,538	--	--
Capital Projects - Replacements and Renewals	--	1,000	1,000	--	--
Landfill Closure/Postclosure	--	33,337	33,337	--	--
Landfill Corrective Action	--	8,174	8,174	--	--
Wetland	--	879	879	--	--
Prima Deshecha/La Pata Closure	--	104	104	--	--
Nonexpendable					
Regional Park Endowment	188	--	188	--	--
Unrestricted (deficit)	(2,991,814)	362,546	(2,629,268)	54,472	490,461
Total Net Position	$ 881,421	$ 1,126,329	$ 2,007,750	$ 54,472	$ 629,955

	Expenses		Program Revenues		
Functions/Programs	**Direct Expenses**	**Indirect Expenses Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government					
Governmental Activities					
General Government	$ 243,565	$ (51,772)	$ 36,924	$ 57,585	$ --
Public Protection	1,293,891	32,137	286,644	540,844	11,580
Public Ways and Facilities	115,626	(1,228)	53,834	63,606	11,443
Health and Sanitation	530,693	6,887	102,599	395,364	--
Public Assistance	1,040,036	9,629	37,650	938,197	--
Education	42,445	869	1,480	306	220
Recreation and Cultural Services	100,357	1,712	43,882	959	9,998
Interest on Long-Term Debt	23,560	--	--	--	--
Total Governmental Activities	3,390,173	(1,766)	563,013	1,996,861	33,241
Business-Type Activities					
Airport	123,890	888	141,563	189	9,215
Waste Management	68,435	872	139,493	66	--
Compressed Natural Gas	325	6	312	--	--
Total Business-Type Activities	192,650	1,766	281,368	255	9,215
Total Primary Government	$ 3,582,823	$ --	$ 844,381	$ 1,997,116	$ 42,456
Component Units					
Children and Families					
Commission of Orange County	$ 36,298	$ --	$ --	$ 30,138	$ --
CalOptima	2,889,540	--	3,112,079	3,255	--
Total Component Units	$ 2,925,838	$ --	$ 3,112,079	$ 33,393	$ --

General Revenues
Taxes
Property Taxes, Levied for General Fund
Property Taxes, Levied for Flood Control District
Property Taxes, Levied for OC Parks
Property Taxes, Levied for OC Public Libraries
Property Taxes in-Lieu of Motor Vehicle License Fees
Other Taxes
Grants and Contributions Not Restricted to Specific Programs
State Allocation of Motor Vehicle License Fees
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning of Year, as Restated
Net Position - End of Year

The notes to the basic financial statements are an integral part of this statement.

(Dollar Amounts in Thousands)

Net (Expense) Revenue and Change in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima	Functions/Programs
					Primary Government
					Governmental Activities
$ (97,284)	$ --	$ (97,284)	$ --	$ --	General Government
(486,960)	--	(486,960)	--	--	Public Protection
14,485	--	14,485	--	--	Public Ways and Facilities
(39,617)	--	(39,617)	--	--	Health and Sanitation
(73,818)	--	(73,818)	--	--	Public Assistance
(41,308)	--	(41,308)	--	--	Education
(47,230)	--	(47,230)	--	--	Recreation and Cultural Services
(23,560)	--	(23,560)	--	--	Interest on Long-Term Debt
(795,292)	--	(795,292)	--	--	Total Governmental Activities
					Business-Type Activities
--	26,189	26,189	--	--	Airport
--	70,252	70,252	--	--	Waste Management
--	(19)	(19)	--	--	Compressed Natural Gas
--	96,422	96,422	--	--	Total Business-Type Activities
(795,292)	96,422	(698,870)	--	--	Total Primary Government
					Component Units
					Children and Families
			(6,160)	--	Commission or Orange County
			-	225,794	CalOptima
			(6,160)	225,794	Total Component Units
					General Revenues
					Taxes
328,500	--	328,500	--	--	Property Taxes, Levied for General Fund
77,090	--	77,090	--	--	Property Taxes, Levied for Flood Control District
57,266	--	57,266	--	--	Property Taxes, Levied for OC Parks
42,333	--	42,333	--	--	Property Taxes, Levied for OC Public Libraries
314,957	--	314,957	--	--	Property Taxes in-Lieu of Motor Vehicle License Fees
71,613	109	71,722	--	--	Other Taxes
49,476	--	49,476	--	--	Grants and Contributions Not Restricted to Specific Programs
764	--	764	--	--	State Allocation of Motor Vehicle License Fees
6,796	3,042	9,838	206	--	Unrestricted Investment Earnings
69,789	1,597	71,386	151	5,233	Miscellaneous
19,959	(19,959)	--	--	--	Transfers
1,038,543	(15,211)	1,023,332	357	5,233	Total General Revenues and Transfers
243,251	81,211	324,462	(5,803)	231,027	Change in Net Position
638,170	1,045,118	1,683,288	60,275	398,928	Net Position - Beginning of Year, as Restated
$ 881,421	$ 1,126,329	$ 2,007,750	$ 54,472	$ 629,955	Net Position - End of Year

	General Fund	Roads	Flood Control District
ASSETS			
Pooled Cash/Investments	$ 441,060	$ 81,340	$ 415,896
Imprest Cash Funds	1,862	--	--
Restricted Cash and Investments with Trustee	9	--	--
Investments	118,940	--	--
Deposits In-Lieu of Cash	--	--	--
Receivables			
Accounts	10,420	471	473
Taxes	7,035	--	1,364
Interest/Dividends	2,600	142	584
Deposits	460	22	2,329
Advances	33	--	--
Allowance for Uncollectible Receivables	(6,237)	(21)	(107)
Due from Other Funds	89,278	2,700	1,558
Due from Component Unit	201	--	--
Due from Other Governmental Agencies, Net	353,350	17,602	53,011
Inventory of Materials and Supplies	867	--	453
Prepaid Costs	331,939	3,939	4,617
Advances to Other Funds	3,800	--	--
Notes Receivable, Net	--	--	--
Total Assets	$ 1,355,617	$ 106,195	$ 480,178
LIABILITIES			
Accounts Payable	$ 49,300	$ 3,583	$ 2,771
Retainage Payable	1,395	631	2,136
Salaries and Employee Benefits Payable	83,350	1,052	1,251
Interest Payable	1,084	--	--
Deposits from Others	1,654	7,636	7,807
Due to Other Funds	31,311	3,729	13,429
Due to Component Unit	3	--	--
Due to Other Governmental Agencies	13,822	1,156	1,223
Estimated Litigation and Claims	--	500	--
Unearned Revenue	44,410	10,495	750
Bonds Payable	339,625	--	--
Advances from Other Funds	2,351	--	--
Total Liabilities	568,305	28,782	29,367
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Intergovernmental Revenues	72,172	15,262	30,906
Unavailable Revenue - Senate Bill 90 Mandated Claims, Net	39,653	--	--
Unavailable Revenue - Property Taxes	9,078	--	960
Unavailable Revenue - Long-Term Notes Receivables	--	--	--
Unavailable Revenue - Other	1,901	349	--
Total Deferred Inflows of Resources	122,804	15,611	31,866
FUND BALANCES			
Nonspendable	336,606	3,939	5,070
Restricted	31,486	57,863	413,875
Assigned	269,529	--	--
Unassigned	26,887	--	--
Total Fund Balances	664,508	61,802	418,945
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,355,617	$ 106,195	$ 480,178

The notes to the basic financial statements are an integral part of this statement.

(Dollar Amounts in Thousands)

Other Public Protection	Teeter Plan Notes	Other Governmental Funds	Total Governmental Funds	
				ASSETS
$ 181,305	$ 30,718	$ 656,422	$ 1,806,741	Pooled Cash/Investments
--	--	61	1,923	Imprest Cash Funds
--	18	185,577	185,604	Restricted Cash and Investments with Trustee
--	--	1,347	120,287	Investments
--	--	35	35	Deposits In-Lieu of Cash
				Receivables
48	--	1,925	13,337	Accounts
--	21,806	1,764	31,969	Taxes
273	50	805	4,454	Interest/Dividends
--	--	2,113	4,924	Deposits
7	--	--	40	Advances
--	--	(34)	(6,399)	Allowance for Uncollectible Receivables
3,612	--	26,613	123,761	Due from Other Funds
--	--	--	201	Due from Component Unit
2,831	--	25,107	451,901	Due from Other Governmental Agencies, Net
331	--	--	1,651	Inventory of Materials and Supplies
1,241	--	10,527	352,263	Prepaid Costs
--	--	--	3,800	Advances to Other Funds
--	--	28,255	28,255	Notes Receivable, Net
$ 189,648	$ 52,592	$ 940,517	$ 3,124,747	Total Assets
				LIABILITIES
$ 518	$ 67	$ 11,642	$ 67,881	Accounts Payable
1	--	1,842	6,005	Retainage Payable
328	--	2,973	88,954	Salaries and Employee Benefits Payable
--	18	--	1,102	Interest Payable
15,152	--	4,472	36,721	Deposits from Others
20,045	2	49,938	118,454	Due to Other Funds
--	--	1	4	Due to Component Unit
5,801	--	9,314	31,316	Due to Other Governmental Agencies
--	--	--	500	Estimated Litigation and Claims
1,492	--	8,541	65,688	Unearned Revenue
--	--	--	339,625	Bonds Payable
--	--	3,800	6,151	Advances from Other Funds
43,337	87	92,523	762,401	Total Liabilities
				DEFERRED INFLOWS OF RESOURCES
224	--	3,255	121,819	Unavailable Revenue - Intergovernmental Revenues
--	--	--	39,653	Unavailable Revenue - Senate Bill 90 Mandated Claims, Net
--	--	1,274	11,312	Unavailable Revenue - Property Taxes
--	--	473	473	Unavailable Revenue - Long-Term Notes Receivables
127	--	21	2,398	Unavailable Revenue - Other
351	--	5,023	175,655	Total Deferred Inflows of Resources
				FUND BALANCES
1,572	--	10,715	357,902	Nonspendable
144,388	52,505	748,491	1,448,608	Restricted
--	--	83,765	353,294	Assigned
--	--	--	26,887	Unassigned
145,960	52,505	842,971	2,186,691	Total Fund Balances
$ 189,648	$ 52,592	$ 940,517	$ 3,124,747	Total Liabilities, Deferred Inflows of Resources and Fund Balances

The governmental funds Balance Sheet includes a reconciliation between fund balances – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position. The difference in fund balances of ($1,305,270) is due to the long-term economic focus of the Statement of Net Position versus the short-term economic focus of the governmental funds. The components of the difference are described below.

Total Fund Balances - Governmental Funds		$ 2,186,691
Capital assets used in the operations of the County are not reported in the governmental funds financial statements because governmental funds focus on current financial resources. Such assets must be included in the Statement of Net Position for purposes of government-wide reporting. These capital assets consist of:		
Land	823,484	
Structures and Improvements	1,208,113	
Equipment	276,721	
Software	109,737	
Infrastructure	1,649,089	
Land Use Rights	6,992	
Land Improvements	485	
Construction/Intangible in Progress	109,822	
Accumulated Depreciation/Amortization	(1,452,101)	2,732,342
Other assets used in governmental activities do not consume current financial resources, and therefore, are not reported in the governmental funds:		
Prepaid pension Investment with OCERS	112,544	
Prepaid Bond Insurance	326	112,870
Internal service funds primarily serve governmental funds and consequently the assets and liabilities of internal service funds are incorporated as part of governmental activities for purposes of government-wide financial reporting. In addition, the cumulative internal balance resulting from current year's and last year's allocation of internal service funds to business-type activities are also reported in the Statement of Net Position.		(7,115)
Deferred outflows of resources are similar to assets, but they do not meet the definition of an asset at June 30, 2015. When all the recognition criteria are met, the deferred outflows of resources will become an expense. The couterpart to deferred outflows of resources are deferred inflows of resources, which are not technically liabilities at June 30, 2015. When all recognition criterial are met, the deferred inflows of resources will become revenue or an increase to net position. The County reports the different types of deferred outflows and inflows of resources in the Statement of Net Position as follows:		
Deferred Outflows of Resources:		
Deferred charge on refunding		6,225
Employer retirement contribution subsequent to measurement date and deferred recognition of changes to the net pension liability		469,936
Reclassification of prepaid pension contribution from prepaid expense to deferred outflows of resources for the portion to be recognized in the next measurement period, refer to Note 18, Retirement Plans.		
Prepaid		(175,955)
Deferred outflows of resources		175,955

(Dollar Amounts in Thousands)

Deferred Inflows of Resources:		
Deferred inflows of resources that have been earned but not available to finance expenditures in the current period		175,655
Deferred inflows of resources related to pension		(382,056)
Governmental funds report only those liabilities that are expected to be liquidated with current available financial resources. Thus, governmental funds typically do not report any liability for the unmatured portion of long-term debt or any liability that does not consume current available financial resources. However, all liabilities must be reported in the government-wide financial statements. The adjustment to reduce net position for the unmatured long-term liabilities on the Statement of Net Position consists of the following:		
Bonds and COPs Payable, Net	(134,851)	
SARI Line Loans Payable	(36,277)	
Teeter Plan Notes Payable	(33,823)	
Compensated Employee Absences Payable	(172,282)	
Capital Lease Obligations Payable	(58,468)	
Capital Asset Obligation	(155)	
Arbitrage Rebate Payable	(856)	
Interest Payable on Bonds	(1,725)	
Interest Accreted on Capital Appreciation Bonds	(96,303)	
Estimated Liability - Litigation and Claims	(145,000)	
County's Net Pension Liability	(3,778,443)	(4,458,183)
Governmental Accounting Standards Board (GASB) Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"* requires an employer to record a net Other Postemployment Benefits (OPEB) obligation (asset) for the difference between the annual required contribution (ARC) and the amounts actually contributed to the OPEB Plan.		45,056
Net Position of Governmental Activities		$ 881,421

	General Fund	Roads	Flood Control District
Revenues			
Taxes	$ 629,603	$ --	$ 85,530
Licenses, Permits, and Franchises	22,929	336	269
Fines, Forfeitures and Penalties	82,063	7	12
Use of Money and Property	5,272	289	2,740
Intergovernmental	1,602,817	68,161	43,808
Charges for Services	408,872	28,538	14,004
Other	15,601	1,309	14,185
Total Revenues	2,767,157	98,640	160,548
Expenditures			
Current			
General Government	177,280	--	--
Public Protection	1,126,878	--	81,626
Public Ways and Facilities	32,192	62,900	--
Health and Sanitation	514,371	--	--
Public Assistance	851,488	--	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	18,901	26,985	24,938
Debt Service			
Principal Retirement	21,568	--	11,133
Interest	8,172	--	--
Total Expenditures	2,750,850	89,885	117,697
Excess (Deficit) of Revenues Over Expenditures	16,307	8,755	42,851
Other Financing Sources (Uses)			
Transfers In	234,086	--	2,548
Transfers Out	(102,271)	(233)	(3,590)
Debt Issued	--	--	--
Capital Leases	--	--	--
Total Other Financing Sources (Uses)	131,815	(233)	(1,042)
Net Change in Fund Balances	148,122	8,522	41,809
Fund Balances - Beginning of Year	516,386	53,280	377,136
Fund Balances - End of Year	$ 664,508	$ 61,802	$ 418,945

(Dollar Amounts in Thousands)

Other Public Protection	Teeter Plan Notes	Other Governmental Funds	Total Governmental Funds	
				Revenues
$ --	$ --	$ 107,378	$ 822,511	Taxes
38	--	1,011	24,583	Licenses, Permits, and Franchises
11,609	--	14,424	108,115	Fines, Forfeitures and Penalties
4,298	173	60,928	73,700	Use of Money and Property
21,695	--	327,873	2,064,354	Intergovernmental
13,146	--	15,463	480,023	Charges for Services
8,998	1	31,113	71,207	Other
59,784	174	558,190	3,644,493	Total Revenues
				Expenditures
				Current
--	2,954	32,571	212,805	General Government
22,355	--	19	1,230,878	Public Protection
--	--	7,640	102,732	Public Ways and Facilities
--	--	1,189	515,560	Health and Sanitation
--	--	178,916	1,030,404	Public Assistance
--	--	41,949	41,949	Education
--	--	98,001	98,001	Recreation and Cultural Services
10,634	--	21,405	102,863	Capital Outlay
				Debt Service
--	37,548	34,507	104,756	Principal Retirement
--	352	22,989	31,513	Interest
32,989	40,854	439,186	3,471,461	Total Expenditures
26,795	(40,680)	119,004	173,032	Excess (Deficit) of Revenues Over Expenditures
				Other Financing Sources (Uses)
7,062	--	94,359	338,055	Transfers In
(33,758)	--	(183,752)	(323,604)	Transfers Out
--	31,541	--	31,541	Debt Issued
--	--	43	43	Capital Leases
(26,696)	31,541	(89,350)	46,035	Total Other Financing Sources (Uses)
99	(9,139)	29,654	219,067	Net Change in Fund Balances
145,861	61,644	813,317	1,967,624	Fund Balances - Beginning of Year
$ 145,960	$ 52,505	$ 842,971	$ 2,186,691	Fund Balances - End of Year

The Net Change in Fund Balances for governmental funds of $219,067 in the Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Position for governmental activities of $243,251 reported in the government-wide Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The main components of the difference are described below.

Net Change in Fund Balances – Total Governmental Funds		$ 219,067
When capital assets used in governmental activities are purchased or constructed in the current fiscal year, the resources expended for those assets are reported as expenditures in the governmental funds. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. In addition, donations, transfers, gains or losses from sales and other disposals/acquisitions of capital assets are not reported in governmental funds. These assets, and their associated depreciation/amortization expense, must be reported or removed in the government-wide financial statements. The details of the expenditures for capital outlay, capital contributions, depreciation /amortization and other disposals/acquisitions of capital assets are as follows:		
Expenditures for Capital Outlay:		
Land	3,345	
Structures and Improvements and Construction in Progress	74,305	
Equipment	19,062	
Software	155	
Net of Gains/Losses on Capital Assets Dispositions	(19,765)	
Depreciation/Amortization Expense	(89,619)	
Capital Contributions	9,261	(3,256)
The issuance of long-term debt (e.g. bonds) is recorded as an other financing source in the governmental funds because it provides current financial resources. Similarly, the repayment of principal on long–term debt or the payment of other long-term liabilities is reported as an expenditure in the governmental funds because current financial resources have been consumed. Bond proceeds, net of payments to escrow agents and principal payments, are reported as financing sources in governmental funds and thus contribute to the change in fund balance. These transactions do not have any effect on net position in the government-wide financial statements. The details of the principal and other long-term liability payments and other financing sources are as follows:		
Teeter Plan Notes Proceeds	(31,541)	
Arbitrage Rebate Addition	(201)	
Principal and Other Long-Term Liability Payments:		
Bonds Payable	52,055	
Teeter Plan Notes Payable	37,548	
SARI Line Loans Payable	11,133	
Capital Lease Obligations	3,978	72,972

(Dollar Amounts in Thousands)

Revenues related to prior years that are available in the current fiscal year are reported as revenue in the governmental funds. In contrast, revenues that are earned, but unavailable in the current year are deferred in the governmental funds. For government-wide reporting, revenue is recognized when earned, regardless of availability. The following amounts reflect the net effect of the timing differences for revenue recognition:		
Government Mandated and Voluntary Nonexchange	(39,609)	
Property Tax Revenues	381	(39,228)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds until paid. The following amounts represent the net effect of these differences in the treatment of long-term liabilities:		
Accrued Interest Expense on Bonds Payable	606	
Amortization of Deferred Charges	17,756	
Compensated Employee Absences Expense	606	
OCERS Investment Income	2,559	
Estimated Litigation and Claims Expense	5,000	
Interest Accretion on Capital Appreciation Bonds	(10,410)	16,117
Internal service funds (ISF) are used by management to charge the costs of certain activities, such as insurance, transportation, and telephone services to individual governmental funds. The loss of internal service funds is eliminated in the Statement of Activities as an adjustment to the various functions to arrive at a break-even basis. Also, general or non-program revenues and expenses of the internal service funds are recorded in governmental activities.		
Allocation of ISF's Operating Income to Governmental Activities, net of Business-Type Activities	9,268	
Consolidation of Nonoperating Revenues, Expenses and Transfers to Governmental Activities	12,921	22,189
For FY 2014-15, the Other Postemployment Benefits (OPEB) cost was $44,854, and the County contributed $41,181, which was deposited in the Retiree Medical Trust. The County contributed less than the required OPEB cost. Cumulatively, the County still has a net OPEB Asset.		(3,673)
GASB Statement No. 68 requires an employer to record pension expense and employer contribution that affects the County's proportionate share of the net pension liability.		(40,937)
Change in Net Position of Governmental Activities		$ 243,251

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Taxes	$ 612,198	$ 612,515	$ 632,701	$ 20,186
Licenses, Permits, and Franchises	19,934	21,174	21,147	(27)
Fines, Forfeitures and Penalties	34,795	35,631	83,024	47,393
Use of Money and Property	4,731	4,731	5,627	896
Intergovernmental	1,561,770	1,587,479	1,587,521	42
Charges for Services	432,797	438,726	421,269	(17,457)
Other	22,696	22,908	22,499	(409)
Transfers In	319,571	349,345	227,946	(121,399)
Bond Issuance Proceeds	--	365,000	339,625	(25,375)
Total Revenues and Other Financing Sources	3,008,492	3,437,509	3,341,359	(96,150)
Expenditures and Other Financing Uses				
General Government:				
Assessor	36,106	36,706	36,636	70
Auditor-Controller	14,766	14,840	14,301	539
Board of Supervisors - 1st District	955	955	833	122
Board of Supervisors - 2nd District	955	955	784	171
Board of Supervisors - 3rd District	955	955	981	(26)
Board of Supervisors - 4th District	955	955	967	(12)
Board of Supervisors - 5th District	955	955	933	22
Capital Acquisition Financing	5,857	5,857	5,840	17
Capital Projects	24,134	40,180	35,560	4,620
CAPS Program	11,425	11,425	11,861	(436)
Clerk of the Board	3,588	3,588	3,272	316
County Counsel	9,155	14,056	14,015	41
County Executive Office	18,899	19,068	16,682	2,386
Data Systems Development Project	9,099	9,099	3,951	5,148
Employee Benefits	1,574	1,574	1,186	388
Human Resources	5,637	5,574	4,956	618
Internal Audit	2,680	2,680	2,559	121
IBM Mainframe	3,171	3,171	3,171	--
IT Support Services	--	5	5	--
Miscellaneous	18,066	13,066	9,104	3,962
Office of Independent Review	437	437	390	47
Prepaid Pension Obligation	--	365,000	340,263	24,737
Property Tax System Centralized O & M Support	3,326	3,326	3,017	309
Registrar of Voters	14,018	16,642	15,062	1,580
The Office of the Performance Audit	772	772	729	43
Treasurer-Tax Collector	12,087	12,167	12,364	(197)
Utilities	23,358	24,012	22,960	1,052
2005 Lease Revenue Refunding Bonds	34,486	45,853	45,853	--
2005 Refunding Recovery Bonds	18,433	18,433	18,433	--
Public Protection:				
Alternate Defense	5,587	5,587	4,355	1,232
Building & Safety	9,282	9,956	9,638	318
Child Support Services	58,100	58,100	55,448	2,652
Clerk-Recorder	14,172	14,237	13,778	459
Detention Release	1,618	1,618	1,322	296
District Attorney	125,348	133,723	133,484	239
Emergency Management Division	2,966	3,008	2,752	256
Grand Jury	510	510	476	34
Juvenile Justice Commission	171	171	165	6
Probation	176,892	180,195	161,424	18,771
District Attorney-Public Administrator	2,063	2,672	1,888	784
HCA Public Guardian	5,739	6,256	5,572	684
Public Defender	73,357	73,357	70,727	2,630
Sheriff-Coroner	546,711	565,333	555,163	10,170
Sheriff-Coroner Communications	10,282	11,242	10,332	910
Sheriff Court Operations	53,386	53,386	51,252	2,134
Trial Courts	63,965	64,219	64,122	97
Public Ways and Facilities:				
OC Public Works	48,017	47,308	44,450	2,858
Health and Sanitation:				
Health Care Agency	606,886	597,980	526,049	71,931
OC Watersheds	16,008	16,414	11,730	4,684
Public Assistance:				
Aid to Families with Dependent Children - Foster Care	121,480	121,480	115,161	6,319
Aid to Refugees	675	675	496	179
California Works Opportunities and Responsibility to Kids	135,005	135,005	134,720	285
OC Community Resources	72,421	73,038	53,610	19,428
General Relief	6,944	14,044	12,605	1,439
In-Home Supportive Services - IHSS	44,738	46,038	45,638	400
Social Services Agency	538,680	551,264	508,194	43,070
Total Expenditures and Other Financing Uses	3,016,852	3,459,122	3,221,219	237,903
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(8,360)	(21,613)	120,140	$ 141,753
Fund Balances - Beginning of Year	518,656	518,656	518,656	
Fund Balances - End of Year	$ 510,296	$ 497,043	$ 638,796	

The notes to the basic financial statements are an integral part of this statement.

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - ROADS

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	$ 405	$ 405	$ 333	$ (72)
Fines, Forfeitures and Penalties	8	8	7	(1)
Use of Money and Property	257	257	272	15
Intergovernmental	93,632	93,632	79,075	(14,557)
Charges for Services	54,570	61,199	28,628	(32,571)
Other	724	724	1,309	585
Transfers In	5,000	5,000	--	(5,000)
Total Revenues and Other Financing Sources	154,596	161,225	109,624	(51,601)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
OC Road	130,055	134,055	92,286	41,769
Foothill Circulation Phasing Plan	1,064	927	499	428
South County Roadway Improve Prog (SCRIP)	15,300	32,040	--	32,040
Total Expenditures and Other Financing Uses	146,419	167,022	92,785	74,237
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	8,177	(5,797)	16,839	$ 22,636
Fund Balances - Beginning of Year	60,104	60,104	60,104	
Fund Balances - End of Year	$ 68,281	$ 54,307	$ 76,943	

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - FLOOD CONTROL DISTRICT

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Taxes	$ 80,053	$ 80,053	$ 85,837	$ 5,784
Licenses, Permits, and Franchises	448	448	269	(179)
Fines, Forfeitures and Penalties	11	11	12	1
Use of Money and Property	2,340	2,340	2,667	327
Intergovernmental	23,276	23,276	40,311	17,035
Charges for Services	14,801	14,879	14,291	(588)
Other	2,312	2,312	14,185	11,873
Transfers In	1,205	2,548	2,548	--
Total Revenues and Other Financing Sources	124,446	125,867	160,120	34,253
Expenditures and Other Financing Uses				
Public Protection:				
OC Flood	134,100	138,090	97,655	40,435
OC Santa Ana River	70	70	--	70
OC Flood - Capital	45,689	45,689	23,657	22,032
Total Expenditures and Other Financing Uses	179,859	183,849	121,312	62,537
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(55,413)	(57,982)	38,808	$ 96,790
Fund Balances - Beginning of Year	376,132	376,132	376,132	
Fund Balances - End of Year	$ 320,719	$ 318,150	$ 414,940	

The notes to the basic financial statements are an integral part of this statement.

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - OTHER PUBLIC PROTECTION

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	$ --	$ --	$ 38	$ 38
Fines, Forfeitures and Penalties	2,817	2,817	5,108	2,291
Use of Money and Property	3,059	4,360	4,142	(218)
Intergovernmental	22,053	22,719	22,232	(487)
Charges for Services	9,587	9,688	13,146	3,458
Other	10,253	10,297	8,988	(1,309)
Transfers In	3,457	9,825	9,296	(529)
Total Revenues and Other Financing Sources	51,226	59,706	62,950	3,244
Expenditures and Other Financing Uses				
Public Protection:				
Orange County Methamphetamine Lab Investigation Team	1,029	1,029	256	773
County Automated Fingerprint Identification	1,368	1,443	1,161	282
Building and Safety - Operating Reserve	1,099	1,099	187	912
Narcotic Forfeiture and Seizure	415	415	341	74
Sheriff-Regional Narcotics Suppression Program	12,094	11,022	2,651	8,371
Motor Vehicle Theft Task Force	3,041	3,075	2,847	228
Regional Narcotic Suppression Program-Dept of Treasury	--	224	136	88
Regional Narcotic Suppression Program-Other	--	1,353	1,266	87
Clerk Recorder Special Revenue	16,432	16,432	6,482	9,950
Clerk Recorder Operating Reserve	2,048	1,852	1	1,851
Real Estate Prosecution	1,534	1,534	1,521	13
Proposition 64 - Consumer Protection	3,460	3,460	3,219	241
Proposition 69 - DNA Identification	684	1,439	468	971
Juvenile Justice Reform	3	3,296	3,296	--
Traffic Violator	1,012	1,160	203	957
Sheriff Narcotics Program-Dept of Treasury	--	15	--	15
Sheriff Narcotics Program-Dept of Justice	9,984	12,198	3,615	8,583
Sheriff Narcotics Program-Other	--	266	223	43
Orange County Jail	1,591	2,582	952	1,630
Sheriff Narcotics Program-CALMMET-DOJ	--	574	--	574
Sheriff Narcotics Program-CALMMET-Treasury	--	709	166	543
Sheriff's State Criminal Alien Assistance Program	3,206	3,209	2,103	1,106
California Automated Fingerprint Identification Operational Costs	1,022	1,022	795	227
California Automated Fingerprint Identification Systems Costs	23,809	27,510	3,952	23,558
Sheriff's Supplemental Law Enforcement Services	1,973	3,068	902	2,166
District Attorney's Supplemental Law Enforcement Services	931	1,050	1,050	--
Excess Public Safety Sales Tax	6,242	9,790	6,509	3,281
Equitable Sharing Forfeiture Program	--	2	2	--
Sheriff-Coroner Replacement and Maintenance	14,121	14,757	2,844	11,913
Ward Welfare	175	175	152	23
Court Facilities	1,315	1,352	--	1,352
Sheriff's Substations Fee Program	3,318	3,318	2	3,316
Jail Commissary	9,454	10,311	7,453	2,858
Inmate Welfare	9,331	11,107	4,346	6,761
Child Support Program Development	2,491	2,491	339	2,152
800 MHz County-Wide Coordinated Communications System	4,159	10,167	8,719	1,448
Delta Special Revenue	28	28	7	21
Total Expenditures and Other Financing Uses	137,369	164,534	68,166	96,368
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(86,143)	(104,828)	(5,216)	$ 99,612
Fund Balances - Beginning of Year	137,073	137,073	137,073	
Fund Balances - End of Year	$ 50,930	$ 32,245	$ 131,857	

	Business-Type Activities - Enterprise Funds				
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
ASSETS					
Current Assets					
Pooled Cash/Investments	$ 125,672	$ 394,033	$ 476	$ 520,181	$ 213,905
Cash Equivalents/Specific Investments	20,755	--	--	20,755	--
Cash/Cash Equivalents	8,335	--	--	8,335	--
Imprest Cash Funds	14	35	--	49	133
Restricted Cash and Investments with Trustee	12,573	--	--	12,573	10
Restricted Pooled Cash/Investments	70,707	544	--	71,251	--
Deposits In-Lieu of Cash	27,526	16,616	--	44,142	--
Receivables					
Accounts	4,011	9,525	--	13,536	137
Passenger Facility Charges	1,906	--	--	1,906	--
Interest/Dividends	433	692	2	1,127	300
Deposits	--	100	--	100	--
Pollution Remediation Obligation Recoveries	299	--	--	299	--
Allowance for Uncollectible Receivables	(5)	(1)	--	(6)	(91)
Due from Other Funds	11	1,061	2	1,074	2,657
Due from Other Governmental Agencies	3,673	2,542	--	6,215	586
Inventory of Materials and Supplies	--	--	--	--	453
Prepaid Costs	1,923	2,223	--	4,146	1,657
Total Current Assets	277,833	427,370	480	705,683	219,747
Noncurrent Assets					
Restricted Cash and Investments with Trustee	13,821	--	--	13,821	--
Restricted Pooled Cash/Investments	--	9,285	--	9,285	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	90,201	--	90,201	--
Specific Investments	29,182	--	--	29,182	--
Advances to Other Funds	--	2,351	--	2,351	--
Capital Assets:					
Land	15,678	22,164	--	37,842	--
Construction in Progress	24,220	49,868	--	74,088	824
Intangible Assets in Progress	812	67	--	879	--
Structures and Improvements	741,638	24,409	--	766,047	11,788
Accumulated Depreciation	(248,388)	(10,548)	--	(258,936)	(5,807)
Equipment	12,205	66,308	--	78,513	115,167
Accumulated Depreciation	(9,270)	(47,245)	--	(56,515)	(70,639)
Infrastructure	223,492	312,899	--	536,391	--
Accumulated Depreciation	(173,358)	(170,666)	--	(344,024)	--
Intangible Assets - Amortizable	418	592	--	1,010	--
Accumulated Amortization	(56)	(63)	--	(119)	--
Total Capital Assets	587,391	247,785	--	835,176	51,333
Total Noncurrent Assets	630,394	349,622	--	980,016	51,333
Total Assets	908,227	776,992	480	1,685,699	271,080
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to Pension	6,301	7,974	--	14,275	6,417
Total Deferred Outflows of Resources	6,301	7,974	--	14,275	6,417

The notes to the basic financial statements are an integral part of this statement.

(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
LIABILITIES					
Current Liabilities					
Accounts Payable	$ 7,534	$ 10,107	$ --	$ 17,641	$ 26,566
Retainage Payable	282	1,896	--	2,178	3
Salaries and Employee Benefits Payable	896	1,173	--	2,069	901
Unearned Revenue	3,068	93	--	3,161	--
Due to Other Funds	2,648	5,554	16	8,218	820
Due to Other Governmental Agencies	195	2,982	--	3,177	5
Insurance Claims Payable	--	--	--	--	51,836
Compensated Employee Absences Payable	1,041	1,237	--	2,278	971
Pollution Remediation Obligation	55	459	--	514	--
Landfill Site Closure/Postclosure Liability	--	1,319	--	1,319	--
Bonds Payable	7,409	--	--	7,409	--
Capital Lease Obligations Payable	--	--	--	--	6,900
Interest Payable	5,249	--	--	5,249	--
Deposits from Others	28,600	17,290	--	45,890	--
Total Current Liabilities	56,977	42,110	16	99,103	88,002
Noncurrent Liabilities					
Insurance Claims Payable	--	--	--	--	155,741
Compensated Employee Absences Payable	1,112	1,499	--	2,611	1,133
Pollution Remediation Obligation	939	11,279	--	12,218	--
Landfill Site Closure/Postclosure Liability	--	157,726	--	157,726	--
Bonds Payable	195,127	--	--	195,127	--
Capital Lease Obligations Payable	--	--	--	--	13,800
Net Pension Liability	37,012	46,372	--	83,384	37,220
Total Noncurrent Liabilities	234,190	216,876	--	451,066	207,894
Total Liabilities	291,167	258,986	16	550,169	295,896
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	3,743	4,686	--	8,429	3,763
Total Deferred Inflows of Resources	3,743	4,686	--	8,429	3,763
NET POSITION					
Net Investment in Capital Assets	394,642	247,785	--	642,427	51,333
Restricted for:					
Debt Service	7,324	--	--	7,324	--
Passenger Facility Charges Approved Capital Projects	70,538	--	--	70,538	--
Capital Projects - Replacements and Renewals	1,000	--	--	1,000	--
Landfill Closure/Postclosure	--	33,337	--	33,337	--
Landfill Corrective Action	--	8,174	--	8,174	--
Wetland	--	879	--	879	--
Prima Deshecha/La Pata Closure	--	104	--	104	--
Unrestricted	146,114	231,015	464	377,593	(73,495)
Total Net Position	$ 619,618	$ 521,294	$ 464	$ 1,141,376	$ (22,162)
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				475	
Cumulative Effect of Prior Years' Internal Service Funds Allocation				(15,522)	
Net Position of Business-type Activities				$ 1,126,329	

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
Operating Revenues					
Use of Property	$ 105,586	$ 3,737	$ --	$ 109,323	$ 1,970
Licenses, Permits, and Franchises	--	64	--	64	--
Charges for Services	16,862	135,675	312	152,849	88,104
Insurance Premiums	--	--	--	--	297,564
Total Operating Revenues	122,448	139,476	312	262,236	387,638
Operating Expenses					
Salaries and Employee Benefits	19,142	25,111	--	44,253	18,665
Services and Supplies	25,766	21,063	262	47,091	31,171
Professional Services	37,581	16,014	68	53,663	45,471
Operating Leases	258	849	1	1,108	2,472
Insurance Claims and Premiums	--	--	--	--	275,732
Pollution Remediation Expense	--	(609)	--	(609)	--
Other Charges	--	--	--	--	196
Taxes and Other Fees	--	11,855	--	11,855	10
Landfill Site Closure/Postclosure Costs	--	(19,746)	--	(19,746)	--
Depreciation/Amortization	28,561	14,770	--	43,331	4,178
Total Operating Expenses	111,308	69,307	331	180,946	377,895
Operating Income	11,140	70,169	(19)	81,290	9,743
Nonoperating Revenues (Expenses)					
Fines, Forfeitures and Penalties	164	17	--	181	--
Intergovernmental Revenues	189	66	--	255	1,115
Interest Revenue	913	2,127	2	3,042	778
Interest Expense	(9,697)	--	--	(9,697)	--
Gain (Loss) on Disposition of Capital Assets	(4,067)	6	--	(4,061)	212
Passenger Facility Charges Revenue	18,951	--	--	18,951	--
Other Taxes	--	--	109	109	--
Other Revenue, Net	852	558	--	1,410	5,196
Total Nonoperating Revenues	7,305	2,774	111	10,190	7,301
Income Before Contributions and Transfers	18,445	72,943	92	91,480	17,044
Capital Grant Contributions	9,215	--	--	9,215	--
Capital Contributions	--	--	--	--	112
Transfers In	--	--	--	--	5,758
Transfers Out	--	(19,810)	(149)	(19,959)	(250)
Change in Net Position	27,660	53,133	(57)	80,736	22,664
Net Position - Beginning of Year, as Previously Reported	627,698	512,943	521		(9,033)
Adjustment Due to Change in Accounting Principle	(35,740)	(44,782)	--		(35,793)
Net Position - Beginning of Year, as Restated	591,958	468,161	521		(44,826)
Net Position - End of Year	$ 619,618	$ 521,294	$ 464		$ (22,162)
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				475	
Increase in Net Position of Business-Type Activities				$ 81,211	

The notes to the basic financial statements are an integral part of this statement.

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	$ 121,933	$ 138,514	$ 312	$ 260,759	$ 90,719
Cash Received for Premiums within the County's Entity	--	--	--	--	297,564
Payments to Suppliers for Goods and Services	(64,442)	(35,213)	(331)	(99,986)	(330,423)
Payments to Employees for Services	(18,705)	(24,854)	--	(43,559)	(19,620)
Payments for Interfund Services	--	4,763	(15)	4,748	(2,178)
Receipts for Interfund Services Used	(64)	--	--	(64)	231
Landfill Site Closure/Postclosure Care Costs	--	(1,319)	--	(1,319)	--
Taxes and Other Fees	--	(11,855)	--	(11,855)	(10)
Other Operating Receipts (Payments) - Net	1,106	(190)	--	916	2,520
Net Cash Provided (Used) by Operating Activities	39,828	69,846	(34)	109,640	38,803
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	--	--	--	--	5,758
Transfers Out	--	(19,810)	(149)	(19,959)	(250)
Intergovernmental Revenues	494	66	--	560	1,115
Other Taxes	--	--	109		
Advances to Other Funds	--	783	--	783	--
Net Cash Provided (Used) by Noncapital Financing Activities	494	(18,961)	(40)	(18,616)	6,623
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(19,109)	(34,247)	--	(53,356)	(14,188)
Principal Paid on Bonds	(6,995)	--	--	(6,995)	--
Interest Paid on Long-Term Debt	(10,603)	--	--	(10,603)	--
Capital Grant Contributions	9,675	--	--	9,675	--
Passenger Facility Charges Received	18,982	--	--	18,982	--
Proceeds from Sale of Capital Assets	12	6	--	18	--
Net Cash Used by Capital and Related Financing Activities	(8,038)	(34,241)	--	(42,279)	(14,188)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	731	1,846	3	2,580	633
Purchase of Investments	(7,380)	--	--	(7,380)	--
Net Cash Provided (Used) by Investing Activities	(6,649)	1,846	3	(4,800)	633
Net Increase (Decrease) in Cash and Cash Equivalents	25,635	18,490	(71)	44,054	31,871
Cash and Cash Equivalents - Beginning of Year	212,421	475,608	547	688,576	182,177
Cash and Cash Equivalents - End of Year	$ 238,056	$ 494,098	$ 476	$ 732,630	$ 214,048

The notes to the basic financial statements are an integral part of this statement.

(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	$ 11,140	$ 70,169	$ (19)	$ 81,290	$ 9,743
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation/Amortization	28,561	14,770	--	43,331	4,178
Fines, Forfeitures and Penalties	164	17	--	181	--
Other Revenue	902	558	--	1,460	5,196
(Increases) Decreases In:					
Deposits In-Lieu of Cash	(211)	17	--	(194)	--
Accounts Receivable (Net of Allowances)	687	(474)	2	215	125
Due from Other Funds	(10)	2,969	--	2,959	(14)
Due from Other Governmental Agencies	(4)	(457)	--	(461)	512
Inventory of Materials and Supplies	--	--	--	--	36
Prepaid Costs	1,457	2,102	--	3,559	1,559
Deferred Outflows and Inflows of Resources from Pension Contributions	(3,490)	(4,453)	--	(7,943)	(3,590)
Increases (Decreases) In:					
Accounts Payable	(479)	630	--	151	16,068
Retainage Payable	(230)	1,279	--	1,049	3
Salaries and Employee Benefits Payable	244	345	--	589	262
Unearned Revenue	(930)	13	--	(917)	--
Due to Other Funds	(54)	1,794	(17)	1,723	(1,933)
Due to Other Governmental Agencies	(235)	(44)	--	(279)	(193)
Insurance Claims Payable	--	--	--	--	4,478
Compensated Employee Absences Payable	(106)	(88)	--	(194)	7
Pollution Remediation Obligation	(64)	(942)	--	(1,006)	--
Deposits from Others	282	(48)	--	234	--
Net Pension Liability from Portion Related to Pension Contributions and Expenses	2,204	2,755	--	4,959	2,366
Landfill Site Closure/ Postclosure Liability	--	(21,066)	--	(21,066)	--
Total Adjustments	28,688	(323)	(15)	28,350	29,060
Net Cash Provided by Operating Activities	$ 39,828	$ 69,846	$ (34)	$ 109,640	$ 38,803
Reconciliation of Cash and Cash Equivalents to Statement of Net Position Accounts					
Pooled Cash/Investments	$ 125,672	$ 394,033	$ 476	$ 520,181	$ 213,905
Cash Equivalents/Specific Investments	20,755	--	--	20,755	--
Cash/Cash Equivalents	8,335	--	--	8,335	--
Imprest Cash Funds	14	35	--	49	133
Restricted Cash and Investments with Trustee	12,573 (1)	--	--	12,573	10
Restricted Pooled Cash/Investments	70,707	9,829	--	80,536	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	90,201	--	90,201	--
Total Cash and Cash Equivalents	$ 238,056	$ 494,098	$ 476	$ 732,630	$ 214,048

Schedule of Noncash Investing, Capital, and Financing Activities:
- The Information & Technology Internal Service Fund received $112 of capital contribution from the General Fund.
- The Internal Service Funds gained $212 on disposition of capital assets.
- Airport had a $4,067 loss on disposition of capital assets.
- Waste Management gained $6 on disposition of capital assets.
- The Internal Service Funds' acquisition of capital assets with accounts payable is $16,148.
- Airport's acquisition of capital assets with accounts payable is $4,035.
- Waste Management's acquisition of capital assets with accounts payable is $4,104.

(1) Does not include $13,821 from Airport's nonliquid Restricted Cash and Investments with Trustee.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

	Private-Purpose Trust Funds	Investment Trust Funds	Pension and Other Post-Employment Benefit Trust Funds	Agency Funds
ASSETS				
Pooled Cash/Investments	$ 57,364	$ 4,098,725	$ 9,297	$ 338,086
Cash/Cash Equivalents	--	--	--	326
Restricted Cash and Investments				
Restricted Investments with Trustee				
Money Market Mutual Funds	4,630	--	84,194	31,075
Mutual Bond Funds	--	--	2,017	--
Stable Value Fund	--	--	7,597	--
Restricted Cash with Orange County Employees Retirement System (OCERS)	--	--	206,118	--
Total Restricted Cash and Investments	4,630	--	299,926	31,075
Investments	--	--	--	1,082
Deposits In-Lieu of Cash	--	--	--	19,247
Receivables				
Accounts	--	--	--	3
Taxes	--	--	--	317,620
Interest/Dividends	143	7,143	28	7,328
Allowance for Uncollectible Receivables	--	--	--	(154,807)
Due from Other Governmental Agencies	2	--	2,788	5,565
Land and Improvements Held for Resale	619	--	--	--
Notes Receivable	--	--	--	30,376
Total Assets	62,758	4,105,868	312,039	595,901
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	305	--	--	--
Total Deferred Outflows of Resources	305	--	--	--
LIABILITIES				
Salaries and Employee Benefits Payable	--	--	8	--
Bonds Payable	33,628	--	--	--
Interest Payable	429	--	--	6,015
Deposits from Others	--	--	--	30,386
Monies Held for Others	--	--	--	155,775
Due to Other Governmental Agencies	644	293	--	50,808
Unapportioned Taxes	--	--	--	352,917
Total Liabilities	34,701	293	8	595,901
NET POSITION				
Restricted for Pension Benefits and Other Purposes	28,362	4,105,575	312,031	--
Total Net Position	$ 28,362	$ 4,105,575	$ 312,031	$ --

The notes to the basic financial statements are an integral part of this statement.

(Dollar Amounts in Thousands)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Private-Purpose Trust Funds	Investment Trust Funds	Pension and Other Post-Employment Benefit Trust Funds
Additions:			
Contributions to Pension and Other Postemployment Benefit Trust Funds:			
Employer	$ --	$ --	$ 51,126
Employee	--	--	3,816
Contributions to Pooled Investments	--	7,668,230	--
Contributions to Private-Purpose Trust	83,033	--	--
Intergovernmental Revenues	17,568	--	--
Other Revenues	786	71	--
Interest and Investment Income	112	17,947	6,728
Less: Investment Expense	(7)	(2,926)	(244)
Total Additions	101,492	7,683,322	61,426
Deductions:			
Benefits Paid to Participants	--	--	33,628
Distributions from Pooled Investments	--	7,059,092	--
Distributions from Private-Purpose Trust	78,892	--	--
Professional Services/Administrative Expense	274	--	37
Bond Issuance Costs	183	--	--
Tax Pass-Throughs	4,000	--	--
Interest Expense	1,539	--	--
Total Deductions	84,888	7,059,092	33,665
Change in Net Position:			
Private-Purpose Trust	16,604	--	--
External Investment Pool	--	624,230	--
Employees' Pension and Other Post-Employment Benefits	--	--	27,761
Net Position, Beginning of Year	11,758	3,481,345	284,270
Net Position, End of Year	$ 28,362	$ 4,105,575	$ 312,031

COUNTY OF ORANGE CALIFORNIA

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the County of Orange:

A. Reporting Entity

The County is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through an elected five-member Board of Supervisors (the Board), which, as the governing body, is responsible for the legislative and executive control of the County. The County provides a full range of general government services, including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, waste management, airport management, and general financial and administrative support.

As required by generally accepted accounting principles (GAAP) in the United States of America, these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations, and the Board is typically their governing body. Therefore, data from these component units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. Management applied the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity*," Statement No. 39, *"Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14,"* and Statement No. 61, "*The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34"* to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the County appoints the voting majority, there is a financial benefit/burden relationship, the County is able to impose its will, the component unit is fiscally dependent on the County, the component unit's governing body is substantially the same as the County, and management of the County have operational responsibility for the activities of the component unit. These criteria were used to determine the following:

Blended Component Units

Orange County Flood Control District The governing body of the District is the County's governing body. Among its duties, it approves the District's budget, determines the District's tax rates, approves contracts, and appoints the management. The District is reported in governmental fund types.

Orange County Housing Authority The governing body of the Authority is the County's governing body. Among its duties, it approves the Authority's budget and policies that govern the administration of housing assistance programs and appoints the management. The Authority is reported in governmental fund types.

Orange County Public Financing Authority The Authority is a joint powers authority of the County and the Orange County Development Agency (OCDA), formed to provide financial assistance to the County by financing the acquisition, construction and improvement of public facilities in the County. The governing body of the Authority is the County's governing body. The Authority is reported in governmental fund types. With the passage of ABX1 26 dissolving redevelopment agencies statewide effective February 1, 2012, the Authority will not issue any new debt.

South Orange County Public Financing Authority The Authority is a joint powers authority of the County and Community Facilities District 88-2 of the County of Orange (Lomas Laguna), formed to provide for the financing of public capital improvements. The governing body of the Authority is the County's governing body. The Authority is reported in governmental fund types.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Orange County Public Facilities Corporation The Corporation has its own five member governing body appointed by the County's governing body and provides services entirely to the primary government, the County, through the purchase, construction or leasing of land and/or facilities, which are then leased back to the County. The Corporation is reported in governmental fund types.

County Service Areas, Special Assessment Districts, and Community Facilities Districts The governing body of County Service Areas, Special Assessment Districts, and Community Facilities Districts (special districts) is the County's governing body. Among its duties, it approves the special districts' budgets, and approves parcel fees, special assessments and special taxes. The special districts are reported in governmental fund types.

In-Home Supportive Services (IHSS) Public Authority The governing body of the Authority is the County's governing body. The Public Authority was established by the Board to act as the employer of record for the individual providers for the IHSS program. The duties of the Public Authority include collective bargaining for the individual providers, establishing a registry of providers, investigating the background of providers and providing training to both IHSS providers and consumers. The Authority is reported in governmental fund types.

Fiduciary Component Unit

Orange County Development Agency (OCDA) Redevelopment Successor Agency On January 24, 2012, the County elected to become the Successor Agency to the former OCDA in accordance with ABX1 26 (Dissolution Act). An Oversight Board was appointed to oversee the dissolution process. A Private-Purpose Trust Fund, administered by the County of Orange, was established to account for the assets and liabilities of the former OCDA. For additional information related to the activities of the Successor Agency and its on-going Enforceable Obligations, please refer to its separate financial statements. Copies of the Successor Agency's financial statements can be obtained from the OC Community Resources Department or by accessing Orange County's website at the following address: http://ac.ocgov.com/info/financial/

Discretely Presented Component Units

Children and Families Commission of Orange County The Commission is administered by a governing board of nine members, who are appointed by the Board. Its purpose is to develop, adopt, promote and implement early childhood development programs in the County, funded by additional State taxes on tobacco products approved by California voters via Proposition 10 in November 1998. The Commission is presented as a discretely presented component unit of the County because, although the County Board has no control over the revenues, budgets, staff, or funding decisions made by the Commission, the appointed Commission members serve at the will of the Board members who appoint them. A separate stand-alone annual financial report can be obtained by writing to the Children and Families Commission of Orange County, 1505 E. 17th Street, Suite 230, Santa Ana, CA 92705, or by accessing Orange County's website at the following address: http://ac.ocgov.com/info/financial/

Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima) The Board established CalOptima in 1993. The governing board of CalOptima is comprised of eleven members and includes two County board members and one County board member alternate; all other members are appointed by the Board. This is a County organized health system whose purpose is to administer health insurance programs for low-income families, children, seniors, and persons with disabilities throughout the County. These programs

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (Cal Optima) (Continued)

include Medi-Cal, OneCare (HMO SNP), and Program of All-Inclusive Care for the Elderly (PACE). CalOptima is presented as a discretely presented component unit of the County because, although the County Board has no control over the revenues, budgets, staff, or funding decisions made by CalOptima, the appointed CalOptima members serve at the will of the Board members who appoint them. CalOptima will continue until such time as the Board takes action to terminate CalOptima. A separate stand-alone annual financial report can be obtained by writing to CalOptima, 505 City Parkway West, Orange, CA 92868. Alternately, you can access the website http://wpso.dmhc.ca.gov/fe/search/#top, and select the Health Plan “Orange County Health Authority” and statement type “Annual Audit Reports.”

B. Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide and fund financial statements. The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. The government-wide financial statements report long-term liabilities and capital assets. Depreciation/amortization expense and accumulated depreciation/amortization are displayed on the government-wide financial statements. The capital assets and related depreciation include the costs and depreciation of infrastructure assets.

The fund financial statements for the governmental funds are prepared under the modified accrual basis of accounting and the current financial resources measurement focus. Fund financial statements are shown separately for specific major governmental funds, and in total for all other governmental funds. Fund financial statements for proprietary funds are reported under the accrual basis of accounting and the economic resources measurement focus. Major enterprise funds are shown separately, with internal service funds shown in total. Financial data for the internal service funds is included with the governmental funds for presentation in the government-wide financial statements. Fiduciary funds are displayed by category in the fund financial statements, but are not reported in the government-wide financial statements, because the assets of these funds are not available to the County.

Government-Wide Financial Statements

GASB Statement No. 34, *“Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”* (GASB Statement No. 34), as amended by GASB Statement No. 63 *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”* (GASB Statement No. 63), mandates the presentation of two basic government-wide financial statements:

- *Statement of Net Position*
- *Statement of Activities*

The scope of the government-wide financial statements is to report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are normally supported by taxes, intergovernmental revenues, other nonexchange revenues, and business-type activities, which are financed by fees charged to external parties for goods or services, are reported in separate columns with a combined total column presented for the primary government. Likewise, the primary government is reported separately from the legally separate

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

component units, Children and Families Commission of Orange County and CalOptima, for which the primary government is financially accountable. The government-wide Statement of Net Position displays the financial position of the primary government, in this case, the County and its discretely presented component units. The Statement of Net Position reports the County's financial and capital resources, including infrastructure, as well as the County's long-term obligations. The difference between the County's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources is its net position. Net position represents the resources that the County has available for use in providing services after its debt is settled.

These resources may not be readily available or spendable and consequently are classified into the following categories of net position in the government-wide financial statements:

- Net Investment in Capital Assets This amount is derived by subtracting the outstanding debts incurred by the County, including debt-related deferred outflows and inflows of resources, to buy or construct capital assets shown in the Statement of Net Position, net of depreciation.
- Restricted Net Position This category represents restrictions imposed on the use of the County's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. All of the County's net position restrictions are externally imposed by outside parties, constitutional provisions or enabling legislation. Examples of restricted net position include federal and state grants that are restricted by grant agreements for specific purposes and restricted cash set aside for debt service payments. At June 30, 2015, the County's governmental activities reported restricted net position of $1,202,658 restricted for pension benefits related to the Orange County Retirement System (OCERS) Investment Account, capital projects, legally segregated funds restricted for grants and other purpose, and regional park endowment. Restricted Net Position for business-type activities amounted to $121,356 and is restricted for the use of Airport and Waste Management activities, including debt service, passenger facility charges (PFC), replacements and renewals, landfill closure/postclosure, and landfill corrective action. At June 30, 2015, the County reported $70,538 of net position restricted by enabling legislation related to the Airport's PFC.
- Unrestricted Net Position These assets are resources of the County that can be used for any purpose, though they may not necessarily be liquid. In addition, assets in a restricted fund that exceed the amounts required to be restricted by external parties or enabling legislation are reported as unrestricted net position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues and the extent to which the function or segment is supported by general government revenues, such as property taxes, local unrestricted sales taxes, and investment earnings. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated to the programs where the revenue is earned. Program revenues include:

- *Charges and fees to customers or applicants for goods, services, or privileges provided, including fines, forfeitures, and penalties related to the program*
- *Operating grants and contributions*
- *Capital grants and contributions, including special assessments*

Taxes and other items such as unrestricted investment earnings not properly included among program revenues are reported instead as general revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. The financial information of each major fund is shown in a separate column in the fund financial statements, with the data for all nonmajor governmental funds aggregated into a single column and all nonmajor proprietary funds aggregated into a single column. GASB Statement No. 34, as amended by GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities,” sets forth minimum criteria (specified minimum percentages of the assets plus deferred outflows, liabilities plus deferred inflows, revenues or expenditures/expenses of a fund category and of the governmental and enterprise funds combined) for the determination of major funds. In addition to funds that meet the minimum criteria, any other governmental or enterprise fund that the government believes is of particular importance to financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

General Fund This fund accounts for resources traditionally associated with government and all other resources, which are not required legally, or by sound financial management, to be accounted for in another fund. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues. Expenditures are primarily expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, capital outlay, and debt service.

Roads This fund accounts for proceeds restricted for the maintenance and construction of roadways, and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County’s share of state highway users’ taxes, federal funds, and charges for engineering services provided.

Flood Control District This fund accounts for the planning, construction, operation, and maintenance of regional flood protection and water conservation works, such as dams, control channels, retarding basins, and other flood control infrastructure. Intergovernmental revenues, along with property taxes restricted for flood control activities, provide most of this fund’s revenues.

Other Public Protection This fund accounts for revenues restricted for safety and law enforcement activities such as the child support program, automated fingerprint identification systems, and investigation team. Revenues consist primarily of federal grants, state grants, fines, forfeitures, penalties, and charges for services.

Teeter Plan Notes This debt service fund accounts for the financing of the County’s purchase of delinquent taxes receivable pursuant to the Teeter Plan. The Teeter Plan is an alternate secured property tax distribution plan, whereby, the County distributes 100% of the local secured levy to the taxing agencies participating in the Teeter Plan and in exchange receives the right to keep the delinquent taxes, penalties, and interest.

The County reports the following proprietary enterprise funds:

Airport This major fund accounts for major construction and for self-supporting aviation-related activities rendered at John Wayne Airport, Orange County. The airport’s staff coordinates and administers general business activities related to the Airport, including concessions, commercial and general aviation operations, leased property, auto parking, and aircraft tie-down facilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

Waste Management This major fund accounts for the operation, expansion, and closing of existing landfills. Monies are collected through landfill disposal fees, which users pay based primarily on tonnage.

Compressed Natural Gas (CNG) This nonmajor fund accounts for the operation and maintenance of the CNG facility. Revenues consist primarily of CNG sales to both the County and the public.

Additionally, the County reports the following fund types:

Internal Service Funds The County reports nine Internal Service Funds. These proprietary funds are used to account for the financing of services provided by one County department or agency to other County departments or agencies, or to other governmental entities, on a cost-reimbursement basis. The services provided by these funds are Insurance, Transportation, Publishing, and Information and Technology. Internal Service Funds are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the County's governmental activities, financial statements of Internal Service Funds are consolidated into the governmental activities column when presented at the government-wide level.

Fiduciary Fund Types The County has a total of 351 individual trust and agency funds for FY 2014-15. These trust and agency funds are used to account for assets held on behalf of outside parties or employees, including other governments. When these assets are held under the terms of a formal trust agreement, a private-purpose trust or pension trust fund is used. An investment trust fund is used for the portion of the County investment pool representing external pool participants. Agency funds are used to account for assets that the County holds on behalf of others as their agent.

The County reports the following trust and agency funds:

Private-Purpose Trust These funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds, and decedents' property held for escheatment. Beginning in FY 2011-12, the County accounts for the former redevelopment agency as a fiduciary component unit for the OCDA Redevelopment Successor Agency.

Investment Trust

Orange County Investment Pool
These funds are used to account for assets, consisting primarily of cash and investments, of separate legal entities, other than school and community college districts, which participate in the County Treasurer's external investment pool.

Orange County Educational Investment Pool
These funds are used to account for assets, consisting primarily of cash and investments, of school and community college districts that participate in the County Treasurer's external Educational Investment Pool.

Pension and Other Employee Benefits Trust The County reports six Pension and Other Postemployment Benefit Trust funds. These trust funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit and defined contribution pension and postemployment benefit plans.

Agency Funds These funds are generally used to account for assets that the County holds on behalf of others as their agent in a purely custodial capacity, such as the receipt, temporary investments, and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

Agency Funds (Continued)

remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, assets reported in the agency funds are offset by a liability for resources held on behalf of others.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, deferred inflows of resources, and all liabilities associated with the operation of these funds are included on the Statement of Net Position. Receivables are reported net of allowances for uncollectible receivables in the Statement of Net Position. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

For purposes of not overstating the true costs and program revenues reported for the various functions, interfund activities (e.g. interfund transfers and interfund reimbursements) have been eliminated from the government-wide Statement of Activities. Exceptions to the general rule are interfund services provided and used between functions, such as charges for auditing and accounting fees between the general government function and various other functions of the primary government. Elimination of these interfund activities would distort the direct costs and program revenues reported for the various functions concerned. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, and then unrestricted resources as they are needed. Additionally, only the interfund transfers between governmental and business-type activities are reported in the Statement of Activities.

Governmental Fund Financial Statements

Governmental funds are used to report all governmental activities that are not primarily self-funded by fees or charges to external users or other funds and are not fiduciary activities. These activities include the County’s basic services to its citizenry and to other agencies, including general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. There are five types of governmental funds:

- *General Fund*
- *Special Revenue Funds*
- *Capital Projects Funds*
- *Debt Service Funds*
- *Permanent Fund*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues and other governmental fund type financial resources (i.e., bond issuance proceeds) are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after the end of the current fiscal period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

Revenues that are accrued include real and personal property taxes, sales taxes, property taxes in-lieu of motor vehicle license fees, fines, forfeitures and penalties, interest, federal and state grants and subventions, charges for current services, and the portion of long-term sales contracts and leases receivable that are measurable and available and where collectability is assured. Revenues that are not considered susceptible to accrual include penalties on delinquent property taxes and minor licenses and permits. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, provided that the revenues are also available. If intergovernmental revenues are expected to be received later than 60 days following the end of the fiscal year, then a receivable is recorded, along with deferred inflows of resources. Once the grant reimbursement is received, revenue and cash are recorded, and the receivable and deferred inflows of resources are eliminated. Receipts that have not met all of the earning requirements are reported as unearned revenue. As of June 30, 2015, the County reported $175,655 of deferred inflows of resources, and $65,688 of unearned revenue, in the governmental funds' Balance Sheet.

Most expenditures are recorded when the related fund liabilities are incurred. However, inventory type items are considered expenditures at the time of use and principal and interest expenditures on bonded debt and capital leases are recorded in the year they become due for payment. Costs of claims, judgments, compensated employee absences and employer pension contributions are recorded as expenditures at fiscal year-end if they are due and payable. The related long-term obligation is recorded in the government-wide financial statements. Commitments such as purchase orders and contracts for materials and services are recorded as encumbrances.

Because the fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented to explain the adjustments necessary to reconcile fund financial statements to the government-wide financial statements.

Proprietary Fund Financial Statements

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds are used to account for business-type activities, which are financed mainly by fees and charges to users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

There are two types of proprietary funds:

- *Enterprise Funds*
- *Internal Service Funds*

The County has three enterprise funds: Airport, Waste Management, and CNG. The principal operating revenues of the Airport, Waste Management, and CNG enterprise funds are charges to customers for (1) landing fees, terminal space rental, auto parking, concessions, and aircraft tie-down fees, (2) disposal fees charged to users of the waste disposal sites, and (3) natural gas sales, respectively.

Internal service funds are used to report activities that provide goods or services to other funds of the County. The internal service funds receive revenues through cost-reimbursements of the goods and services provided to other County departments and agencies. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Fiduciary Fund Financial Statements

Fiduciary funds are used to account for assets held in a trustee or agency capacity and cannot be used to support the County's own programs. Trust funds are accounted for using the economic resources measurement focus and accrual basis of accounting. Agency funds report only assets and liabilities and therefore, do not have a measurement focus; however, agency funds use the accrual basis of accounting to recognize receivables and payables.

D. Budget Adoption and Revision

No later than October 2nd of each year, after conducting public hearings concerning the recommended budget, the Board adopts a budget in accordance with Government Code Sections 29000-29144 and 30200. The County publishes the results of this initial budgeting process in a separate report, the "Adopted Budget," which specifies all accounts established within each fund/department/budget control (a collection of account numbers necessary to fund a certain division or set of goal-related activities).

Throughout the year, the original budget is adjusted to reflect increases or decreases in revenues and changes in fund balance, offset by an equal amount of adjustments to appropriations. Department heads are authorized to approve appropriation transfers within a fund/department/budget control. However, appropriation transfers between funds/departments/budget controls require approval of the Board. Accordingly, the lowest level of budgetary control exercised by the County's governing body is the fund/department/budget control level.

Annual budgets are adopted on a basis consistent with GAAP except for the general fund and major special revenue funds as detailed in the Budgetary Comparison Statement reconciliation between the budgetary basis and GAAP basis. Budgeted governmental funds consist of the general fund, major funds, and other nonmajor governmental funds. Budgetary comparison statements are prepared only for the general fund and major special revenue funds (listed below) for which the County legally adopts annual budgets, and are presented as part of the basic financial statements. The County did not legally adopt annual budgets for the OC Public Facilities Corporation Bonds, Master Lease Fund, the South OC Public Financing Authority Fund, and the Orange County Public Financing Authority Fund. The budgetary comparison statements provide three separate types of information: (1) the original budget, which is the first complete appropriated budget; (2) the final amended budget, which includes all legally authorized changes regardless of when they occurred; and (3) the actual revenues and expenditures during the year for budget-to-actual comparisons.

The major special revenue fund Budgetary Comparison Statements reported by the County in the Basic Financial Statements are:

- *Roads*
- *Flood Control District*
- *Other Public Protection*

The intent of preparing the Budgetary Comparison Statement reconciliation is to provide the reader with a more complete understanding and appreciation for the difference between budgetary revenues and other financing sources and expenditures/encumbrances and other financing uses presented in the Budgetary Comparison Statements and the revenues, expenditures, and other financing sources (uses) reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, which is prepared in accordance with GAAP. The major areas of difference are as follows:

- Under the budgetary basis, investment income is recognized on an amortized cost basis. In accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools,"* all investment income, including changes in fair value (gains/losses) of investments, are recognized as investment income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

- Under the budgetary basis, redirected investment income is recognized as investment income in the recipient fund. In accordance with GASB Statement No. 31, investment income assigned to another fund due to management decision is recognized in the fund that reports the investment and reported as a transfer to the recipient fund in the GAAP financial statements.
- Under the budgetary basis, revenues are recorded when earned. For GAAP basis, in accordance with GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions"* and GASB Statement No. 65, it states that all nonexchange transactions, such as government-mandated nonexchange transactions and voluntary nonexchange transactions, can be accrued only if they are measurable and "available." "Available" has been defined by GASB Statement No. 33 as "collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period." The County has established the availability period as 60 days after the end of the fiscal year or August 30. In order to ensure all transactions for the current fiscal year meet this criterion, the County analyzes revenue receipts through August 30 and records adjustments to deferred inflows of resources for transactions that are not collected.
- GASB Statement No. 34 states, "Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs." For the GAAP financial statements, an adjustment to record public purpose trust monies as revenue in the benefitting funds is recorded for funds which continue to be accounted for as fiduciary funds on a budgetary basis but no longer meet the definition of a fiduciary fund.
- Under the budgetary basis, intrafund transfers are recognized as other financing sources (uses). For the GAAP financial statements, intrafund transfers are eliminated to minimize the "grossing-up" of interfund transfers.
- The County reclassified to the General Fund all the activities of certain special revenue funds, which no longer meet the definition of a special revenue fund in accordance with GASB Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"* (GASB Statement No. 54).
- For budgetary purposes, the loan from Waste Management to the General Fund was recognized as other financing sources (uses). In accordance with GASB Statement No. 34, an adjustment to record the interfund loan as an interfund receivable in the lender fund and interfund payable in the borrower fund was recorded for the GAAP financial statements.
- Under the budgetary basis, interfund reimbursements or repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are recorded as revenues in the payer fund. In accordance with GASB Statement No. 34, an adjustment to eliminate interfund reimbursements is recorded for the GAAP financial statements.
- In accordance with GAAP, the County has established guidelines for recording accruals. In order to reasonably ensure that accruals for current fiscal year transactions are materially accurate, the County performs an analysis to identify expenditure accruals for the GAAP financial statements.
- Bond Issuance Proceeds related to short-term debt that was reported on the Budgetary Comparison Statement as revenues and other financing sources are reported as a fund level liability for GAAP financial statements.
- Per GAAP, a rental rebate should be recorded as a reduction to rental expense.
- The prepaid pension costs were reported in the Budgetary Comparison Statement for the General Fund as an expenditure. For the GAAP financial statements, the prepaid pension costs were recorded as a Prepaid Cost on the General Fund Balance Sheet.
- Revenues and expenditures recorded as reimbursements for retirement costs and administration fees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

The following schedule shows the Budgetary Comparison Statement reconciliation between the budgetary basis and GAAP basis for the General Fund and major special revenue funds:

Revenues and Other Financing Sources	General Fund	Roads	Flood Control District	Other Public Protection
Total Revenues and Other Financing Sources from the Budgetary Comparison Statements	$ 3,341,359	$ 109,624	$ 160,120	$ 62,950
Differences-budget to GAAP:				
Change in unrealized gain/(loss) on investment	(67)	17	72	37
GASB 31 adjustment to report redirected investment income as transfers	--	--	--	70
GASB 33 adjustment of revenue accruals for 60 day recognition period	(11,805)	(10,904)	3,107	(537)
GASB 34 adjustment to record Public Purpose Trust Fund's monies as revenue in benefitting fund	1,954	--	84	--
Adjustment to eliminate intrafund transfers	--	--	--	(2,245)
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(12,112)	(97)	(287)	--
Certain budgeted special revenue funds do not meet the criteria for separate reporting and are reported within the General Fund in the GAAP financial statements	22,590	--	--	--
Revenues and Other Financing sources for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	--	6,571
Short-Term Bond Issuance Proceeds that were reported on the Budgetary Comparison Statement as an other financing source are reported as a fund level liability for GAAP financial statements	(339,625)	--	--	--
Rent Rebate for HCA	(298)	--	--	--
Reimbursement of Retirement Cost & Admin Fee	(753)	--	--	--
Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	$ 3,001,243	$ 98,640	$ 163,096	$ 66,846

Expenditures and Other Financing Uses	General Fund	Roads	Flood Control District	Other Public Protection
Actual expenditures and Other Financing Uses from the Budgetary Comparison Statements	$ 3,221,219	$ 92,785	$ 121,312	$ 68,166
Differences-budget to GAAP:				
GASB 31 adjustment to report redirected investment income as transfers	--	(3,070)	--	70
Adjustment of expenditure accruals for timing differences	(15,789)	500	262	(105)
Adjustment to eliminate intrafund transfers	--	--	--	(2,245)
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(12,111)	(97)	(287)	--
The prepaid pension costs were reported in the Budgetary Comparison Statement for the General Fund as an expenditure. For GAAP financial statements, the prepaid pension costs were recorded as a Prepaid Cost on the General Fund Balance Sheet	(339,117)	--	--	--
Expenditures and Other Financing Uses for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	--	861
Certain budgeted special revenue funds do not meet the criteria for separate reporting and are reported within the General Fund in the GAAP Financial Statements	(3)	--	--	--
Rent Rebate for HCA	(298)	--	--	--
Reclassification of loan repayment from General Fund to OC Waste Magagement	(780)	--	--	--
Total Expenditures and Other Financing Uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$ 2,853,121	$ 90,118	$ 121,287	$ 66,747

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance

The County applies GASB Statement No. 54 for financial statement purposes. The intent of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The balance sheet reports the following five different classifications of fund balance:

Nonspendable Fund Balance Amounts that are not in a spendable form, such as long-term receivables, inventory or prepaid costs, or that are required to be maintained intact, such as the corpus of an endowment fund. The County's Regional Park Endowment Permanent Fund reports the original donation as nonspendable in accordance with donor requirements.

Restricted Fund Balance Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance Amounts constrained to specific purposes by a formal action of the highest level of decision making authority. The constraint remains binding unless the government takes the same highest-level action to remove or change the constraint. The Board is the County's highest level of decision-making authority. The highest level of formal action to commit resources is an ordinance.

Assigned Fund Balance Amounts a government intends to use for a specific purpose that are neither restricted nor committed; intent can be expressed by the governing body (Board) or by an official or body to which the governing body delegates authority (County Executive Officer (CEO), County Department Heads, and County Purchasing Agent). The County's budget development guidelines provide the policy that is used by all County departments to determine the designation of assigned fund balance. Assigned fund balance includes the aggregation of resources for capital projects, which are expected to develop in future periods and fund balance reserved for outstanding contractual obligations for which goods and services have not yet been received, approved by the Board for appropriation in FY 2014-15, through the County's budget process.

Unassigned Fund Balance Residual amounts within the General Fund in excess of what can be properly classified in one of the four other fund balance classifications. Within all other governmental funds, unassigned fund balance is comprised of the negative residual in excess of what can be properly classified as nonspendable, restricted or committed.

In the hierarchy for spending, when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the County's policy is to spend restricted fund balance before unrestricted fund balance. When committed, assigned and unassigned fund balance is available for the same specific purpose, the County's policy is to expend fund balance according to the following priority: committed, assigned, and then unassigned.

Following are detailed descriptions within each fund balance classification reported in the balance sheet:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

	General Fund	Roads	Flood Control District	Other Public Protection	Teeter Plan Notes	Other Governmental Funds	Total Governmental Funds
Nonspendable:							
Inventory	$ 867	$ -	$ 453	$ 331	$ -	$ -	$ 1,651
Prepaid costs	331,939	3,939	4,617	1,241	-	10,527	352,263
Endowment	-	-	-	-	-	188	188
Long-Term Advances to Other Funds	3,800	-	-	-	-	-	3,800
Total Nonspendable Fund Balance	336,606	3,939	5,070	1,572	-	10,715	357,902
Restricted for:							
Court Operations	10,068	-	-	-	-	-	10,068
Tobacco and CHIP Programs	124	-	-	-	-	-	124
Public Safety Realignment	21,294	-	-	-	-	-	21,294
Civic Center Parking/Maintenance	-	-	-	-	-	359	359
Roads	-	57,863	-	-	-	-	57,863
Public Libraries	-	-	-	-	-	23,676	23,676
Flood Control District	-	-	413,875	-	-	-	413,875
OC Parks	-	-	-	-	-	68,629	68,629
Service Areas, Lighting, Maintenance and Assessment Districts	-	-	-	-	-	5,102	5,102
Other Environmental Management	-	-	-	-	-	1,391	1,391
Public Safety	-	-	-	144,388	-	-	144,388
Teeter Note	-	-	-	-	52,505	-	52,505
OC Dana Point Harbor Projects	-	-	-	-	-	61,916	61,916
Community and Welfare Services	-	-	-	-	-	50,361	50,361
Low and Moderate Income Housing Program	-	-	-	-	-	32,142	32,142
Health Care Programs	-	-	-	-	-	260,050	260,050
Bankruptcy Litigation	-	-	-	-	-	6,036	6,036
Bankruptcy Recovery	-	-	-	-	-	20,877	20,877
Tobacco Settlement Programs	-	-	-	-	-	12,079	12,079
Housing Programs	-	-	-	-	-	15,775	15,775
Technological and Capital Acquisitions/Improvements	-	-	-	-	-	933	933
Endowment	-	-	-	-	-	141	141
OC Public Facilities Corporation Bonds, Master Lease	-	-	-	-	-	3,287	3,287
Pension Obligation Bonds	-	-	-	-	-	135,548	135,548
South OC Public Financing Authority	-	-	-	-	-	3,744	3,744
Orange County Public Financing Authority	-	-	-	-	-	40,775	40,775
Capital Projects:							
Criminal Justice Facilities Improvement	-	-	-	-	-	5,670	5,670
Total Restricted Fund Balance	$ 31,486	$ 57,863	$ 413,875	$ 144,388	$ 52,505	$ 748,491	$ 1,448,608
Assigned to:							
General Services	166,674	-	-	-	-	-	166,674
Imprest Cash	1,862	-	-	-	-	-	1,862
Public Safety	22,962	-	-	-	-	-	22,962
Public Works	1,794	-	-	-	-	-	1,794
Health Care Programs	2,120	-	-	-	-	13,588	15,708
Watershed Programs	654	-	-	-	-	-	654
Social Services Programs	4,251	-	-	-	-	-	4,251
Community Resources Programs	794	-	-	-	-	-	794
Tax Loss Reserve	46,653	-	-	-	-	-	46,653
Debt Service	5,368	-	-	-	-	-	5,368
Capital Projects:							
Countywide Projects	-	-	-	-	-	13,365	13,365
Property Tax Software Development	731	-	-	-	-	-	731
Computer Upgrade	4,060	-	-	-	-	-	4,060
Criminal Justice Facilities	4,445	-	-	-	-	-	4,445
Central Utilities Facility	842	-	-	-	-	-	842
Animal Care Facility	4,423	-	-	-	-	-	4,423
Other Projects	1,896	-	-	-	-	-	1,896
Parking Facilities	-	-	-	-	-	520	520
OC Parks	-	-	-	-	-	11,939	11,939
Air Quality Improvement	-	-	-	-	-	2,038	2,038
Community and Welfare Services	-	-	-	-	-	42,315	42,315
Total Assigned Fund Balance	$ 269,529	$ -	$ -	$ -	$ -	$ 83,765	$ 353,294
Unassigned	26,887	-	-	-	-	-	26,887
Total Unassigned Fund Balance	$ 26,887	$ -	$ -	$ -	$ -	$ -	$ 26,887
Total Fund Balances	$ 664,508	$ 61,802	$ 418,945	$ 145,960	$ 52,505	$ 842,971	$ 2,186,691

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

Annually, the Board adopts a five-year Strategic Financial Plan (SFP). The County of Orange 2015 Strategic Financial Plan includes a policy for Fund Balance Unassigned (FBU) that eliminates FBU as a funding source for the next year's budget as a significant step toward reducing structural reliance on one-time funds. Positive variances in estimated FBU are to be added to Strategic Reserves, consistent with the Board policy.

The County prepays its pension contribution and reports the prepaid amount as Nonspendable Fund Balance rather than Unassigned Fund Balance as required by GASB Statement No. 54. For FY 2014-15, the proceeds of $339,625 was for short-term Taxable Pension Obligation Bonds to prepay a portion of its FY 2015-16 pension contribution at a discount. Of this amount, $331,591 is the prepaid costs for General Fund and is Nonspendable. Refer to Note 10, Short-Term Obligations and Note 18, Retirement Plans for additional information.

F. Deposits and Investments

The County maintains two cash and investment pools: the Orange County Investment Pool (OCIP) and the Orange County Educational Investment Pool (OCEIP), the latter of which is utilized exclusively by the County's public school and community college districts. These pools are maintained for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. In addition, the County maintains certain other non-pooled specific investments.

The County has stated required investments at fair value in the accompanying financial statements. Management contracts with outside services to provide pricing for the fair value of investments in the portfolio, which are based on quoted market prices.

Other than proceeds held by the County in the OCIP, proceeds from County-issued bonds are held by trustees and are invested in instruments authorized by the respective trust agreements including medium-term notes, money market mutual funds, investment agreements, repurchase agreements, and U.S. Government securities. Short-term debt investments are reported at amortized cost, while long-term investments, such as U.S. Government securities are stated at fair value. The trustee uses an independent service to value those securities, which are based on quoted market prices and stated at fair value.

The Pools value participants' shares using an amortized cost basis. Specifically, the Pools distribute income to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and reduced by (4) investment and administrative expenses. This method differs from the fair value method used to value investments in this statement because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the Pools' investments. The total difference between the fair values of the investments in the Pools and the values distributed to pool participants using the amortized cost method described above is reported in the equity section of the condensed statement of net position of the County Pool (see Note 4, Deposits and Investments) as undistributed and unrealized gains.

The investments in the Retiree Medical Defined Benefit Trust are managed by the Orange County Employees Retirement System (OCERS) and are reported at fair value. Refer to Note 18, Retirement Plans, to obtain OCERS stand-alone annual financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory of Materials and Supplies

Inventories consist of expendable materials and supplies held for consumption. Inventories are valued at cost, which is determined on a moving weighted average basis. Applicable fund balances are nonspendable for amounts equal to the inventories on hand at the end of the fiscal year, as these amounts are not available for appropriation and expenditure. The costs of inventory items are recorded as expenditures/expenses when issued to user departments/agencies.

H. Prepaid Costs

The County pays for certain types of services in advance, such as pension costs and rents, and recognizes these costs in the period during which services are provided. Prepaid costs in the governmental funds Balance Sheet include $352,263 for governmental funds, which primarily consist of $351,915 to prepay a portion of the County's FY 2015-16 pension contribution at a discount.

Prepaid costs in the government-wide financial statements include the prepaid costs reported in the fund financial statements, reduced for 50% of the prepaid asset related to the pension contribution after the measurement date in accordance with GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27*," (refer to Note 2 Change in Accounting Principle, Note 18 Retirement Plans, Note 19 Postemployment Health Care Benefits and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68"* for further information).

I. Land and Improvements Held for Resale

These assets, held by the OCDA Redevelopment Successor Agency, are valued at the lower of cost or estimated net realizable value.

J. Capital Assets

Capital assets are defined as assets of a long-term character that are intended to be held or used in operations, such as land, structures and improvements, equipment, intangible, and infrastructure. Infrastructure assets are grouped by networks consisting of flood channels, roads, bridges, trails, traffic signals, and harbors.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital assets with an original unit cost equal to or greater than the County's capitalization threshold shown in the table below are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Asset Type	Capitalization Threshold
Land	$ 0
Land Improvements	$150
Structures and Improvements	$150
Equipment	$ 5
Intangible	$150
Infrastructure	$150

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the related assets. No depreciation or amortization is provided on construction in progress or intangible assets in progress, respectively, until the project is completed and the asset is placed into service. Estimated useful lives of structures and improvements, equipment, intangible, and infrastructure are as follows:

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets (Continued)

Structures and Improvements	10 to 60 years
Land Improvements	20 years
Equipment	2 to 20 years
Intangibles:	
Computer Software	3 to 15 years
Land Use Rights	3 years
Infrastructure:	
Flood Channels	20 to 100 years
Roads	10 to 20 years
Bridges	50 to 75 years
Trails	20 years
Traffic Signals	15 to 20 years
Harbors	20 to 50 years
Airport – Runways, Taxis, and Aprons	15 to 60 years
Waste Management – Cell Development, Drainage Channels, facility Improvements, habitat, Landfill Gas/Environmental, Closure/Other Earthwork	3 to 71 years

Maintenance and repair costs are expensed in the period incurred. Expenditures that materially increase the capacity or efficiency or extend the useful life of an asset are capitalized and depreciated. Upon the sale or retirement of the capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the Statement of Activities and Proprietary Funds' Statement of Revenues, Expenses and Changes in Fund Net Position.

For business-type activities, interest is capitalized on construction in progress. Capitalized interest is the total interest expense of the borrowing net of related interest earnings on the reinvested unexpended tax-exempt debt proceeds and amortization of premium or discount. For governmental activities, interest is not capitalized as a cost of the capital asset in accordance with GAAP.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has two items that qualify for reporting in this category. They are the deferred charge on refunding and deferred outflow amounts related to pension reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferrals of resources related to pension results from the net difference between projected and actual investment earnings on pension plan investments, changes of assumptions and changes in proportion and differences between employer contributions and the proportionate share of contributions calculated by actuarial study. The deferred outflows of resources related to pensions also include employer contributions made after the measurement date and the County's prepaid retirement contribution.

In addition to liabilities, the statement of net position sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category. The County has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, intergovernmental revenues, SB90, and other sources as appropriate. These amounts are deferred and recognized as an inflow of resources in the period that

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

amounts become available. The SB90 deferred inflows of resources amount of $39,653 is net of an allowance for the estimated uncollectible of $2,417.

The most significant deferred outflows and inflows of resources reported in the government-wide Statement of Net Position are related to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for pension liability reporting. These deferred outflows and inflows of resources impact pension changes and include the net difference between projected and actual investment earnings on pension plan investments, the difference between expected and actual experience, changes of assumptions, and change in proportion and differences between employer contributions and the County's proportionate share of contributions calculated by actuarial study.

The table below details out all deferred outflows/inflows of resources related to pension. Please refer to Note 18, Retirement Plans, for further information.

	Governmental Activities	Airport	Waste Management	Total
Deferred Outflows of Resources related to Pension per Actuarial Studies				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 171,911	$ 1,667	$ 2,086	$ 175,664
Changes of Assumptions	113,952	1,105	1,384	116,441
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,981	39	48	4,068
Deferred Outflows of Resources Related to Pension - Employer Contributions After Measurement Date	184,848	1,745	2,233	188,826
Deferred Outflows of Resources Related to FY 2015-16 Prepaid Employer Contribution	177,617	1,745	2,223	181,585
Total Deferred Outflows of Resources Related to Pension	**$ 652,309**	**$ 6,301**	**$ 7,974**	**$ 666,584**
Deferred Inflows of Resources related to Pension per Actuarial Studies				
Difference Between Expected and Actual Experience	$ 201,054	$ 1,950	$ 2,442	$ 205,446
Changes of Assumptions	184,750	1,793	2,244	188,787
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	15	-	-	15
Total Deferred Inflows of Resources Related to Pension	**$ 385,819**	**$ 3,743**	**$ 4,686**	**$ 394,248**

L. Self-Insurance

The County is self-insured for general and automobile liability claims, workers' compensation claims, and for claims arising under the County self-insured PPO Health Plans, short-term disability plans, dental plan, Reserve Deputy Sheriff accidental death and dismemberment plan, and unemployment benefits program. Liabilities are accrued based upon case reserves, development of known claims, incurred but not reported claims and allocated and unallocated loss adjustment expenses. For additional information, refer to Note 16, Self-Insurance.

M. Property Taxes

The provisions of the California Constitution and Revenue and Taxation code govern assessment, collection, and apportionment of real and personal property taxes. Real and personal property taxes are computed by applying approved property tax rates to the assessed value of properties as determined by the County Assessor in the case of locally assessed property, and as determined by the State Board of Equalization in the case of state-assessed properties. Property taxes are levied annually, with the exception of the supplemental property taxes, which are levied when supplemental assessment events, such as sales of property or new construction take place.

The Treasurer-Tax Collector collects property taxes on behalf of all property tax-receiving agencies in Orange County. Property tax-receiving agencies include the school districts, cities, community redevelopment successor agencies, independently governed special districts (not governed by the Board), special districts governed by the Board, and the County General Fund.

Property taxes receivables are recorded as of the date levied in property tax unapportioned funds, which are

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Property Taxes (Continued)

classified as agency funds. When collected, the property taxes are deposited into the County Treasury in the property tax unapportioned funds, where they are held in the unapportioned taxes liability accounts pending periodic apportionment to the taxing agencies. The property tax unapportioned funds are included in the agency funds category of the County's fund financial statements because the unapportioned taxes are collected and held on behalf of other governmental agencies.

Property tax collections are apportioned (disbursed) to the tax-receiving agencies periodically from the tax unapportioned funds based on various factors including statutory requirements, materiality of collections received, tax delinquency dates, the type of property tax roll unapportioned fund (secured, unsecured, supplemental, delinquent secured, delinquent unsecured, delinquent supplemental, homeowners' property tax subvention, or state-assessed properties), and cash flow needs of the tax-receiving agencies.

Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due within the fiscal year and collected within 60 days after the fiscal year-end. Property tax revenues are also recognized for unsecured and supplemental property taxes that are due at year-end, and are collected within 60 days after the fiscal year-end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule. The County's portion of the unapportioned taxes at June 30, 2015 is allocated to and recorded in the corresponding funds for reporting purposes.

Unsecured and supplemental property tax levies that are due within the fiscal year but are unpaid at fiscal year-end are recorded as deferred inflows of resources in the fund-level financial statements, and recognized as revenue in the government-wide financial statements. The County uses the direct write-off method to recognize uncollectible taxes receivable.

The County maintains records of disputed property taxes, such as those properties for which the values have been appealed to the local Assessment Appeals Boards. Upon final disposition of the appeals and disputes, the amounts are either refunded to taxpayers or the tax bills are corrected. As of June 30, 2015, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 1.30% of the combined beginning secured and unsecured property tax roll charge.

The following are significant dates on the property tax calendar:

	California Revenue & Taxation Code Section
Supplemental assessments are effective on the 1st day of the month following the new construction or ownership change.	75.41
Property tax lien date is January 1.	2192
Unsecured taxes on the roll as of July 31 are delinquent August 30.	2922
Assessor delivers roll to Auditor-Controller July 1.	616, 617
Tax roll is delivered to the Tax Collector on or before the levy date (the 4th Monday in September).	2601
Secured tax payment due dates are:	
1st Installment - November 1, and	2605
2nd Installment - February 1.	2606
Secured tax delinquent dates (last day to pay without a penalty) are:	
1st Installment - December 10, and	2617
2nd Installment - April 10.	2618
Declaration of default for unpaid taxes occurs July 1.	3436
Power to sell is effective five years after tax default.	3691

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Compensated Employee Absences

Compensated employee absences (vacation, compensatory time off, performance incentive plan time off, annual leave, and sick leave) are accrued as an expense and liability in the proprietary funds when incurred. In the governmental funds, only those amounts that are due and payable at year-end are accrued. Compensated employee absences that exceed this amount represent a reconciling item between the fund and government-wide presentations.

O. Pensions

The County recognizes a net pension liability to reflect the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the County's retirement plans. The actuarial valuation based on December 31, 2014 measurement date for the County reporting as of June 30, 2015.

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

At June 30, 2015, the County's net pension liability from OCERS was measured as of December 31, 2014, and the total pension liability (TPL) used to calculate the net pension liability was determined by rolling forward the December 31, 2013 valuation to December 31, 2014; the County's net pension liability from Extra-Help Defined Benefit was measured as of June 30, 2015, the plan's TPL was calculated using the data and assets as of June 30, 2013, rolled forward to June 30, 2015 using actual benefit payments for the fiscal years 2014-15.

P. Statement of Cash Flows

A Statement of Cash Flows is presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the County's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

Q. Indirect Costs

County indirect costs are allocated to benefiting departments in the "Indirect Expenses Allocation" column of the government-wide Statement of Activities. Allocated costs are from the County's FY 2014-15 County-Wide Cost Allocation Plan (CWCAP), which was prepared in accordance with the Code of Federal Regulation, Title 2, Part 200. The County has elected to allocate indirect costs to departments within the General Fund that are not charged through CWCAP in order to match the reimbursement of indirect costs recorded as program revenues to the same function that the related expense is recorded in.

R. Effects of New Pronouncements

The following lists recent GASB pronouncements implemented or are effective in FY 2014-15:

In June 2012, GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*," which results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, "*Accounting for Pensions by*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Effects of New Pronouncements (Continued)

State and Local Governmental Employers," as well as the requirements of Statement No. 50, "*Pension Disclosures*," as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. It also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which requires the County to implement this statement in FY 2014-15. The statement was implemented with a material impact to the County. Refer to Note 2, Change in Accounting Principle and Note 18, Retirement Plans, for additional information.

In January 2013, GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*." This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013, which requires the County to implement this statement in FY 2014-15. The statement was implemented without an impact to the County.

In November 2013, GASB issued Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*." This statement requires that at transition to the new accounting standards in accordance with GASB Statement No. 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which requires the County to implement this statement in FY 2014-15. The statement was implemented with an impact to the County.

The following summarizes recent GASB Pronouncements and their future effective dates. The County is in the process of evaluating the impact of these statements on its financial statements:

In February 2015, GASB issued Statement No. 72, *"Fair Value Measurement and Application."* This statement addresses accounting and financial reporting standards related to fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For some assets and liabilities, observable market information might not be available. The objective of fair value measure is to determine the price that would take place between market participants at the measurement date under current market conditions. Valuation techniques used to determine fair value are one or more of three approaches to measure fair value: the market approach, cost approach, and income approach. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, which requires the County to implement this statement in FY 2015-16.

In June 2015, GASB issued Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68."* This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. This statement establishes requirements for defined benefit

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Effects of New Pronouncements (Continued)

pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67 *"Financial Reporting for Pension Plans"* and Statement No. 68 for pension plans and pensions that are within their respective scopes. The provisions of this statement will be analyzed on an annual basis. For FY 2014-15 it is determined to have no impact to the County.

In June 2015, GASB issued Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments."* The "GAAP hierarchy" identifies the sources of guidance that state and local governments follow when preparing financial statements in conformity with GAAP and lists the order of priority for pronouncements to which a government should look for guidance. The objective of this statement is to simplify the structure of the hierarchy of GAAP to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments."* These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance with less variation. The provisions of this statement are effective for financial reporting for periods beginning after June 15, 2015, and should be applied retroactively, which requires the County to implement this statement in FY 2015-16.

In June 2015, GASB issued Statement No. 74 *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces Statements No. 43, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* as amended, and No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Pl*ans." It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25 *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,"* as amended, Statement 43, and Statement No. 50 *"Pension Disclosures."* The provisions of this statement are effective for financial statement for periods beginning after June 15, 2016, which requires the County to implement this statement in FY 2016-17. The requirements of this statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria.

In August 2015, GASB issued Statement No. 77, *"Tax Abatement Disclosures."* This statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015, which requires the County to implement this statement in FY 2016-17.

In June 2015, GASB Issued Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*" The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Effects of New Pronouncements (Continued)

governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statements No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,*" as amended, and No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,*" for OPEB. Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,*" establishes new accounting and financial reporting requirements for OPEB plans. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this statement are effective for financial statement for periods beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18.

S. Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates. Where significant estimates have been made in preparing these financial statements, they are described in the applicable footnotes.

T. Consolidation of Governmental Funds' Balance Sheet and Proprietary Funds' Statement of Net Position Line Items in Statement of Net Position

Several asset line items in the Governmental Funds' Balance Sheet and the Proprietary Funds' Statement of Net Position are combined into one line item in the Government-Wide Statement of Net Position for presentation purposes. In order to avoid any confusion, the following table lists the line items shown in the Governmental and Proprietary Fund financial statements that are condensed together in the Government-Wide Statement of Net Position.

Government-Wide Statement of Net Position Line Item	***Corresponding Governmental and Proprietary Fund Balance Sheet or Statement of Net Position Line Item***
Cash and Cash Equivalents	Pooled Cash/Investments; Cash Equivalents/Specific Investments; Imprest Cash Funds; and Cash/Cash Equivalents
Restricted Cash and Cash Equivalents	Restricted Cash and Investments with Trustee; Restricted Pooled Cash/Investments; and Restricted Pooled Cash/Investments – Closure and Postclosure Care Costs
Capital Assets – Not Depreciable/Amortizable	Land, Construction in Progress, and Intangible Assets in Progress
Capital Assets – Depreciable/Amortizable (Net)	Structures and Improvements and Accumulated Depreciation; Equipment and Accumulated Depreciation; Intangible Assets and Accumulated Amortization; and Infrastructure and Accumulated Depreciation

2. CHANGE IN ACCOUNTING PRINCIPLE

The County implemented GASB Statement No. 68 in the current financial statements. Prior period adjustments of $3,686,767 and $80,522 were made to decrease the governmental activities' beginning net position and business-type activities' beginning net position. The restatement of beginning net position of the governmental activities and business-type activities are restated as follows:

	Governmental Activities	Business-Type Activities
Net Position at June 30, 2014	$ 4,324,937	$ 1,125,640
Net Pension Liability Adjustment	(3,686,767)	(80,522)
Net Position at June 30, 2014 as Restated	$ 638,170	$ 1,045,118

Prior period adjustments of $35,740, $44,782, and $35,793 were made to the beginning net position of Enterprise Funds and Internal Service Funds. The restatements of beginning net position of governmental fund activities are restated as follows:

	Airport	Waste Management	Governmental Activities-Internal Service Funds
Net Position at June 30, 2014	$ 627,698	$ 512,943	$ (9,033)
Net Pension Liability Adjustment	(35,740)	(44,782)	(35,793)
Net Position at June 30, 2014 as Restated	$ 591,958	$ 468,161	$ (44,826)

Refer to Note 1, Summary of Significant Accounting Policies, for additional information on GASB Statement No. 68.

3. DEFICIT FUND EQUITY

The Workers' Compensation Internal Service Fund (ISF) and the Property and Casualty Risk ISF reported deficit net position balances of $91,229 and $5,906, respectively. The deficits result from the amount calculated in the annual actuarial study which includes case reserves, development of known claims, incurred but not reported claims, allocated and unallocated loss adjustment expenses, and a discount for anticipated investment income. The deficit for the Workers' Compensation ISF increased by $11,270 from the previous fiscal year due to an increase in case reserves as well as the implementation of GASB Statement No. 68. The deficit for the Property and Casualty Risk ISF decreased by $4,810 from the previous fiscal year due to higher insurance premiums. Charges to County departments have not provided sufficient cash flows to entirely fund the deficits in these ISFs. The County will continue to review charges to departments and manage the funding status of the Workers' Compensation Program and the Property and Casualty Risk Program.

Effective with OCDA's dissolution on February 1, 2012, the assets and liabilities (including bond debt) were transferred to and reported in a private-purpose trust fund of the County. This transfer and reporting structure reflect the custodial role accepted by the Successor Agency. The OCDA Redevelopment Successor Agency private-purpose trust fund reported a deficit net position balance of $12,819. Enforceable obligations will be paid by future property tax increments apportioned to the Successor Agency.

4. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for authorizing all County bank accounts and pursuant to California Government Code (CGC) Sections 27000.1 – 27000.5, 27130 – 27137 and 53600 – 53686, is responsible for conducting County investment activities of the County's investment pooled funds in addition to various individual investment accounts outside of the pooled funds. These public funds are called the Orange County Investment Fund (OCIF). Within the OCIF, the Treasurer maintains an Orange County Investment Pool (OCIP) and an Orange County Educational Investment Pool (OCEIP), which are "external investment pools" wherein monies of the County and other legally separate external entities, which are not part of the County Reporting Entity, are commingled (pooled) and invested on the participants' behalf. In addition, the Treasurer maintains the John Wayne Airport Investment Pool (JWA Pool) and other separately managed investments. The County's Investment Pools are not registered with the Securities and Exchange Commission (SEC) as an investment company.

(Dollar Amounts in Thousands)

4. DEPOSITS AND INVESTMENTS (Continued)

The Treasurer further invests pooled funds from the OCIP and OCEIP into three funds, the Orange County Money Market Fund (OCMMF), the Orange County Educational Money Market Fund (OCEMMF) and the Extended Fund. On August 11, 2015, Standard & Poor's (S&P) reaffirmed an AAA Principal Stability Fund Rating (AAAm) for the OCMMF and the OCEMMF. The two money market funds are required to maintain a Net Asset Value (NAV) of between $0.995 and $1.005 to maintain a AAAm rating. Neither the Money Market Funds nor the Extended Fund have any legally binding guarantees of share values.

The maximum maturity of investments for the two Money Market Funds is 13 months with a maximum weighted average maturity (WAM) of 60 days. The maximum maturity of the Extended Fund is five years per CGC. The Investment Policy Statement (IPS) provides that the Extended Fund shall have duration not to exceed a leading 1-3 Year index +25%.

Pursuant to CGC Sections 27130-27137, the Board has established a Treasury Oversight Committee (TOC) that monitors and reviews the IPS annually and also ensures that the Treasurer has an audit annually, which includes limited tests of compliance with laws and regulations. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the County Superintendent of Schools, or their respective designees, and four public members.

The investment practices and policies of the Treasurer are based on compliance with state law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested, with secondary emphasis on providing adequate liquidity to Pool Participants. The last goal is to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

Interest is allocated to individual funds monthly based on the average daily balances on deposit with the Treasurer. Interest assigned to another fund due to management decision is recognized in the fund that reports the investments and is reported as a transfer to the recipient fund.

Deposits and investments before timing differences totaled $7,590,936 as of June 30, 2015 consisting of: $3,525,974 for the OCIP, $3,895,973 for the OCEIP and $168,989 for Specific Investments.

Total County deposits and investments at fair value as of June 30, 2015, are reported as follows:

Deposits:	
Imprest Cash	$ 2,115
Deposits for OCIP	6,424
Deposits for OCEIP	114,951
Deposits with Trustees	17,068
All other Deposits and timing differences	(142,618)
Total Deposits and Timing Differences	(2,060)
Investments:	
With Treasurer	7,469,561
With Trustees	322,942
With External Orange County Employees Retirement System (OCERS)	206,118
Total Investments	7,998,621
Total Deposits and Investments	$ 7,996,561

Total County deposits and investments are reported in the following funds:

Governmental Funds	$ 2,114,555
Proprietary Funds	989,681
Fiduciary Funds	4,840,511
Component Unit - CFCOC	51,814
Total Deposits and Investments	$ 7,996,561

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

CGC 53652 et. seq. and the IPS prescribe the amount of collateral that is required to secure the deposit of public funds. The pledge to secure deposits is administered by the California Commissioner of Business Oversight. Collateral is required for demand deposits at 110% of all deposits not covered by federal depository insurance (FDIC) if obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. Collateral of 150% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the County. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them.

Written custodial agreements are required to provide, among other things, that the collateral securities are held separate from the assets of the custodial institution.

FDIC is available for interest-bearing funds deposited at any one financial institution up to a maximum of $250.

Custodial Credit Risk – Deposits
The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. The County's deposits are not exposed to custodial credit risk, since all of its deposits are covered by FDIC or collateralized with securities held by the County or its agent in the County's name, in accordance with CGC Section 53562.

B. Investments

The CGC Sections 53601 & 53635, Board ordinances and resolutions, the County's IPS, the bond indenture documents, trust agreements, and other contractual agreements govern the investments that may be purchased and may include certain restrictions on investment maturity, maximum portfolio percentages, term, value, credit quality and timing to minimize the risk of loss. The IPS adds further restrictions to permitted investments from the CGC. As of June 30, 2015, the Treasurer was in full compliance with the more restrictive IPS for the OCIP and OCEIP. However, on June 30, 2015, the JWA Pool purchased a $3,000 Federal Farm Credit floating rate security with a final maturity of 496 days, which exceeds the IPS limit of 397 days. The security was sold on July 2, 2015, at no gain or loss to bring the JWA Pool back into compliance and the system compliance rules were updated.

The following table provides a summary listing of the authorized investments and selected restrictions as of June 30, 2015.

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (Long-Term-Extended Fund)	Orange County IPS Maximum Final Maturity (Short-Term – Money Market Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% Total, no more than 33% in one issuer	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10%- County of Orange	5 Years	5 Years	397 Days

(Dollar Amounts in Thousands)

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (Long-Term-Extended Fund)	Orange County IPS Maximum Final Maturity (Short-Term – Money Market Fund)
Medium-Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% Total	N/A	N/A	N/A
Investment Pools	100%	20% Total, no more than 10% in one pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

The current IPS expressly prohibits leverage, reverse repurchase agreements as defined by CGC, structured notes, structured investment vehicles, and derivatives. All investments must be United States dollar denominated. No investment may be purchased from an issuer that has been placed on credit watch-negative by any of the Nationally Recognized Statistical Rating Organizations (NRSROs), or whose credit rating by any of the NRSROs is less than the minimum rating required by the IPS for that class of security unless the issuer has a short-term rating of "A-1+" or "F1+" or a long-term rating of at least a "AA" or "Aa2" by S&P, Fitch or Moody's; and the Treasurer has approved the purchase in writing prior to purchase.

Investments by the Treasurer are stated at fair value. Investments in the OCIF are marked to market on a daily basis. If the NAV of the OCMMF or OCEMMF is less than $0.995 or greater than $1.005, portfolio holdings may be sold as necessary to maintain the ratio between $0.995 and $1.005.

Unless otherwise required in a trust agreement or other financing document, assessment districts and public school and community college districts are required by legal provisions to deposit their funds with the Treasurer. The OCEIP consists entirely of public school and community college districts' funds and therefore includes 100% involuntary participants. At June 30, 2015, the OCIP includes approximately 9.76% of involuntary participant deposits including funds for the Superior Court, certain assessment districts, and certain bond related funds for public school districts.

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures

The following table presents a summary of the County's investments and the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2015. (NR means Not Rated).

With Treasurer:	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
OCIP (2)							
U.S. Government Agencies							
FNMA Discount Notes	$ 20,525	$ 20,525	0.06 - 0.08%	7/01/15 - 7/08/15	0.008	A-1	0.58%
FNMA Bonds	515,131	511,999	0.07 - 1.24%	7/02/15 - 12/20/17	1.367	AA	14.64%
FFCB Discount Notes	25,719	25,725	0.26%	9/28/15 - 10/19/15	0.280	A-1	0.73%
FFCB Bonds	205,834	205,711	0.14 - 1.09%	7/02/15 - 6/25/18	0.602	AA	5.85%
FHLB Discount Notes	199,983	199,987	0.03 - 0.12%	7/01/15 - 8/19/15	0.071	A-1	5.68%
FHLB Bonds	448,494	447,368	0.12 - 1.64%	7/10/15 - 12/20/18	1.207	AA	12.74%
FHLMC Discount Notes	126,398	126,407	0.04 - 0.17%	7/06/15 - 11/03/15	0.123	A-1	3.59%
FHLMC Bonds	518,553	516,967	0.09 - 1.08%	7/17/15 - 6/22/18	1.481	AA	14.73%
Negotiable Certificates of Deposit	55,007	55,000	0.12 - 0.34%	7/31/15 - 12/01/15	0.092	A-1	1.56%
Medium-Term Corporate Notes							
Corporate Notes	43,895	41,998	0.90 - 1.08%	1/31/17 - 8/15/18	2.490	A	1.25%
Corporate Notes	202,844	199,623	0.35 - 1.49%	7/08/15 - 12/15/18	1.678	AA	5.76%
Corporate Notes	61,082	59,683	0.49 - 1.27%	5/15/16 - 12/05/18	1.704	AAA	1.74%
Municipal Debt	12,495	12,477	0.80%	06/30/16	1.003	AA	0.36%
U.S. Treasuries	917,948	914,767	0.24 - 0.98%	9/15/15 - 4/15/18	1.098	AA	26.08%
Money Market Mutual Funds	165,642	165,642	0.01 - 0.04%	07/01/15	0.078	AAA	4.71%
	$ 3,519,550	**$ 3,503,879**			**1.073** (4)		**100.00%**

With Treasurer:	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
OCEIP (2)							
U.S. Government Agencies							
FNMA Discount Notes	$ 109,994	$ 110,002	0.06 - 0.12%	7/02/15 - 10/07/15	0.110	A-1	2.91%
FNMA Bonds	527,828	524,492	0.10 - 1.24%	7/02/15 - 12/20/17	1.380	AA	13.96%
FFCB Discount Bonds	10,000	10,000	0.04%	08/04/15	0.096	A-1	0.26%
FFCB Bonds	193,143	192,964	0.04 - 1.09%	7/30/15 - 6/25/18	0.709	AA	5.11%
FHLB Discount Notes	194,494	194,502	0.03 - 0.15%	7/10/15 - 10/21/15	0.100	A-1	5.14%
FHLB Bonds	501,667	500,547	0.07 - 1.64%	7/23/15 - 12/20/18	1.097	AA	13.27%
FHLMC Discount Notes	222,473	222,480	0.06 - 0.19%	7/10/15 - 10/15/15	0.082	A-1	5.88%
FHLMC Bonds	483,637	482,097	0.14 - 1.08%	9/04/15 - 6/22/18	1.588	AA	12.79%
Negotiable Certificates of Deposit	58,007	58,000	0.24 - 0.34%	7/16/15 - 12/01/15	0.076	A-1	1.54%
Medium-Term Corporate Notes							
Corporate Notes	44,058	42,154	0.90 - 1.08%	1/31/17 - 8/15/18	2.490	A	1.16%
Corporate Notes	221,543	218,214	0.23 - 1.49%	7/08/15 - 12/15/18	1.782	AA	5.86%
Corporate Notes	61,310	59,905	0.48 - 1.27%	5/15/16 - 12/05/18	1.704	AAA	1.63%
Municipal Debt	12,542	12,523	0.80%	06/30/16	1.003	AA	0.33%
U.S. Treasuries	921,376	918,183	0.24 - 0.98%	9/15/15 - 4/15/18	1.098	AA	24.37%
Money Market Mutual Funds	218,950	218,950	0.01 - 0.04%	07/01/15	0.079	AAA	5.79%
	$ 3,781,022	**$ 3,765,013**			**1.016** (4)		**100.00%**

(Dollar Amounts in Thousands)

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

With Treasurer:	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
Specific Investments (2)							
U.S. Government Agencies							
FNMA Discount Notes	$ 500	$ 500	0.15%	09/30/15	0.252	A-1	0.30%
FNMA Bonds	12,406	12,361	0.09 - 0.27%	7/28/15 - 12/21/15	0.229	AA	7.34%
FFCB Bonds	7,721	7,705	0.14 - 0.28%	7/02/15 - 4/18/16	0.124	AA	4.57%
FHLB Bonds	13,866	13,860	0.07 - 0.25%	7/23/15 - 1/04/16	0.078	AA	8.21%
FHLMC Discount Notes	2,514	2,515	0.09 - 0.13%	9/30/15 - 10/09/15	0.262	A-1	1.49%
FHLMC Bonds	5,274	5,270	0.09 - 0.25%	7/17/15 -10/16/15	0.115	AA	3.12%
GNMA Bonds	94	90	6.25%	09/20/29	14.236	AA	0.05%
Negotiable Certificates of Deposit	2,000	2,000	0.24 - 0.28%	8/13/15 - 12/01/15	0.019	A-1	1.18%
Medium-Term Corporate Notes							
Corporate Notes	4,432	4,390	0.22 - 0.41%	7/01/15 - 6/01/16	0.397	AA	2.62%
Municipal Debt	73,901	73,825	0.05 - 0.12%	7/01/15 - 8/15/15	0.041	AA	43.73%
Repurchase Agreements	1,082	1,082	6.20%	08/15/19	4.129	AA	0.64%
Money Market Mutual Funds	45,199	45,199	0.01 - 0.04%	07/01/15	0.006	AAA	26.75%
	$ 168,989	**$ 168,797**			**0.101** (4)		**100.00%**

With Trustees:	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
Restricted Investments with Trustees (2)							
U.S. Government Agencies							
FNMA Zero Coupon Bonds	$ 135,394	$ 63,482	0.00%	09/01/16 - 09/01/21	4.189	AA	41.93%
U.S. Treasuries	16,563	16,420	0.90-9.00%	12/31/15 - 11/15/18	1.184	AA	5.13%
U.S. Treasury Strips	350	54	0.00%	11/15/18	3.381	NR	0.11%
Guaranteed Investment Contracts	14,667	14,667	5.01%	1/17/2017	1.550	NR	4.54%
Money Market Mutual Funds							
Money Market Mutual Funds	62,160	62,160	Variable	07/01/15	0.001	AAA	19.25%
Money Market Mutual Funds	84,194	84,194	Variable	07/01/15	0.002	NR	26.07%
Total Bond Mutual Fund	2,017	2,016	0.5%-3.34%	07/01/15	0.003	NR	0.62%
Stable Value Fund	7,597	7,597	Variable	07/01/15	0.003	NR	2.35%
	$ 322,942	**$ 250,590**			**1.80** (4)		**100.00%**
With External Orange County Retirement System (OCERS):							
Restricted Investments (3)	**$ 206,118**						

(1) The County obtains credit ratings from S&P, Moody's, and Fitch. The ratings indicative of the greatest degree of risk have been disclosed.
(2) Legend:
FFCB-Federal Farm Credit Bank
FNMA-Federal National Mortgage Association
FHLB-Federal Home Loan Bank
FHLMC- Federal Home Loan Mortgage Corporation
GNMA- Government National Mortgage Association
(3) The Retiree Medical Trust reports $206,118 of restricted investments with OCERS. Refer to Note 19 on obtaining OCERS Financial Statements. For more information regarding investments with OCERS, refer to their most recently issued financial statements available at http://www.ocers.org/finance/finance.htm.
(4) Portfolio weighted average maturity.

Investment in County of Orange Taxable Pension Obligation Bonds 2015, Series A

On January 13, 2015, the OCIP and the OCEIP purchased a portion of the County issued Taxable Pension Obligation Bonds 2015, Series A (2015 POBs) in the principal amount of $25,000. The 2015 POBs were issued with a fixed coupon rate and matures in June 2016. The obligation of the County to pay principal and interest on the 2015 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2015, the outstanding principal amount of the 2015 POBs is $25,000. The bonds are rated AA- by S&P.
The County's investment in the 2015 POBs is disclosed herein as Municipal Debt. For additional information, refer to Note 10, Short-Term Obligations and Note 18, Retirement Plans.

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk - Investments

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, investments of longer maturities are more sensitive to changes in market interest rates. Declines in the fair value of investments are managed by limiting the length of the maturity of the securities. In general, the maximum maturity allowed is five years unless the Board has granted express authority either specifically or as part of an investment policy. Actual weighted average days to maturity by investment type for the funds invested in the Pools are presented in the preceding table.

The OCIP funds of $3,519,550 and the OCEIP funds of $3,781,022 portfolio at June 30, 2015, have over 37.44% and 39.99%, respectively of the investments maturing in six months or less, 60.99% and 58.54% respectively, maturing between six months and three years and 1.57% and 1.47% respectively, maturing from three to five years.

As of June 30, 2015, variable-rate notes comprised 4.17% and 4.74% of the OCIP and OCEIP, respectively. The notes are tied to the Federal funds rate, 90-day Treasury Bill rate, one-month and three-month London Interbank Offered Rate (LIBOR) with daily, monthly and quarterly coupon resets. The fair value of variable-rate securities is generally less susceptible to changes in value because the variable-rate coupon resets back to a market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset. For purposes of computing weighted average maturity (WAM), the maturity date of variable-rate notes is the length of time until the next reset date rather than the stated maturity.

The annual average daily investment balance of the OCIP and the OCEIP was $3,457,911 and $3,684,448, respectively with an annual yield of 0.42% and 0.41% respectively for the pools, for the year ended June 30, 2015.

Interest Rate Risk-Weighted Average Maturity (Money Market Funds)

At June 30, 2015, the OCMMF and OCEMMF amounted to $916,191 and $1,167,943, respectively. In accordance with the Board formally approved IPS, the Treasurer manages the Pool's exposure to declines in fair value for deposits and investments by limiting the WAM to 60 days in the Money Market Funds. At June 30, 2015, the WAM of the OCMMF was 54 days and the OCEMMF was 58 days. At the same date, the NAV of the Money Market Funds for both pools was $1.00 (in absolute dollar amounts).

Interest Rate Risk-Duration (Extended Fund)

At June 30, 2015, the Extended Fund (which includes funds from both OCIP and OCEIP) balance was $5,216,438. Of this amount, the OCIP owned 49.9% and the OCEIP owned 50.1%. In accordance with the IPS, the Treasurer manages investment related risk for deposits and investments by limiting duration to +25% of a leading 1-3 Year index (2.34). The portfolio duration for the Extended Fund as of June 30, 2015 was 1.38 years. This was computed using the Macaulay duration method, which calculates the maturity date of callable bonds using their final maturity date.

As of June 30, 2015, the Extended Fund had the following duration by investment type:

Investment Type	Fair Value (Amounts in Thousands)		Portfolio %	Macaulay Duration (In Years)
Medium-Term Corporate Notes	$	509,616	9.77%	1.94
Municipal Debt		25,037	0.48%	1.00
U.S. Treasuries		1,839,324	35.26%	1.09
U.S. Government Agencies		2,842,461	54.49%	1.47
Total Fair Value	$	5,216,438		
Portfolio Duration				1.38

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The IPS does not permit investments in uninsured and unregistered securities not held by the County. The Treasurer utilizes third party delivery versus payment (DVP) which mitigates any custodial credit risk. Securities purchased by the Treasurer are held by third party custodians in their trust department to mitigate custodial credit risk. At year-end, in accordance with the IPS, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk, and the Treasurer did not have any securities lending during the year (or at year-end).

Credit Risk - Investments

This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. The IPS sets forth the minimum acceptable credit ratings for investments from any two of the following NRSROs: S&P, Moody's, or Fitch. For an issuer of short-term debt, the rating must be no less than "A-1" or "SP-1" (S&P), "P-1" or "MIG 1/VMIG 1" (Moody's), or "F1" (Fitch), while an issuer of long-term debt shall be rated no less than an "A" in the Money Market Funds and "AA" in the Extended Fund. Municipal debt issued by the County is exempt from the above credit rating requirements. As of June 30, 2015, the County's investments were in compliance with the IPS limits.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2015, all investments were in compliance with state law and the IPS single issuer limits. See the table on pages 84 and 85 for concentrations of holdings in U.S. government agencies.

Foreign Currency Risk

The IPS requires all securities to be U.S. dollar denominated. The county investments pools are not exposed to foreign currency risk.

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Condensed Financial Statements
In lieu of separately issued financial statements for the entire pools and the external portion of the pools, condensed financial statements for both pools are presented below as of and for the year ended June 30, 2015:

Entire Pool

Statement of Net Position

	County Investment Pool	Educational Investment Pool	Total
Net Position Held for Pool Participants	$ 3,630,316	$ 3,828,819	$ 7,459,135
Equity of Internal Pool Participants	$ 3,358,952	$ --	$ 3,358,952
Equity of External Pool Participants	276,756	3,834,291	4,111,047
Undistributed and Unrealized (Loss)	(5,392)	(5,472)	(10,864)
Total Net Position	$ 3,630,316	$ 3,828,819	$ 7,459,135

Statement of Changes in Net Position

	County Investment Pool	Educational Investment Pool	Total
Net Position at July 1, 2014	$ 3,255,895	$ 3,210,600	$ 6,466,495
Net Changes in Investments by Pool Participants	374,421	618,219	992,640
Net Position at June 30, 2015	$ 3,630,316	$ 3,828,819	$ 7,459,135

External Pool Portion

Combining Statement of Fiduciary Net Position

	County Investment Pool	Educational Investment Pool	Total
Assets			
Pooled Cash/Investments	$ 276,091	$ 3,822,634	$ 4,098,725
Receivables			
Interest/Dividends	741	6,402	7,143
Total Assets	276,832	3,829,036	4,105,868
Liabilities			
Due to Other Governmental Agencies	76	217	293
Total Liabilities	76	217	293
Net Position			
Restricted for Pool Participants	276,756	3,828,819	4,105,575
Total Net Position	$ 276,756	$ 3,828,819	$ 4,105,575

(Dollar Amounts in Thousands)

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Condensed Financial Statements (Continued)

Combining Statement of Changes in Fiduciary Net Position

	County Investment Pool	Educational Investment Pool	Total
Additions:			
Contributions to Pooled Investments	$ 442,062	$ 7,226,168	$ 7,668,230
Other Revenues	3	68	71
Interest and Investment Income	908	17,039	17,947
Less: Investment Expense	(140)	(2,786)	(2,926)
Total Additions	442,833	7,240,489	7,683,322
Deductions:			
Distributions from Pooled Investments	436,822	6,622,270	7,059,092
Total Deductions	436,822	6,622,270	7,059,092
Change in Net Position Held in Trust For External Investment Pool	6,011	618,219	624,230
Net Position, Beginning of Year	270,745	3,210,600	3,481,345
Net Position, End of Year	$ 276,756	$ 3,828,819	$ 4,105,575

C. Restricted Deposits and Investments with Trustees

All monies for restricted investments held by trustees are invested in "permitted investments" as defined in the various trust agreements. Restricted deposits with trustees are insured by FDIC up to $250 and the excess amounts are collateralized.

D. CalOptima's Cash and Investments

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

	2015
Current Assets:	
Cash and Cash Equivalents	$ 25,431
Investments	745,792
Board-Designated Assets and Restricted Cash:	
Cash and Cash Equivalents	866
Investments	459,283
Restricted Deposit	300
Total	$ 1,231,672

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure CalOptima may not be able to recover its deposits or collateral securities that are in the possession of an outside party. The CGC requires that a financial institution secure deposits made by public agencies by pledging securities in an undivided

4. DEPOSITS AND INVESTMENTS (Continued)

D. CalOptima's Cash and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

collateral pool held by a depository regulated under the state law. At June 30, 2015, no deposits were exposed to custodial credit risk, as CalOptima has pledged collateral to cover the amounts.

Investments
CalOptima invests in obligations of the U.S. Treasury, other U.S. government agencies and instrumentalities, state obligations, corporate securities, money market funds, and mortgage or asset-backed securities.

Interest Rate Risk
In accordance with its annual investment policy (investment policy), CalOptima manages its exposure to decline in fair value from increasing interest rates by matching maturity dates to the extent possible with CalOptima's expected cash flow draws. Its investment policy limits maturities to five years, while also staggering maturities. CalOptima maintains a low-duration strategy, targeting a portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile because they are less sensitive to interest rate changes.

As of June 30, 2015, CalOptima's investments, including cash equivalents, had the following modified duration:

		Investment Maturities (In Years)	
	Fair Value	Less Than 1	1-5
U.S. Agencies	$ 50,937	$ -	$ 50,937
Asset-Backed Securities	111,542	21,834	89,708
Corporate Bonds	339,824	82,113	257,711
Government	30,932	1,400	29,532
Money Market Mutual Funds	216,154	216,154	--
Mortgage-Backed Securities	63,675	257	63,418
Municipal Bonds	63,109	27,467	35,642
Tax Exempt	28,068	23,062	5,006
U.S. Treasury Notes	305,693	50,052	255,641
Cash	19,194	2,165	-
Total	$ 1,229,128	$ 424,504	$ 787,595
Accrued Interest Receivable	2,544		
	$ 1,231,672		

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations
When interest rates fall, debt is refinanced and paid off early. The reduced stream of future interest payments diminishes the fair value of the investment. The mortgage-backed and asset-backed securities in the CalOptima portfolio are of high credit quality, with relatively short average lives that represent limited prepayment and interest rate exposure risk. CalOptima's investments include the following investments that are highly sensitive to interest rate and prepayment fluctuations to a greater degree than already indicated in the information provided above:

	Fair Value, June 30, 2015
Asset-Back Securities	$ 111,542
Mortgage-Backed Securities	63,675
	$ 175,217

(Dollar Amounts in Thousands)

4. DEPOSITS AND INVESTMENTS (Continued)

D. CalOptima's Cash and Investments (Continued)

Credit Risk

CalOptima's investment policy conforms to the CGC as well as to customary standards of prudent investment management. Credit risk is mitigated by investing in only permitted investments. The investment policy sets minimum acceptable credit ratings for investments from the three nationally recognized rating services: Standard & Poor's Rating Services (S&P), Moody's Investors Service (Moody's) and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's) or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A."

As of June 30, 2015, the following are the credit ratings of investments and cash equivalents:

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End AAA	Aa & Aa+	Aa-	A+	A/A-1	A-
U.S. Treasury Notes	$ 383,009	N/A	$ 383,009	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Agency Notes	135,085	N/A	-	135,085					
Corporate Bonds	341,140	A-	-	2,433	40,441	64,230	83,076	114,651	36,309
Asset-Backed Securities	111,574	AAA	-	111,574	-	-	-	-	-
Mortgage-Backed Securities	91,634	A	-	18,484	33,260	25,544	8,371	5,975	-
Municipal Bonds	63,729	AAA	-	63,729	-	-	-	-	-
Certificates of Deposit	76,528	A1/P1	-	76,528	-	-	-	-	-
Commercial Paper	9,779	A1/P1	-	9,779	-	-	-	-	-
Money Market Mutual Funds	19,194	AAA	-	19,194	-	-	-	-	-
Total	$ 1,231,672		$ 383,009	$436,806	$ 73,701	$89,774	$ 91,447	$120,626	$ 36,309

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of CalOptima's investment in a single issuer. CalOptima's investment policy limits to no more than 5 percent of the total fair value of investments in the securities of any one issuer, except for obligations of the U.S. government, U.S. government agencies or government-sponsored enterprises; and no more than 10 percent may be invested in one money market mutual fund unless approved by the governing board. The investment policy also places a limit of 35 percent of the amount of investment holdings with any one government-sponsored issuer and 5 percent of all other issuers. At June 30, 2015, all holdings complied with the foregoing limitations. The following holdings exceeded 5 percent of the portfolio at June 30, 2015:

Investment Type	Issuer	Percentage of Portfolio 2015
U.S. Treasury Notes	United States Treasury	25.22

5. CHANGES IN CAPITAL ASSETS

Increases and decreases in the County's capital assets for governmental and business-type activities during the fiscal year were as follows:

	Primary Government				
	Balance July 1, 2014	Increases	Decreases	Adjustments	Balance June 30, 2015
Capital Assets Not Depreciated/Amortized:					
Land	$ 813,756	$ 12,585	$ (2,857)	$ --	$ 823,484
Land Use Rights (Permanent)	6,992	--	--	--	6,992
Construction in Progress	97,213	72,030	(59,454)	--	109,789
Intangible in Progress	22,273	2,847	(24,263)	--	857
Total Capital Assets Not Being Depreciated/Amortized:	940,234	87,462	(86,574)	--	941,122
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	1,214,243	17,797	(12,139)	--	1,219,901
Land Improvements	--	485	--	--	485
Equipment	357,610	48,874	(14,804)	208	391,888
Software	97,879	11,858	--	--	109,737
Infrastructure:					
Flood Channels	1,187,693	27,581	--	--	1,215,274
Roads	222,850	7,954	(643)	--	230,161
Bridges	94,585	12,137	--	--	106,722
Trails	43,838	235	--	--	44,073
Traffic Signals	11,621	--	--	--	11,621
Harbors and Beaches	41,238	--	--	--	41,238
Capital Assets, Depreciable/Amortizable	3,271,557	126,921	(27,586)	208	3,371,100
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(609,256)	(30,958)	5,951	--	(634,263)
Land Improvements	--	(12)	--	--	(12)
Equipment	(292,961)	(17,451)	14,618	--	(295,794)
Software	(47,304)	(15,844)	--	--	(63,148)
Infrastructure:					
Flood Channels	(286,652)	(15,813)	--	--	(302,465)
Roads	(114,956)	(9,019)	418	--	(123,557)
Bridges	(34,727)	(2,173)	--	--	(36,900)
Trails	(31,236)	(1,374)	--	--	(32,610)
Traffic Signals	(10,528)	(146)	--	--	(10,674)
Harbors and Beaches	(28,117)	(1,007)	--	--	(29,124)
Total Accumulated Depreciation/Amortization	(1,455,737)	(93,797)	20,987	--	(1,528,547)
Capital Assets, Depreciable/Amortizable (Net)	1,815,820	33,124	(6,599)	208	1,842,553
	$ 2,756,054	$ 120,586	$ (93,173)	$ 208	$ 2,783,675

(Dollar Amounts in Thousands)

5. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government				
	Balance July 1, 2014	Increases	Decreases	Adjustments	Balance June 30, 2015
Business-Type Activities:					
Capital Assets Not Depreciated/Amortized:					
Land	$ 38,083	$ --	$ (241)	$ --	$ 37,842
Construction in Progress	28,084	52,652	(6,648)	--	74,088
Intangible in Progress	--	879	--	--	879
Total Capital Assets Not Being Depreciated/Amortized:	66,167	53,531	(6,889)	--	112,809
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	769,607	1,400	(4,876)	(84)	766,047
Equipment	82,196	6,397	(10,164)	84	78,513
Software	856	154	--	--	1,010
Infrastructure	531,062	5,329	--	--	536,391
Capital Assets, Depreciable/Amortizable	1,383,721	13,280	(15,040)	--	1,381,961
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(235,924)	(23,812)	800	--	(258,936)
Equipment	(61,246)	(5,075)	9,806	--	(56,515)
Software	(47)	(72)	--	--	(119)
Infrastructure	(329,652)	(14,372)	--	--	(344,024)
Total Accumulated Depreciation/Amortization	(626,869)	(43,331)	10,606	--	(659,594)
Capital Assets, Depreciable/Amortizable (Net)	756,852	(30,051)	(4,434)	--	722,367
Business-Type Activities Total Capital Assets, Net	$ 823,019	$ 23,480	$ (11,323)	$ --	$ 835,176

Depreciation/amortization expense was allocated among functions of the primary government as follows:

Government Activities:	
General Government	$ 16,630
Public Protection	40,594
Public Ways and Facilities	14,151
Health and Sanitation	4,241
Public Assistance	4,971
Education	1,370
Recreation and Cultural Services	7,662
Internal Service Funds' Depreciation Expense Allocated to Various Functions	4,178
Total Governmental Activities Depreciation/Amortization Expense	93,797
Business-Type Activities:	
Airport	28,561
Waste Management	14,770
Total Business-Type Activities Depreciation/Amortization Expense	43,331
Total Depreciation/Amortization Expense	$ 137,128

5. CHANGES IN CAPITAL ASSETS (Continued)

Capital Asset Impairments

The general government activity reported an impairment loss on the Statement of Activities related to the Property Tax Management System (PTMS) upgrade, which was halted after the vendor's contract expired and the development ceased. The PTMS upgrade incurred $18,112 in capitalized costs. This amount was reported as a loss since the resulting product was incomplete and was rendered inoperable. No insurance recoveries were received for the PTMS impairment loss.

The Airport business-type activity reported an impairment loss of $4,077 on the Statement of Activities. The loss is related to the existing Common Use Passenger Processing System (CUPPS) hardware and software that are obsolete due to the new global credit card industry standards for authenticating chip and pin credit card transactions. No insurance recoveries were received for the CUPPS impairment loss.

6. RECEIVABLES

GASB Statement No. 38, *"Certain Financial Statement Note Disclosures,"* requires identification of receivable balances not expected to be collected within one year. The details of the receivables reported in the government-wide Statement of Net Position that are not expected to be collected within the next fiscal year are identified below:

Accounts Receivable

Accounts Receivable had a balance of $22,719 as of June 30, 2015. Of this amount, $2,097 is not expected to be collected within the next fiscal year. This primarily consists of $1,737 for animal care delinquent invoices.

Deposits Receivable

Deposits Receivable had a balance of $5,024 as of June 30, 2015. Of this amount, $4,976 is not expected to be collected within the next fiscal year. This primarily consists of $2,883 in operating accounts for Dana Point Harbor operators and Green River Golf Course.

Notes Receivable

Notes Receivable had a balance of $28,255 as of June 30, 2015. Of this amount, $27,608 is not expected to be received within the next fiscal year. This primarily consists of $25,157 for loans to build affordable, low to moderate income, and senior housing and $2,030 is for housing loans for Mental Health Services Act (MHSA) programs. The remaining $421 is for loans provided to first time home buyers.

Due from Other Governmental Agencies

Due from Other Governmental Agencies had a balance of $458,702 as of June 30, 2015. Of this amount, $47,533 is not expected to be received within the next fiscal year, which primarily consists of $39,653 owed by the State of California to the County for various Senate Bill (SB90) mandated cost reimbursements for programs and services the State requires the County to provide. In addition, $1,113 is owed by the City of Rancho Santa Margarita for amounts due under their Revenue Neutrality Agreement; it is anticipated that the amount will be collected within 3 years. $3,615 is for expected reimbursement for the Santa Ana River Subvention Revenue claims to be submitted to the State Department of Water Resources.

7. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables may result from services rendered by one fund to another fund, or from interfund loans. "Due from" and "due to" balances are generally used to reflect short-term interfund receivables and payables whereas "advance from" and "advance to" balances are long-term.

(Dollar Amounts in Thousands)

7. INTERFUND RECEIVABLES AND PAYABLES (Continued)

The composition of interfund balances as of June 30, 2015 is as follows:

Due from/to other funds:

	Receivable Funds									
Payable Funds	General Fund	Roads	Flood Control District	Other Public Protection	Other Governmental Funds	Airport	Waste Management	Compressed Natural Gas	Internal Service Funds	Total
General Fund	$ -	$ 595	$ 181	$ 3,610	$ 24,805	$ 11	$ 24	$ 2	$ 2,083	$ 31,311
Roads	2,383	-	1,324	-	2	-	16	-	4	3,729
Flood Control District	11,307	1,094	-	-	2	-	1,021	-	5	13,429
Other Public Protection	18,434	-	-	-	1,603	-	-	-	8	20,045
Teeter Plan Notes	2	-	-	-	-	-	-	-	-	2
Other Governmental Funds	49,572	72	51	1	188	-	-	-	54	49,938
Airport	2,139	27	-	1	-	-	-	-	481	2,648
Waste Management	4,630	900	2	-	1	-	-	-	21	5,554
Compressed Natural Gas	16	-	-	-	-	-	-	-	-	16
Internal Service Funds	795	12	-	-	12	-	-	-	1	820
Total	$ 89,278	$ 2,700	$ 1,558	$ 3,612	$ 26,613	$ 11	$ 1,061	$ 2	$ 2,657	$ 127,492

Interfund transactions between the Primary Government and Component Unit:

Receivable Entity	Payable Entity	Amount
Primary Government – General Fund	Component Unit – Children and Families Commision of Orange County	$ 201
Component Unit – Children and Families Commision of Orange County	Primary Government – General Fund	3
Component Unit – Children and Families Commision of Orange County	Primary Government – Other Governmental Funds	1

The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided, (2) transactions were recorded in the accounting system, and (3) payments between the funds were made.

Advances from/to other funds:

Receivable Entity	Payable Entity	Amount
General Fund	Other Governmental Fund	$ 3,800
Waste Management	General Fund	2,351

The interfund loans represent an advance to the Courthouse Construction Fund from the General Fund to backfill the deficit as a result of a state audit of court revenues for the period FY 2003-04 through FY 2011-12, and an advance made to the General Fund from Waste Management for various information technology capital projects.

8. COUNTY PROPERTY ON LEASE TO OTHERS

The County has noncancelable operating leases for certain buildings, which are not material to the County's general operations. The Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires, and the Waste Management Enterprise Fund derives revenue from landfill gas lease agreements, cell tower operators and a material recovery facility. The Enterprise Funds' property under operating leases, consisting primarily of structures and improvements, at June 30, 2015, approximates $56,776, net of accumulated depreciation.

The County leases real property to others under operating lease agreements for recreational boating, retail, restaurant, and other commercial operations. Future minimum rentals to be received under these noncancelable operating leases as of June 30, 2015 are as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities
2016	$ 13,450	$ 39,633
2017	12,827	26,604
2018	12,607	26,019
2019	11,806	16,681
2020	11,401	10,552
	62,091	119,489
2021-2025	48,678	25,107
2026-2030	43,417	15,135
2031-2035	46,372	3,092
2036-2040	41,347	--
2041-2045	629	--
2046-2050	306	--
	180,749	43,334
Total future minimum rentals	$ 242,840	$ 162,823

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately $28,172 (Enterprise Funds), $23,570 (Other Governmental Funds), $637 (Internal Service Funds) and $354 (Flood Control District) for the year ended June 30, 2015.

(Dollar Amounts in Thousands)

9. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015 were as follows:

	Transfer In Funds					
Transfer Out Funds	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Internal Service Funds	Total
General Fund	$ -	$ -	$ 7,062	$ 90,102	$ 5,107	$ 102,271
Roads	-	-	-	-	233	233
Flood Control District	3,079	-	-	164	347	3,590
Other Public Protection	32,000	-	-	1,690	68	33,758
Other Governmental Funds	179,165	2,184	-	2,403	-	183,752
Waste Management	19,810	-	-	-	-	19,810
Compressed Natural Gas	-	149	-	-	-	149
Internal Service Funds	32	215	-	-	3	250
Total	$ 234,086	$ 2,548	$ 7,062	$ 94,359	$ 5,758	$ 343,813

Interfund transfers reflect a flow of assets between funds and blended component units of the primary government without an equivalent flow of assets in return. Routine transfers were made in the current fiscal year to (1) relay cash/resources from contributing County funds to various debt service funds for the retirement of long-term obligations, (2) transfer Measure H Tobacco Settlement revenues and Public Safety Sales Tax (PSST) excess revenue in compliance with the specific statutory requirements, (3) provide resources for services provided within the County's Wraparound Program, (4) make available cash distributions based on the Bankruptcy Recovery Plan, (5) contribute resources to comply with Proposition 63 Mental Health Services Act and (6) transfer excess unrestricted revenues to finance various County programs based on budgetary authorizations by the Board. The details of the significant transfers are outlined below:

Routine Transfers

From the General Fund

- $35,022 was transferred to the Other Governmental Funds in connection with debt service payments for various County debt issues.
- $20,859 was transferred to Other Governmental Funds to distribute available cash to the remaining claimants of the bankruptcy loss as part of the Bankruptcy Recovery Plan.
- $13,751 was transferred to Other Governmental Funds to finance the County's 60 percent share of the Social Services Agency Wraparound Program.
- $2,089 was transferred to Other Public Protection for the annual transfer of PSST excess revenue to meet future public protection needs.
- $1,439 was transferred to Other Governmental Funds to pay for operating costs and debt service obligations associated with parking facilities.
- $1,003 was transferred to Internal Service Funds for medical reimbursements.

From Flood Control District

- $3,079 was transferred to the General Fund for the Watershed Management Program.

From Other Public Protection

- $11,592 was transferred to the General Fund for the reimbursement of the District Attorney's programs.
- $8,848 was transferred to the General Fund to support the Sheriff Department's operations.
- $3,350 was transferred to the General Fund for the Sheriff-Coroner's Backbone Cost Sharing Program.

9. INTERFUND TRANSFERS (Continued)

Routine Transfers (Continued)

From Other Governmental Funds

- $137,284 was transferred to the General Fund for the reimbursement of various County programs as follows:
  - $103,951 for Proposition 63, Mental Health Services Act expenditures
  - $21,359 for the Social Services Agency Wraparound Program
  - $8,832 for emergency medical services
  - $2,076 for the Center for Disease Control pandemic flu H1N1 costs
  - $1,066 for the Alcohol & Drug Assessment and Automated Vital Health Statistics program
- $28,588 of tobacco settlement monies was transferred to the General Fund to finance Health Care Agency's various health care programs and Sheriff Department's operational costs.
- $4,984 was transferred to the General Fund for reimbursement of Juvenile Justice Center debt service payments.
- $2,405 was transferred to Other Governmental Funds for reimbursement of debt service obligations associated with parking facilities.

From Enterprise Funds

- $19,810 was transferred from Waste Management to the General Fund primarily to pay bankruptcy related obligations in accordance with the County's comprehensive recovery plan.

In addition, the County had non-recurring transfers in the current fiscal year, which consisted of the following:

Non-Recurring Transfers

From the General Fund

- $13,363 was transferred to Other Governmental Funds for the estimated Orange County Transportation Authority land acquisition and equipment upgrades to HCA's parking structure.
- $3,200 was transferred to Other Public Protection for the purchase of new equipment for the 800 MHz County-wide Coordination Communication system.
- $3,000 was transferred to Other Governmental Funds primarily for the maintenance and repair of various Criminal Justice Facilities.
- $2,632 was transferred to Internal Service Funds primarily for the purchase of Sheriff vehicles.
- $1,700 was transferred to Other Governmental Funds to meet the debt service payment for the 2012 Juvenile Justice Bonds.
- $1,308 was transferred to Other Public Protection for Clerk-Recorded fee revenues restricted to Clerk-Recorder operations.

From Other Governmental Funds

- $5,674 was transferred to the General Fund for additional costs identified in the General Relief Fund.
- $2,183 was transferred to the Flood Control District Funds for the reimbursement of expenditures on the Haster Retarding Basin Pump Station and Recreational Field.

From Other Public Protection

- $4,656 was transferred to the General Fund for reimbursement of various Clerk-Recorder eligible operating expenditures.
- $3,297 was transferred to the General Fund for residual balances due to the closure of the Juvenile Justice Program Fund.
- $1,599 was transferred to Other Governmental Funds for reimbursement expenditures for various Sheriff-Coroner's construction and facility development.

(Dollar Amounts in Thousands)

10. SHORT-TERM OBLIGATIONS

Taxable Pension Obligation Bonds, 2014 Series A

On January 14, 2014, the County issued Taxable Pension Obligation Bonds, 2014 Series A (the "2014 POBs") in the principal amount of $325,405. The 2014 POBs, combined with $21,474 in County funds, were issued in order to prepay a portion of the County's FY 2014-15 pension contribution at a discount. The County issued the 2014 POBs in five fixed rate maturities with the final maturity on June 30, 2015. The County sold the 2014 POBs with interest rates between .65% and .83% depending on maturity in a direct purchase by the Orange County Treasurer on behalf of the Orange County Investment Fund. The County repaid in full the outstanding balance of the bonds on June 30, 2015.

Taxable Pension Obligation Bonds, 2015 Series A

On January 13, 2015, the County issued Taxable Pension Obligation Bonds, 2015 Series A (the "2015 POBs") in the principal amount of $339,625. The 2015 POBs were issued in order to prepay the County's FY 2015-16 pension contribution at a discount. The 2015 POBs were issued as standard bonds, with five fixed rate tranches, and a final maturity date of June 30, 2016. The obligation of the County to pay principal and interest on the 2015 POBs is imposed by law and is absolute and unconditional. As of June 30, 2015, the outstanding principal amount of the 2015 POBs reported in the General Fund was $339,625. Refer to Note 4, Deposits and Investments and Note 18, Retirement Plans for additional information.

Description	Balance July 1, 2014	Issuances & Discount/ Premium Amortization	Retirements	Balance June 30, 2015	Amounts Due within One Year
County of Orange Taxable Pension Obligation Bonds, 2014 Series A					
Date Issued: January 14, 2014					
Interest Rate: 0.65% to 0.83%					
Original Amount: $325,405					
Maturing in installments through June 30, 2015	325,405	--	(325,405)	--	--
County of Orange Taxable Pension Obligation Bonds, 2015 Series A					
Date Issued: January 13, 2015					
Interest Rate: 0.43% to 0.80%					
Original Amount: $339,625					
Maturing in installments through June 30, 2016	--	339,625	--	339,625	339,625
Total	$ 325,405	$ 339,625	$ (325,405)	$ 339,625	$ 339,625

11. LONG-TERM OBLIGATIONS

General Bonded Debt

General Obligation Bonded Debt

The amount of general obligation bonded indebtedness the County can incur is limited by law to 1.25% of the last equalized assessment property tax roll. At June 30, 2015, the County had no net general obligation bonded debt. The County's legal debt limit for the year was $5,953,791. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIIIA, Section 1 requires the approval of 2/3 of the voters voting on the proposition.

Bankruptcy Obligations

Refunding Recovery Bonds 2005, Series A

On August 18, 2005, the County issued its $146,005 Refunding Recovery Bonds 2005 Series A (2005 Recovery Bonds) at a premium of $9,318. The proceeds of which, together with certain monies contributed by the County and other funds available to the trustee of the Recovery Refunding Bonds 1995 Series A (1995 Recovery Bonds), were used to refund and defease the outstanding 1995 Recovery Bonds and pay costs of issuance for the 2005 Recovery Bonds. As of June 30, 2015, the bonds outstanding were fully redeemed.

Lease Revenue Refunding Bonds, Series 2005

On August 16, 2005, the Orange County Public Financing Authority (OCPFA) issued its $419,755 Lease Revenue Refunding Bonds Series 2005 (Series 2005 Bonds) at a premium of $19,973. The proceeds of which, together with certain monies contributed by the County and other funds available to the trustee of the 1996 Recovery Certificates of Participation (Recovery COPs), were used to defease certain non-callable Recovery COPs, the remainder was used to fund a debt service reserve fund for the Series 2005 Bonds, and pay costs of issuance of the Series 2005 Bonds. As of June 30, 2015, the outstanding principal amount, including the premium of the Series 2005 Bonds, and interest were $70,388 and $3,995, respectively.

The Series 2005 Bonds are limited obligations of the OCPFA payable through July 2017 and are payable solely from base rental payments to be made by the County pursuant to a lease, dated as of August 1, 2005, between the OCPFA and the County, and other amounts held by the trustee in the funds and accounts established under the indenture (other than the rebate fund), except as otherwise provided in the indenture.

Revenue Bonds Payable and Certificates of Participation

Refunding Certificates of Participation (Civic Center Parking Facilities Project)

In December 1987, Certificates of Participation (COPs) representing the proportionate interests of the owners thereof in lease payments made by the County under lease agreements between the County and the Orange County Public Facilities Corporation were delivered. The proceeds were used to finance the acquisition, construction, and installation of two parking structures located in the City of Santa Ana. These certificates were refunded in August 1991 with the $33,579 Refunding COPs (Civic Center Parking Facilities Project), which are payable through December 2018. At June 30, 2015, the outstanding principal amount, interest accretion, and unaccreted interest of the Refunding COPs were $1,744, $7,036, and $1,629 respectively.

The Refunding COPs are secured by lease payments made by the County through a facilities lease with the Orange County Public Facilities Corporation.

11. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Lease Revenue Refunding Bonds, Series 2012 (Juvenile Justice Center Facility)

On April 25, 2012, the South Orange County Public Financing Authority (SOCPFA) issued the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012 Bonds, in the principal amount of $34,380, payable through June 2019, with a premium of $2,927. The Lease Revenue Refunding Bonds were issued to redeem the outstanding OCPFA Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002, fund a Reserve Fund, and pay costs relating to the issuance of the bonds. As of June 30, 2015, the outstanding principal amount, including the premium of the Series 2012 Bonds, and interest were $22,946 and $2,358, respectively.

The bonds are special obligations of the SOCPFA payable solely from and secured by the base rental payments to be made by the County pursuant to a lease, dated as of April 1, 2012, between the SOCPFA and the County, and other amounts held by the trustee in the funds and accounts established under the indenture (other than the rebate fund), except as otherwise provided in the indenture.

Lease Revenue Bonds, Series 2006

On October 19, 2006, the OCPFA issued its $32,700 Lease Revenue Bonds, Series 2006 (Series 2006 Bonds) at a premium of $2,140. The Lease Revenue Bonds, payable through June 2018, were issued to finance the construction of a cogeneration conversion project at the County's central utility facility, fund a debt service reserve fund for the bonds, and pay costs relating to the issuance of the bonds. As of June 30, 2015, the outstanding principal amount, including the premium of the Series 2006 Bonds, and interest were $12,546 and $1,163, respectively.

The bonds are limited obligations of the OCPFA payable solely from and secured solely by revenues of the Authority, consisting primarily of certain rental payments to be made by the County pursuant to, and as defined in, the lease.

Taxable Refunding Pension Obligation Bonds, Series 1996A and 1997A

In September 1994, the County issued its Taxable Pension Obligation Bonds, Series 1994A in the aggregate principal amount of $209,840 and Series 1994B in the aggregate principal amount of $110,200 (Series 1994 Pension Bonds). The Series 1994 Pension Bonds were partially refunded with proceeds of the County's Taxable Refunding Pension Obligation Bonds, Series 1996A and Series 1997A.

On May 11, 2000, a cash tender offer of certain outstanding Pension Obligation Bonds was completed. The County purchased and canceled $288,290 (maturity value) of Pension Obligation Bonds for a cost of $179,016. On June 22, 2000, the debt service on the outstanding Pension Obligation Bonds was provided for through the deposit with the trustee of $175,492 principal amount of "AAA" rated debt securities issued by Fannie Mae, along with $9,151 in debt service funds already being held by the trustee. In accordance with irrevocable instructions, these securities, together with other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature. Because this was an economic defeasance and not a legal defeasance, this debt will be reported in the County's financial statements until it is fully redeemed. As of June 30, 2015, the outstanding principal amounts for the Series 1996A and 1997A Pension Bonds were $11,015 and $16,212, respectively, and the interest accretion balances were $39,010 and $50,257, respectively. The unaccreted interest amounts for the Series 1996A and 1997A Pension Bonds were $4,089 and $19,132, respectively.

11. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Airport Revenue Bonds, Series 2009A and 2009B

On July 9, 2009, the Airport issued the Airport Revenue Bonds, Series 2009A and 2009B (2009A and 2009B Bonds) in the aggregate principal amount of $233,115, with an original issue net premium of $288. The 2009A and 2009B Bonds were issued to finance a portion of the Airport Improvement Program (AIP), fund the debt service requirement for the bonds, fund capitalized interest on a portion of the bonds and pay costs relating to the issuance of the bonds. The AIP consists of numerous direct improvements to the Airport facilities such as the construction of the new Terminal C, Parking Structure C, and two new commuter/regional holdrooms at the north and south ends of the extended Terminal. For the year ended June 30, 2015, the total interest expense incurred and the amount included as part of the cost of capital assets under construction were $10,225 and $528 respectively. As of June 30, 2015, the outstanding principal amount, including net discount, of the 2009A and 2009B Bonds were $61,209 and $141,327, respectively. The interest expense of the 2009A and 2009B Bonds for the year ended June 30, 2015 were $3,148 and $7,350, respectively, including accrued interest of $1,574 and $3,675, respectively.

The 2009A and 2009B Bonds are secured by a pledge of (1) operating revenues, net of specified operating expenses, (2) interest earnings, (3) other miscellaneous revenue, and (4) available PFC revenue. The 2009A and 2009B Bonds are payable through July 2039. For each fiscal year, the pledged net operating revenues are expected to be a minimum of 125% of the aggregate debt service requirement over the life of the bonds. For the year ended June 30, 2015, the total principal and interest paid and total net revenues were $17,598 and $52,934, respectively. The total net revenues include $11,194 available PFC revenue for the year ended June 30, 2015.

Advance Refunding

In prior years, various bonds, COPs and other obligations have been advance refunded. These obligations are considered defeased, and the long-term debt liability has been removed from the related governmental funds and enterprise funds. As of June 30, 2015, $11,415 of legally defeased debt remains outstanding.

Fiscal Year 2014-15 Debt Obligation Activity

During FY 2014-15, the following events concerning County debt obligations took place:

Teeter Plan Notes

On February 1, 2013, the County issued its three-year tax exempt Teeter Plan Notes with Wells Fargo Municipal Capital Strategies, LLC and Wells Fargo Bank, National Association. The Teeter Plan Notes were authorized for a total amount of $150,000, and certain delinquent taxes (excluding penalties and interest) were pledged revenues for the Teeter Plan Notes. The rate for the Teeter Plan Notes will be based on the weekly Securities Industry and Financial Markets Association (SIFMA) index + 0.58%. All of the Teeter Plan Notes will be issued within three years of February 1, 2013, with a maturity date of January 29, 2016. The total amount of the notes issued was $57,935, which reflects the issuance of the Teeter Plan Notes and the establishment of a Cost of Issuance Fund in the amount of $188.

On June 27, 2013, the County used all of the accumulated base taxes to redeem $14,449 of the Teeter Plan Notes. On July 16, 2013, the County issued an additional $39,639 in Teeter Plan Series B Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan. On December 30, 2013

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year 2014-15 Debt Obligation Activity (Continued)

Teeter Plan Notes (Continued)

and June 26, 2014, the County used all of the accumulated base taxes to redeem $31,268 and $12,027, respectively, of the Teeter Plan Notes.

On July 15, 2014, the County issued an additional $31,541 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of $71,371. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll.

On December 30, 2014 and June 25, 2015, the County used all of the accumulated base taxes to redeem $27,532 and $10,016, respectively, of the Teeter Plan Notes. As of June 30, 2015, the outstanding principal amount of the Teeter Plan Notes was $33,823. For additional information regarding the Teeter Plan Notes, refer to Note 21, Subsequent Events.

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2014-15

The table below summarizes the revenue bonds and certificates outstanding and related activity for the year ended June 30, 2015.

Description	Balance July 1, 2014	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2015	Amounts Due within One Year
Governmental Activities:						
County of Orange						
Refunding Recovery Bonds - Series 2005A:						
Date Issued: August 18, 2005 to Refund and Defease the Outstanding Refunding Recovery Bonds - Series 1995A						
Interest Rate: 3.00% to 5.00%						
Original Amount: $146,005						
Maturing in installments through June 1, 2015.	$ 19,172	$ (1,616)	$ --	$ (17,556)	$ --	$ --
Orange County Public Financing Authority						
Lease Revenue Refunding Bonds, Series 2005:						
Date Issued: August 16, 2005 to Refund and Defease the 1996 Recovery Certificates of Participation - Series 1996A.						
Interest Rate: 3.00% to 5.75%						
Original Amount: $419,755						
FY 2014-15 Principal and Interest: $24,490						
FY 2014-15 Total Pledged Revenues: $29,928						
Maturing in installments through July 1, 2017.	92,826	(1,658)	--	(20,780)	70,388	23,682
Orange County Public Facilities Corporation, Refunding Certificates of Participation: (Civic Center Parking Facilities Project)						
Date Issued: August 1, 1991 - Current Interest Rate Bonds (CIB) and Capital Appreciation Bonds (CAB) to Refund the 1987 COPs Bond Issue						
Interest Rate: CIB - 4.40% to 6.75%						
Interest Rate: CAB - 6.85% to 7.05%						
Original Amount: CIB - $24,495						
Original Amount: CAB - $9,084						
FY 2014-15 Principal and Interest: $2,607						
FY 2014-15 Total Pledged Revenues: $2,475						
Maturing in Installments Through December 1, 2018	2,262	--	--	(518)	1,744	482
Interest Accretion on CAB	8,364	--	762	(2,090)	7,036	2,121
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds - Series 2012						
Date issued: April 25, 2012 to refund the 2002 Juvenile Justice Center Bonds issue						
Interest Rate: 1.00% to 5.00%						
Original Amount: $34,380						
FY 2014-15 Principal and Interest: $5,829						
FY 2014-15 Total Pledged Revenues: $5,830						
Maturing in installments through June 1, 2019.	27,975	(249)	--	(4,780)	22,946	5,370

(Dollar Amounts in Thousands)

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2014-15 (Continued)

Description	Balance July 1, 2014	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2015	Amounts Due within One Year
Orange County Public Financing Authority Lease Revenue Bonds, Series 2006						
Date issued: October 19, 2006						
Interest Rate: 4.00% to 5.00%						
Original Amount: $32,700						
FY 2014-15 Principal and Interest: $4,200						
FY 2014-15 Total Pledged Revenues: $29,928						
Maturing in installments through June 1, 2018	$ 16,314	$ (313)	$ --	$ (3,455)	$ 12,546	$ 3,972
County of Orange Taxable Refunding Pension Obligation Bonds - Series 1996 A:						
Date Issued: June 1, 1996 - Current Interest Rate Bonds (CIB)						
Date Issued: June 12, 1996 - Capital Appreciation Bonds (CAB)						
To Refund the Taxable POBs Series 1994 B						
Interest Rate: CIB - 7.47% to 7.72%						
Interest Rate: CAB - 8.09% to 8.26%						
Original Amount: CIB - $81,680						
Original Amount: CAB - $40,000						
Maturing in installments through September 1, 2010 (CIB) and September 1, 2016 (CAB).	13,393	--	--	(2,378)	11,015	5,944
Interest Accretion on CAB	42,675	--	4,294	(7,959)	39,010	22,115
County of Orange Taxable Refunding Pension Obligation Bonds - Series 1997 A:						
Date Issued: January 1, 1997 - Current Interest Rate Bonds (CIB)						
Date Issued: January 14, 1997 - Capital Appreciation Bonds (CAB)						
To Refund the Taxable POBs Series 1994 A						
Interest Rate: CIB - 5.71% to 7.36%						
Interest Rate: CAB - 7.33% to 7.96%						
Original Amount: CIB - $71,605						
Original Amount: CAB - $65,318						
Maturing in installments through September 1, 2010 (CIB) and September 1, 2021 (CAB).	18,800	--	--	(2,588)	16,212	2,143
Interest Accretion on CAB	52,338	--	5,354	(7,435)	50,257	6,853
County of Orange Teeter Plan Notes						
Date of Original Issuance: February 1, 2013						
Interest Rate: SIFMA Index + 0.58%						
Original Amount: $57,935	39,830	31,541	--	(37,548)	33,823	33,823
Maturing on January 29, 2016						
Subtotal - Governmental Activities	$ 333,949	$ 27,705	$ 10,410	$ (107,087)	$ 264,977	$ 106,505

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2014-15 (Continued)

Description	Balance July 1, 2014	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2015	Amounts Due within One Year
Business-Type Activities						
Airport Revenue Bonds - Series 2009A and 2009B: Date Issued: July 9, 2009 Interest Rate: 3.00% to 5.75% Original Amount: $233,115 FY 2014-15 Principal and Interest: $17,598 FY 2014-15 Total Pledged Revenues: $52,934 Maturing in Installments Through July 1, 2039.	209,804	(273)	--	(6,995)	202,536	7,409
Subtotal - Business-Type Activities	209,804	(273)	--	(6,995)	202,536	7,409
Total	$ 543,753	$ 27,432	$ 10,410	$ (114,082)	$ 467,513	$ 113,914

(Dollar Amounts in Thousands)

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Service Requirements to Maturity

The following is a schedule of all long-term debt service requirements to maturity by fund type on an annual basis.

	Governmental Activities		Business-Type Activities		
Fiscal Year(s) Ending June 30	Principal	Interest	Principal	Interest	Total
2016	$ 72,732	$ 35,358	$ 7,205	$ 10,339	$ 125,634
2017	54,721	35,652	7,530	9,999	107,902
2018	18,347	15,003	7,880	9,622	50,852
2019	8,193	14,688	8,275	9,239	40,395
2020	2,478	12,022	8,655	8,836	31,991
2021-2025	2,968	16,075	50,340	36,851	106,234
2026-2030	--	--	64,725	21,829	86,554
2031-2035	--	--	21,684	10,297	31,981
2036-2040	--	--	27,980	3,822	31,802
Total	159,439	128,798	204,274	120,834	613,345
Add: Premium/(Discount)	9,235	--	(1,738)	--	7,497
Add: Interest Accretion on CAB	96,303	--	--	--	96,303
Total	$ 264,977	$ 128,798	$ 202,536	$ 120,834	$ 717,145

Changes in Long-Term Liabilities:

Long-term liability activities for the year ended June 30, 2015, were as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within One Year
Governmental Activities:					
Bonds, COPs and Notes Payable:					
Revenue Bonds	$ 125,660	$ --	$ (29,015)	$ 96,645	$ 30,340
Certificates of Participation	2,262	--	(518)	1,744	482
Pension Obligation Bonds	32,193	--	(4,966)	27,227	8,087
Recovery Bonds	17,556	--	(17,556)	--	--
Teeter Plan Notes	39,830	31,541	(37,548)	33,823	33,823
Add: Premium/(Discount) on Bonds Payable	13,071	--	(3,836)	9,235	2,684
Total Bonds, COPs, and Notes Payable	230,572	31,541	(93,439)	168,674	75,416
Interest Accretion on CAB	103,377	10,410	(17,484)	96,303	31,089
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	174,985	138,589	(139,188)	174,386	88,516
Arbitrage Rebate Payable	655	201	--	856	837
Capital Lease Obligations Payable	62,446	27,643	(10,921)	79,168	11,444
Insurance Claims Payable	203,099	115,291	(110,813)	207,577	51,836
SARI Line Loans	47,410	--	(11,133)	36,277	1,429
Estimated Liability - Litigation and Claims	151,129	500	(6,129)	145,500	15,500
Capital Asset Obligation	310	--	(155)	155	--
Total Other Long-Term Liabilities	640,034	282,224	(278,339)	643,919	169,562
Total Long-Term Liabilities For Governmental Activities	$ 973,983	$ 324,175	$ (389,262)	$ 908,896	$ 276,067

11. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities (Continued)

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	$ 211,269	$ --	$ (6,995)	$ 204,274	$ 7,205
Add: Premium/(Discount) on Bonds Payable	(1,465)	--	(273)	(1,738)	204
Total Revenue Bonds Payable, Net	209,804	--	(7,268)	202,536	7,409
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	5,083	3,876	(4,070)	4,889	2,278
Landfill Site Closure/Postclosure Liabilities *	180,111	(19,747)	(1,319)	159,045	1,319
Pollution Remediation Obligation **	13,738	(609)	(397)	12,732	514
Total Other Long-Term Liabilities	198,932	(16,480)	(5,786)	176,666	4,111
Total Long-Term Liabilities For Business-Type Activities	$ 408,736	$ (16,480)	$ (13,054)	$ 379,202	$ 11,520

* Refer to Note 14 for additional information regarding the decrease in Landfill Site Closure/Post Closure Liabilities.
** Refer to Note 17 for additional information regarding the decrease in Pollution Remediation Obligation.

Compensated Employee Absences

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2015 is $174,386. Employees are entitled to be paid annual leave, compensated time, and in some cases vacation and sick time depending on job classification, length of service, and other factors. For the governmental funds, most of the compensated absences liability will ultimately be paid from the General Fund.

OC Flood Control District, Santa Ana Regional Interceptor (SARI) Line Loans

On June 12, 2007, the Board approved a financing agreement between the Orange County Flood Control District (OCFCD) and Orange County Sanitation District (OCSD) for an amount equivalent to 60% ($60,000) of an estimated total project cost of $100,000. Concurrently, the Board also approved a financing agreement between the OCFCD and the Santa Ana Watershed Project Authority (SAWPA) for an amount equivalent to 10% ($10,000) of the total project cost. The loan proceeds will be used for the relocation of the SARI Line between Prado Dam and Weir Canyon Road for the following public benefits: protection of the sewer line from erosion, increased Prado Dam water releases, protection of the water supply, and uninterrupted use of the sewer line by residents. Subsequently, the agreements were amended to reflect the actual total project cost based on the awarded construction contracts. The SARI Line Project cost is not expected to exceed $85,560 plus 15% contingencies in the amount of $12,834 for a total of $98,394. The OCFCD would contribute the remaining 30% ($29,518) that would be expended to complete the SARI Line Project. As part of the terms of the agreement, the OCFCD agrees to pay SAWPA and OCSD as State subvention funding for the SARI Line Project is received by OCFCD. Repayment installments will be made within 30 days of OCFCD's receipt of State subvention funding in an amount equivalent to 10% of the funds received being paid to SAWPA and 60% of the funds received being paid to OCSD. The OCFCD is required to repay the entire loan to OCSD and SAWPA no later than July 1, 2022, regardless of whether OCFCD receives any State subvention funds for the SARI Line Project. For funds loaned by OCSD, interest shall accrue on the unpaid balance from July 1, 2018, at an annual interest rate of 2% until the unpaid balance is repaid. As for funds loaned by SAWPA, interest shall accrue on any such unpaid balance from July 1, 2018, at the State of California Local Agency Investment Fund interest rate in effect on July 1, 2018. To date, OCFCD received a $51,336 (60%) loan from OCSD and $8,556 (10%) from SAWPA based on the total project cost excluding contingencies. In May 2011, the Board awarded the construction contract for the SARI Yorba Linda Spur in the amount of $7,210, and the Board awarded the construction contract for the SARI Mainline in the amount of $42,000 in August 2011. In February 2013,

11. LONG-TERM OBLIGATIONS (Continued)

OC Flood Control District, Santa Ana Regional Interceptor (SARI) Line Loans (Continued)

construction of the SARI Yorba Linda Spur was completed and the total amount paid to the contractor was $7,067. Construction of the SARI Mainline was substantially completed in August 2014 and work items that are currently being performed include warranty repairs and plant establishment and maintenance. As of June 30, 2015, the total outstanding loan principal was $36,277.

Special Assessment District Bonds

Special Assessment District Bonds consist of Assessment District Bonds and Community Facilities District Bonds.

Assessment District Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code). Proportionate shares of principal and interest installments sufficient in aggregate to meet annual bond debt service requirements are included on the regular County tax bills sent to owners of property against which there are unpaid assessments. Neither the faith and credit nor the taxing power of the County, the State, or any political subdivision thereof is pledged to the payment of the bonds. Assessment District Bonds represent limited obligations of the County payable solely from special assessments paid by property owners within each district. Accordingly, such obligations are not included in the accompanying basic financial statements.

Community Facilities District Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and are payable from a portion of certain special taxes to be levied on property within the boundaries of the Community Facilities District. Except for the special taxes, no other taxes are pledged to the payment of the bonds. The bonds are not general or special obligations of the County nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the special tax fund. Accordingly, such obligations are not included in the accompanying basic financial statements.

The County is acting as an agent of the assessment and community facilities districts in collecting the assessments and special taxes, forwarding the collections to other paying agents or directly to bondholders, and initiating any necessary foreclosure proceedings. Because of the County's limited obligation in connection with special assessment district and community facilities district debt; related transactions are reflected in Agency Departmental Funds. Major capital outlay expenditures relating to these bonds are accounted for in the "Service Areas, Lighting Maintenance and Assessment Districts" Special Revenue Fund. Special assessment district and community facilities district bonds outstanding as of June 30, 2015, amounted to $369,020

12. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT

Single and Multi-Family Housing Bonds

From 1980 through 2015, the County issued bonds under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. The purpose of the bonds is to finance the purchase of single-family homes and the construction of multi-family units to benefit low and moderate income families.

The bonds are secured by the property financed and are payable solely from revenue of the projects and payments received on the underlying mortgage loans.

The bonds do not constitute a liability of the County. Neither the County, the State of California, nor any political subdivisions thereof is obligated in any manner for the repayment of the bonds. In no event shall the bonds be payable out of any funds or properties of the County. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

12. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT (Continued)

Single and Multi-Family Housing Bonds (Continued)

As of June 30, 2015, there were 23 series of bonds outstanding with an aggregate principal amount payable of $251,562.

Orange County Development Agency (OCDA) Successor Agency Bond Debt

On December 29, 2011, the California Supreme Court issued an opinion in California Redevelopment Association (CRA) v. Matosantos, upholding the constitutionality of ABX1 26, eliminating Redevelopment Agencies (RDA) statewide effective February 1, 2012. Under ABX1 26, a successor agency was created for each dissolved RDA, including OCDA, and charged with winding down the dissolved RDA's operations and performing enforceable obligations (as defined in the law). The OCDA Successor Agency assumed the dissolved RDA's enforceable obligations, which include bond debt obligations. The FY 2014-15 Neighborhood Development and Preservation Project (NDAPP) and Santa Ana Heights Project (SAHP) Refunding Bonds debt service obligations appeared on the OCDA Successor Agency Recognized Obligation Payment Schedule (ROPS) and were approved by the Successor Agency Oversight Board, the State Department of Finance, and were paid to bondholders according to the debt service schedule.

Effective with OCDA's dissolution on February 1, 2012, the assets and liabilities (including bond debt) were transferred to and reported in a private-purpose trust fund of the County. This transfer and reporting structure reflect the custodial role accepted by the successor agency. As of June 30, 2015, the outstanding principal amount, including the premium of the OCDA Successor Agency bonds and interest were $33,628 and $5,925, respectively.

The bonds do not constitute a liability of the County. Neither the County, the State of California, nor any political subdivisions thereof is obligated in any manner for the repayment of the bonds. In no event shall the bonds be payable out of any funds or properties of the County. Accordingly, the bonds are reported as liabilities in the private-purpose trust fund.

13. LEASES

Operating Leases

The County is committed under various operating leases, primarily for office buildings, office equipment, and other equipment. The following is a schedule of future minimum payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2015:

Fiscal Year Ending June 30	Equipment	Real Property	Total
2016	$ 909	$ 26,984	$ 27,893
2017	320	19,158	19,478
2018	152	15,461	15,613
2019	--	13,156	13,156
2020	--	12,668	12,668
2021 - 2025	--	45,950	45,950
2026 - 2030	--	6,696	6,696
Total	$ 1,381	$ 140,073	$ 141,454

Total expenditures for equipment rentals and building and improvements incurred for FY 2014-15 was $44,480.

(Dollar Amounts in Thousands)

13. LEASES (Continued)

Capital Leases

This year, the County entered into various lease agreements as lessee for financing the acquisition of equipment valued at $27,643. The equipment has a five-year estimated useful life. This year, $997 was included in depreciation expense. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The following is an analysis of property leased under capital leases:

Land	$	14,831
Equipment		27,643
Less: Accumulated Depreciation		(997)
Structures and Improvements		64,180
Less: Accumulated Depreciation		(29,982)
Total	$	75,675

The following are the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30		
2016	$	15,677
2017		15,902
2018		16,076
2019		9,351
2020		9,510
2021-2025		34,646
2026-2030		980
Total Minimum Lease Payments		102,142
Less: Amount Representing Interest		(22,974)
Present Value of Net Minimum Lease Payments	$	79,168

14. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS

State laws and regulations require OCWR to place final covers on its landfill sites when the landfills stop accepting waste and perform certain postclosure maintenance and monitoring functions at the site for a minimum of 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date each respective landfill stops accepting waste, OCWR will report a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of each balance sheet date.

OCWR owns or operates the following waste disposal sites:

- Frank R. Bowerman (FRB) (Irvine – Active)
- Olinda Alpha (Brea – Active)
- Prima Deshecha (San Juan Capistrano – Active)
- Santiago Canyon (Orange – Ceased accepting waste in 1996, final closure certification in 2005)
- Coyote Canyon (Newport Beach – Ceased accepting waste in 1990, final closure certification in 1995)

14. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

The total landfill closure and postclosure care liability at June 30, 2015 was $159,045. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (30.41% for FRB, 76.61% for Olinda Alpha and 19.87% for Prima Deshecha), less actual costs disbursed related to both closure and postclosure of the Santiago and Coyote Canyon landfills. OCWR will recognize the remaining estimated cost of closure and postclosure care of $177,745 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014 dollars (using the 2014 inflation factor of 1.015). OCWR has enough landfill capacity to operate the system for a minimum of twenty-five years. However, OCWR intends to operate the landfills well beyond this period as a result of approved and planned expansions.

In compliance with Title 27- Environmental Protection of California Code of Regulations, OCWR makes annual cash contributions to its escrow funds to provide financial assurance for estimated future landfill closure costs based on the GASB Statement No. 18, *"Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs,"* formula. Also in compliance with regulations, OCWR has executed pledge of revenue agreements to provide financial assurance for estimated future landfill postclosure costs. The agreements state that OCWR pledges revenue from future gate fees deposited to pay for estimated postclosure maintenance or shall obtain alternative coverage within sixty (60) days if OCWR ceases at any time to retain control of its ability to allocate pledged revenue to pay postclosure maintenance costs. OCWR has proactively pre-funded this cost based on the State mandated formula that computes landfill capacity as a percentage of the total landfill capacity times the total estimated cost for postclosure maintenance. The estimated costs for future closure and postclosure maintenance are annually adjusted based on State provided inflation factors. The State mandated formula under which contributions to both closure and postclosure funds are calculated would provide for the accumulation of sufficient cash to cover all estimated costs when each landfill site reaches maximum capacity. If additional costs for closure or postclosure maintenance are determined due to changes in technology or higher regulatory requirements, these costs may need to be covered by increasing the amount charged to landfill customers.

As of June 30, 2015, a total of $90,201 has been set aside for estimated closure and postclosure costs and is included in the accompanying Proprietary Funds Statement of Net Position as Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs. This amount, which is less than FY 2013-14, decreased because of a revision/reduction in the Cost Estimate number used to calculate the closure/ postclosure cost.

Regulations governing solid waste management are promulgated by government agencies on the federal, state and local levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities, acceptable and prohibited waste types, and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Refer to Note 17, Pollution Remediation, for additional discussion regarding pollution remediation liabilities.

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Encumbrances

The County has established a procedure for encumbering appropriations for purchase orders, contracts, and other commitments authorizing delivery of merchandise or rendering of services. An encumbrance system reduces the possibility of commitments being made in excess of budgeted appropriations due to the lag time between issuance of purchase orders, contracts, and other obligations, and the actual provision of services or goods and subsequent receipt of invoices and billings from the vendors and contractors. Depending on the source(s) of funding, encumbrances are reported as part of restricted or assigned fund balance on the governmental funds balance sheet. In accordance with GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the County's total significant encumbrances for governmental funds in the aggregate are reported as follows, at June 30, 2015:

(Dollar Amounts in Thousands)

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Encumbrances (Continued)

General Fund	$	42,657
Roads		22,824
Flood Control District		38,521
Other Public Protection		2,331
Teeter Plan Notes		27
Other Governmental Funds		23,438
Total Encumbrances for Governmental Funds	$	129,798

Construction Commitments

At June 30, 2015, the County's total commitments for major contracts entered into for equipment, land, and structures and improvements were as follows, listed by fund within governmental or business-type activities:

Project Title		Significant Commitments
Governmental Activities:		
Roads		
Cow Camp Road Segment I Phase 1A and 1B, Antonio Parkway to "I" Street	$	3,385
La Pata Avenue Gap Closure/Widening		42,195
Gilbert Street Improvements Phase II, Katella Avenue		2,181
		47,762
Flood Control District		
Newland Storm Channel Confluence to Bolsa		6,406
Santa Ana River Interceptor Line Project		6,282
Greenville-Banning Channel Improvement Project		5,627
Los Alamitos Pump Station and Pump House		3,338
Fletcher Channel and Retarding Basin - From Santa Ana River to Upstream		2,973
Edinger Storm Channel Improvement		2,016
		26,642
Other Governmental Funds		
Purchase of Law Enforcement Vehicles		2,991
Los Pinos Closure Costs		2,443
		5,434
Business-Type Activities:		
Airport		
Parking Structure C, Phase 2		2,652
Main Street and Employee Lot Resurfacing		2,583
Terminals A & B Improvements		1,329
Campus Drive/Bristol Street Right Turn Lane		1,178
Other		1,146
		8,888
Waste Management		
Olinda Alpha Landfill Phase I Partial Final Closure Construction and Utility Improvements		6,280
Frank R. Bowerman East Flank Excavation and Drainage Improvement and Design		2,401
		8,681
Total Commitments	$	97,407

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments (Continued)

In addition, the County is involved in the Santa Ana River Mainstem Project (SARMP). The SARMP is a major flood control project implemented and funded by the Federal government and three local sponsors – the Orange County Flood Control District (OCFCD), San Bernardino County Flood Control District, and Riverside County Flood Control and Water Conservation District. A component of the initial project has been re-designated as the Prado Dam Project (Project), which is being implemented and funded by the Federal government and the OCFCD through a separate Project Cooperation Agreement (PCA). The purpose of the SARMP/Project is to prevent the devastating damage caused by large-scale flooding of the Santa Ana River flood plain. When the SARMP was initiated in 1989, the U.S. Army Corps of Engineers (COE) considered this flood plain to constitute the worst flood threat west of the Mississippi River as to impacts to the population and property. The Project involves a combination of flood channel improvements and constructing new channels in Orange, San Bernardino, and Riverside counties, construction of the Seven Oaks Dam in San Bernardino County, construction of improvements and protection at the Santiago retention basin and along the creek, raising the existing Prado Dam and increasing its flood flow outlet gates and reservoir capacity, along with several environmental mitigation related studies, habitat restoration and protection activities, recreation amenities, and preservation of historical sites and records.

The COE's estimated combined cost of all project components is $2,375,000. OCFCD's combined cost share is estimated to be $785,229 for the entire Santa Ana River Project. As of June 30, 2015, the OCFCD has expended about $597,158 on the entire Santa Ana River Project.

The construction of Seven Oaks Dam and most channel improvements in Riverside, San Bernardino, and Orange counties have been completed. The relocation and protection of State Route (SR) 71 adjacent to Prado Dam (a joint OCFCD and Caltrans project) and construction to raise the Prado Dam embankments and install new outlet gates is complete. Landscaping along the Santa Ana River in Orange County was completed in May 2010. Design for the construction of interior dikes in the Prado Dam reservoir, and for improvements and protection of SR-91 in the Santa Ana River canyon are also underway. The COE completed construction of National Housing Tract Dike and Sewage Treatment Plant in 2008. Landscaping for these dikes began in September 2009 and were completed in June 2011. Several environmental mitigation studies and restoration/preservation projects are underway in all three counties. All property right acquisitions for the Seven Oaks Dam and along the lower Santa Ana River in Orange County up to Weir Canyon Road are completed. The escrow for purchase of the Green River Golf Course was closed on September 29, 2006. This property is required for construction of protection along SR-91 and nearby mobile homes, open space/recreation mitigation and to accommodate increased flooding when the Prado Dam outlet gates are constructed and operational. The first phase of SR-91 protection (Reach 9 Phase 2B Project) was completed in September 2014. The second phase (Reach 9 Phase 3) started construction in January 2014 and was completed in March 2015. The OCFCD awarded the construction contract on August 9, 2011 for the four miles of Santa Ana River Interceptor Line (SARI) relocation project, which was completed by August 2014. Phase I of the Auxiliary Embankment (an extension of Prado Dam) was completed in September 2012, and the earliest date for construction of Phase II to start would be September 2017. As an alternative, the COE may elect to make Phase II part of the contract awarded to construct the Prado Dam Spillway, which is planned for some time in the year 2020. A contract for the construction of the Yorba-Slaughter Adobe Dike was awarded in December of 2012 at a cost of $6,000 and is expected to be completed in November 2015. The Women's Prison Dike (to protect the California Institute for Women) was awarded September 2014 for $12,700 and is expected to be completed February 2016 with a $3,400 modification which was awarded August 2015.The OCFCD continues to acquire property rights for the Prado Dam Project, subject to the availability of funding.

The project has been authorized by the State Legislature for reimbursement of up to 70% of the Local Sponsors' expenses through the State Flood Control Subvention Fund, which is administered by the Department of Water Resources (DWR). As of June 30, 2015, OCFCD has submitted $393,528 in claims and received $354,573 in reimbursements. An additional $6,463 in claims is in the process of being prepared for submittal to the DWR. Of the total amount outstanding, $10,207 was accrued as revenue, $27,593 was reported as a deferred inflow of resources at the fund level and recognized as revenue in the government-wide financial statements. Once a claim is reviewed and approved by DWR, 90% of the eligible expenditures can be paid, subject to available funding, with the remaining 10% paid after an audit by the State Controller's Office.

16. SELF-INSURANCE

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment; salary continuance; and providing health benefits to employees, retirees and their dependents. The County has chosen to establish Internal Service Funds (ISFs) where assets are set aside for claim settlements and judgments associated with such losses.

The Workers' Compensation ISF addresses the risks related to employee injury through its Safety Program, which is responsible for injury and illness prevention. The Workers' Compensation Program ensures that all benefits are properly provided and administers the contract for the third party workers' compensation claims administration. Workers' compensation claims are self-funded up to $20,000.

The Property and Casualty Risk ISF is responsible for managing losses related to torts; theft of, damage to and destruction of assets, errors and omissions, civil rights claims, and natural disasters. Tort liability is also self-funded, up to $5,000. Commercial insurance is purchased for property and other risk exposures. Excess liability insurance provides up to an additional $100,000 in liability coverage. In the past three fiscal years, there were no losses that impacted the County’s excess insurance coverage.

Independent actuarial studies are prepared annually for the Workers’ Compensation and Property and Casualty Risk ISFs. The reported unpaid claims liabilities are based on the results of those annual actuarial studies and include case reserves, development of known claims, incurred but not reported claims, allocated loss adjustment expenses and unallocated loss adjustment expenses. Unpaid claims liabilities are calculated considering inflation, claims cost trends, including frequency and payout of settlements and judgments, interest earnings, and changes in legal and economic factors. Unpaid claims liabilities have been discounted at a rate of 3.50% in the Workers’ Compensation ISF and 2.50% in the Property and Casualty Risk ISF to reflect anticipated future investment earnings.

All County departments and other governmental agencies authorized by the Board to participate in the Workers’ Compensation ISF are charged for their pro rata share of costs based upon employee classification rates, claims experience, and funding for the Workers’ Compensation program. All County departments participate in the Property and Casualty Risk self-insurance program and are charged for their pro rata share based upon claims experience, actual number of positions from a biweekly County payroll report, and funding for the Property and Casualty Risk program. The rate calculations for Workers’ Compensation and Property and Casualty Risk ISFs are based upon guidelines established by the State Controller’s Office for cost plan allocations.

The County has established: the Unemployment Insurance ISF, which covers all employees and is paid through the State of California; the County self-insured PPO Health Plans ISF, which provides health plan benefits; and the Health and Other Self-Insured Benefits ISF, which provides dental and short-term disability benefits for a portion of the County’s employees and accidental death and dismemberment (AD&D) benefit for Reserve Deputy Sheriffs.

The County’s Premier Wellwise, Choice Wellwise, Wellwise Retiree, Premier Sharewell, Choice Sharewell, and Sharewell Retirees have no lifetime coverage maximums. The dental insurance coverage is up to $1,500 annually (absolute dollars) for each covered employee or dependent. The short-term disability insurance coverage is up to 12 months or when the employee returns to work, whichever occurs first. Unemployment benefits covered by law is up to 26 weeks per individual or when the employee returns to work or no longer meets the requirements for the benefit. The self-insured AD&D benefit is for Reserve Deputy Sheriffs only and has a maximum benefit of $5,000 (absolute dollars).

16. SELF-INSURANCE (Continued)

Changes in the balances of claims liabilities during the past two fiscal years for these self-insurance funds are as follows:

	Workers' Compensation	Property & Casualty Risk	Unemployment Insurance	Health & Other Insurance	Total
Unpaid Claims, Beginning of FY 2013-14	$ 154,237	$ 42,577	$ 1,713	$ 10,697	$ 209,224
Claims and Changes in Estimates	33,438	6,708	165	64,407	104,718
Claim Payments	(36,934)	(10,037)	(1,095)	(62,777)	(110,843)
Unpaid Claims, End of FY 2013-14	150,741	39,248	783	12,327	203,099
Claims and Changes in Estimates	40,937	14,392	1,112	58,850	115,291
Claim Payments	(36,104)	(14,349)	(943)	(59,417)	(110,813)
Unpaid Claims, End of FY 2014-15	$ 155,574	$ 39,291	$ 952	$ 11,760	$ 207,577

17. POLLUTION REMEDIATION

GASB Statement No. 49, *"Accounting and Financial Reporting for Pollution Remediation Obligations,"* requires state and local governments to provide the public with better information about the financial impact of environmental cleanup and identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. The County has identified several environmental sites at John Wayne Airport (JWA) and OC Waste and Recycling (OCWR) for which a pollution remediation liability has been recorded in the County's financial statements. The following describes the nature of the obligating events, and the estimated liability as they relate to JWA and OCWR.

John Wayne Airport (JWA)

In 1988 and 2006, JWA was named as the responsible party in a cleanup and abatement order for two sites on Airport property by the California Regional Water Quality Control Board (RWQCB). The sites, the Old Fuel Farm and the Former Fire Station #33, were identified as having chemical impacts to the soil and groundwater. In 1994 and 2002, JWA began to monitor and remediate the Old Fuel Farm and the Former Fire Station #33 sites, respectively.

In 2008, the sites were sampled as part of an assessment and the results revealed that the soil and groundwater were still impacted by chemical pollutants. In 2011, JWA started implementing a new remediation method, and the sites were estimated to be remediated in about six to ten years. JWA is still performing tests on the sites and the results could possibly affect the estimated pollution remediation liability as well as a change to the remedial technologies used to remediate the sites. As of June 30, 2015, JWA has a liability of $994 based on management's assessment and the results of the consultant's evaluation.

In 1995, JWA entered into Memorandum of Understanding (MOU) with one of its fixed-base operator (FBO) lessees to address the remediation of the Old Fuel Farm. The FBO was identified as the operator of the site and the other responsible party. The lessee agreed to be obligated to pay 50% of the remediation costs associated with the Old Fuel Farm site. Reported in the Statement of Net Position as part of accounts receivable, the total expected recovery for the Old Fuel Farm site is $299 as of June 30, 2015.

The estimated pollution remediation obligation as of June 30, 2015 is:

Old Fuel Farm Site	$ 785
Former Fire Station #33 Site	692
Less: Remediation Activity	(483)
JWA Pollution Remediation Obligation	$ 994

17. POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (OCWR)

Five closed sites were identified. The remediation costs and time periods were calculated for each of these sites based upon the type of remediation needed and historical trend data for closed landfill sites. The combined pollution remediation obligation ending balance as of June 30, 2015 after deducting actual pollution remediation expenses incurred is $11,738.

Cannery Former Refuse Disposal Station A park owned by the City of Huntington Beach (City) and an elementary school playground are located on a site that was formerly used as a refuse disposal station operated by the County from 1957 to 1969. Levels of methane gas that exceed regulatory limits were detected on the property. The Local Enforcement Agency (LEA) issued a Notice and Order to the City requiring the City to remedy the landfill gas exceedences and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, the City and the Huntington Beach City School District (School District) issued the Notices of Intent to sue under the Resource Conservative and Recovery Act, and the Comprehensive Environmental Response, Compensation, and Liability Act to the County in 2004. The City's and School District's claims were tolled until June 2006 under a tolling agreement with the County. The City, County and School District entered into a Settlement Agreement in 2007, whereby the City would be responsible for maintaining the cover of the former disposal site and the County would assume responsibility for the collection and control of landfill gas.

Based on engineering estimates and existing contracts for the operation and maintenance of other disposal sites of a similar size, the age of the site, the length of time that the wastes have been buried, and other factors, the County anticipates that the landfill gas collection system will operate fully for 15 years.

The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is $58.

Lane Road Former Refuse Disposal Station The site located in the City of Irvine and owned by NGP Realty Sub, L.P. and others, was leased and operated by the County as a refuse disposal facility from 1961 until its closure in 1964. An investigation revealed that landfill gas is present above regulatory limits in close proximity to residential housing units. The LEA issued a Notice and Order to the property owners requiring them to remedy the landfill gas exceedences and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, a claim was filed with CEO Risk Management. The County entered into a Settlement Agreement with the property owners in 2005. Per terms of that Settlement Agreement, the County funded the construction of a landfill gas collection and control system, including a carbon treatment element, for the eastern portion of the site. After verification that the system was operating as planned, the County assumed ownership of the system and responsibility for its operation, maintenance and monitoring in 2008. Also in 2008, it was discovered that landfill gas was elevated in the northern portion of the site. Pursuant to the Settlement Agreement, the County designed and constructed an upgrade and enhancement to the existing landfill gas system to control landfill gas migration on the northern portion of the site.

Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 25 years, then will most likely either be inactive or be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the first full year of operation when the carbon canisters need more regular replacement. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and fewer anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is $306.

The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is $2,958.

San Joaquin Former Refuse Disposal Station The site, owned by the University of California at Irvine, was leased and operated by the County as a refuse disposal facility from 1954 to 1961. In 1996, a portion of the site

17. POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (OCWR) (Continued)

San Joaquin Former Refuse Disposal Station (Continued)

was sold to the United States Food and Drug Administration. Levels of methane gas that exceed regulatory limits were detected on the property. As both parties expressed an interest in avoiding costly litigation, the County entered into negotiations to cooperatively address site concerns, resulting in a Cooperative Agreement with the University that was approved by the Board in May 2005. Pursuant to the Cooperative Agreement, the County constructed a landfill gas collection and control system including a carbon treatment element.

The County retains responsibility for the operation, maintenance, and monitoring of that system. Based on engineering estimates and existing contracts for the operation and maintenance of similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 15 years. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is $149.

The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is $1,222.

La Veta Former Refuse Disposal Station Located in the City of Orange, La Veta is a former burn, dump and refuse disposal station leased to and operated by the County from 1946 to 1956. The site has multiple owners and was developed into a YMCA facility, apartments, a mobile home park and a small amount of open space. Recently, the County learned that the California Department of Toxic Substances Control (DTSC) and the United States Environmental Protection Agency had previously performed limited soil and groundwater testing at the site. According to DTSC, the results of these tests indicated that further site assessment was warranted.

DTSC requested that the County enter into a Voluntary Cleanup Agreement with DTSC. In lieu of entering into a Voluntary Cleanup Agreement, the County conducted a series of additional site investigations and assessments. Based on the findings of the site investigations, the YMCA is performing required methane monitoring. The County reimburses the YMCA for the costs associated with the monitoring efforts and are accrued as estimable at June 30, 2015.

In addition, the findings of site investigations identified the existence of subsurface refuse extending laterally onto a single-family residence located within the lease boundaries of the former La Veta solid waste disposal site and immediately adjacent to land owned by the YMCA (also covering a portion of the former disposal site). Buried waste was discovered under part of the back yard of the residence, which includes a swimming pool. Since then, CalRecycle and the LEA have required continuous methane monitoring at the property. The current owners have previously filed suit against the County. Although their claims were dismissed, the owners have not cooperated with County or regulator attempts to monitor or remediate potential pollution of the property.

The County will attempt to negotiate the purchase of the property. The amount paid for such purchase would include the value of the property, relocation costs (which would be required by law in an eminent domain proceeding), and a mutual release and waiver of all potential legal claims arising from the property. Acquisition of the property by the County would also ensure that the property is maintained and monitored in a manner that is consistent with the former use of the property as a municipal solid waste disposal facility.

Forster Former Refuse Disposal Station The site, located in the City of San Juan Capistrano, was formerly leased and operated as a refuse disposal station by the County from 1958 to 1976. The current owner, Advanced Group 99-SJ, proposed a change in land use for the property and notified the County of its position that the County was responsible for re-closure of the site to meet current commercial and redevelopment requirements. The County disputed responsibility for site development related costs. In early 2010, the City of San Juan Capistrano approved the proposed project and certified the Environmental Impact Report (EIR). The EIR was a subject of a citizen's referendum that ultimately resulted in affirmation of the proposed project. Subsequent to the City approval of the proposed development plan, Advanced Group 99-SJ and the County

(Dollar Amounts in Thousands)

17. POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (OCWR) (Continued)

Forster Former Refuse Disposal Station (Continued)

entered into negotiations to resolve issues related to environmental responsibility at the site. These negotiations resulted in a settlement agreement and release of claims, brought about by a threat of litigation over the California Environmental Quality Act (CEQA) approvals. The settlement and release permitted the development of the site, with monies paid by the County for environmental controls to be installed at the site, an operation and maintenance fund and for environmental insurance, subject to conditions such as obtaining grading permits for the site for its actual development. In exchange, indemnification and environmental releases were provided by the developer to the County.

Total obligation by the County for environmental infrastructure and controls at the site as agreed upon in the Settlement Agreement is $7,500. The entire sum is expected to be released within a five year period, but is dependent upon actions by the owner and regulatory approvals for the project. As of June 30, 2015, the County has not released payment. The County will continue to incur additional costs for work related to the County's current obligation to monitor the groundwater underlying the site. This responsibility will be transferred to the site owner upon completion of one of the settlement agreement milestones. But due to the uncertainty of specific timing, the County is unable to fully estimate the remaining ground water obligations.

The remaining balance for landfill gas remediation at the Forster site is $7,500. Distribution of these funds will occur over time, based on specific milestones in the development of the site.

The estimated pollution remediation obligation as of June 30, 2015 is:

Cannery	$	58
Lane Road		2,958
San Joaquin		1,222
Forster		7,500
OCWR Pollution Remediation Obligation	$	11,738

18. RETIREMENT PLANS

Orange County Employees Retirement System (OCERS)

Plan Description: Substantially all County employees participate in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer public employee retirement system established by the voters of Orange County in 1945 pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31451 et. seq. (the Retirement Law). OCERS is an independent defined-benefit retirement plan in which employees of the County, Orange County Superior Court, and employees of certain cities and special districts within the County participate. OCERS is governed by the Board of Retirement (the "OCERS Board"). Certain attributes of independence of OCERS are guaranteed under the California Constitution. The OCERS Board consists of nine regular members and one alternate. Four OCERS Board members are appointed by the County Board of Supervisors (the Board), three members plus one alternate are elected from active County employees, one member is elected from retirees, and the County Treasurer-Tax Collector is a statutory member.

The OCERS Board supervises the investment of OCERS assets and the distribution of benefits to retired employees. The OCERS Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS.

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Plan Description (Continued)

The Retirement Law requires an actuarial valuation to be performed at least once every three years. OCERS' practice has been to conduct an actuarial valuation annually as of December 31, which is the end of the OCERS fiscal year.

According to OCERS most recent public report, entities paying into the OCERS, also known as plan sponsors, include the County of Orange, City of San Juan Capistrano, Orange County Cemetery District, Children and Families Commission of Orange County, Orange County Department of Education (closed to new members), OCERS, Orange County Fire Authority, 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, and the University of California, Irvine Medical Center and Campus (closed to new members).

Benefits Provided: OCERS provides for retirement, death, disability, and cost-of-living benefits. Under OCERS, each County employee receives a defined-benefit pension at retirement, that is, a specific amount per month determined in accordance with the Retirement Law, which amount is not dependent upon the amount of money credited to the employee's account at the time of retirement. The OCERS Board does not set the benefit amounts. An OCERS member may be eligible for a Disability Retirement allowance. The member will be asked to designate a beneficiary or beneficiaries, who may be entitled to received lifetime and/or lump sum benefits that may be payable upon a member's death. OCERS also provides two types of disability benefits, a nonservice-connected disability retirement or service-connected disability retirement. Under each type, the eligibility requirements are different. More information can be found on www.ocers.org. OCERS administers benefits that are set by the Board through the collective bargaining process with County employees in accordance with the Retirement Law.

Effective June 28, 2002, Safety members, including Probation Services employees, became eligible for an annual annuity equal to a retirement benefit formula of 3% of the member's "final compensation" for each year of service rendered at age 50. Law enforcement management, which includes executives in the Sheriff and District Attorney Departments, and employees represented by the Association of Orange County Deputy Sheriffs hired after April 9, 2010, receive an annual annuity equal to a retirement benefit formula of 3% of the member's "final compensation" for each year of service rendered at age 55.

Effective July 1, 2005, as part of collective bargaining agreements with County employees, most General Members who work for the County of Orange (approximately 14,000) became eligible for an enhanced annual annuity equal to a retirement benefit formula of 2.7% of the member's "final compensation" for each year of service rendered at age 55. In collective bargaining agreements with General Members, the employee associations agreed to pay the increased retirement costs related to the difference between the prior retirement benefit formulas and the new 2.7% at age 55 enhanced formula, as well as the annual amortization of the unfunded liability created by the retroactive application of the increased benefit. Members of the American Federation of State, County and Municipal Employees (AFSCME) did not elect the 2.7% at age 55 retirement formula and remain at the previous benefit formulas. The benefit formulas for AFSCME are an annual annuity equal to 2% of the "final compensation" for each year of service rendered at age 57 for Tier I General members and 1.667% of the member's "final compensation" for each year of service rendered at age 57.5 for Tier II General members. Due to the passage of the Public Employees' Pension Reform Act (PEPRA) of 2013, most new employees hired on or after January 1, 2013, except for Safety members and members represented by AFSCME and the Orange County Attorneys Association (OCAA) will receive an annual annuity equal to a retirement benefit formula of 1.62% of the member's "final compensation" for each year of service rendered at age 65. The 1.62% at age 65 retirement formula includes a voluntary defined contribution component (see section below) with an employer match.

Non-vested Supplemental Targeted Additional Retiree Cost of Living Adjustment (STAR COLA) benefits are also paid by OCERS to eligible retirees and survivors. Pursuant to Government Code Section 31874.3 of the County Employees Retirement Law of 1937, the OCERS Board has the sole authority to grant STAR COLA

(Dollar Amounts in Thousands)

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Benefits Provided (Continued)

each year. The OCERS Board understands that granting STAR COLA may increase the Unfunded Actuarial Accrued Liability (UAAL) and therefore asks for comments from plan sponsors prior to voting on this issue. Retirees who have lost more than 20% of their purchasing power since retirement are eligible for this benefit, and currently, approximately 397 retirees (of which 388 are County retirees) who retired before April 1, 1980, and their survivors receive the STAR COLA. The STAR COLA benefits are excluded from the actuarial valuation, and are funded annually through current employer contributions. Benefits are considered immaterial to the plan. The OCERS Board has to prior to voting approve the benefits annually.

Contributions: In accordance with various Board's resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employee contributions and investment income, will fully provide for member benefits by the time they retire. Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. Base employee contributions are calculated using a formula defined in the Retirement Law. The California Supreme Court's 1997 Ventura decision stated that, for the purpose of calculating pension benefits, "final compensation" means not only base salaries, but also other components. Orange County employee contributions under current contracts are calculated on base salary, eligible premium pay and some categories of overtime as defined in the 1997 Ventura decision.

Employer contributions are based on what is needed to properly fund the system. The law, however, does allow employers and employees to negotiate some variation in who pays the contributions. OCERS' responsibility is to make certain the total required contribution is paid, regardless of how the employers and employees share the cost. For FY 2014-15, employer's contributions, as a percentage of covered payrolls, were 37.34% for General members, 57.28% for Safety-Law Enforcement members and 40.52% for Safety-Probation members, as determined by the December 31, 2012, actuarial valuation.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2015, the County reported a liability of $3,897,233 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability (TPL) used to calculate the net pension liability was determined by rolling forward the December 31, 2013 valuation to December 31, 2014. At December 31, 2014, the County's proportion was 76.68%, which was a decrease of 1.737% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the County recognized pension expense of $410,127. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 175,546	$ -
Differences Between Expected and Actual Experience	-	205,446
Changes of Assumptions	116,441	188,787
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,068	15
County contributions subsequent to the measurement date	188,826	-
County Prepaid Pension Contribution	181,585	-
Total	$ 666,466	$ 394,248

$188,826 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

The County reported the full amount of prepaid pension contribution as a part of the prepaid cost at fund level. However, due to the difference in the County's fiscal year end date and the net pension liability measurement date, half of the prepaid pension contribution of $181,585 is recognized as deferred outflows of resources, and the other half will remain as a prepaid cost on the government-wide statement.

In September 1994, the County issued $320,000 of pension obligation bonds, of which $318,000 in proceeds were paid to OCERS. OCERS maintains the proceeds in a County Investment Account. Amounts in the County Investment Account have been used to fund a portion of the County's contributions over time, pursuant to agreements between OCERS and the County, which allows the County significant discretion in applying the credit. As of June 30, 2015, $112,544 of such proceeds remains in the County Investment Account available for future credits to the County's pension obligations. For the year ended June 30, 2015, the County did not utilize funds available in the County Investment Account to meet its annual required contribution.

On January 13, 2015, the County issued its short-term Taxable Pension Obligation Bonds, 2015 Series A in the amount of $339,625. The Bond proceeds were combined with $23,958 in contributions from certain County agencies and departments to prepay the estimated FY 2015-16 actuarially required contribution related to both the amortization of the UAAL and the normal annual contribution to OCERS. In return, the County received a 5.80% discount or $21,058 on the required employer contribution amount. The discount, combined with the interest and issuance costs, resulted in a net savings of $17,918 to the County. Refer to Note 4, Deposits and Investments, and Note 10, Short-term Obligations, for additional information.

Amounts, which provided by OCERS' actuarial study, reported as deferred outflows of resources and deferred inflows of resources related to pension, will be recognized as follows:

Year ending June 30:	
2016	$ (8,958)
2017	(8,958)
2018	(8,958)
2019	(8,958)
2020	(52,849)
2021	(9,512)
Thereafter	-

Actuarial Assumptions: The actuarial assumptions included a 3.0% inflation rate, 4.25 to 13.5% projected salary increases to general members and 5.00% to 17.50% to safety members, and a 7.25% investment rate of return, net of investment expense. The mortality assumptions used were based on the results of the actuarial experience study for the period of January 1, 2011 through December 31, 2013 using the RP-2000 Combined Healthy Mortality Table projected with the Society of Actuaries Scale BB to 2020.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%, the long-term expected rate of return on plan assets. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the actuarially determined contribution rates.

(Dollar Amounts in Thousands)

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Discount Rate (Continued)

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.25% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 16 basis points. An investment return excluding administrative expenses would have been 7.41%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. The difference is not material to the County's financial statements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

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

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability	$ 5,613,735	$ 3,897,233	$ 2,485,847

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Pension Plan Fiduciary Net Position: OCERS issues an audited stand-alone annual financial report for each year ending December 31. Detailed information about the pension plan's fiduciary net position is available and can be obtained online at www.ocers.org, in writing to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

County Administered Pension Plans

County of Orange - 1.62% at 65 Retirement, 401(a) Defined Contribution Plan

Plan Description: On April 20, 2010, the Board approved and adopted the resolution implementing the 1.62% at 65 retirement formula for certain eligible employees. Effective May 7, 2010, as amended and restated on July 1, 2011, the Board approved the County of Orange 1.62% Defined Contribution Plan for the benefit of employees in the 1.62% at 65 retirement formula.

On September 12, 2012, the Governor signed the Public Employees' Pension Reform Act (PEPRA) of 2013. PEPRA created a new pension retirement formula, commonly referred to as 2% @ 62 retirement formula, for all new non-safety public employees hired on or after January 1, 2013. PEPRA also allowed a public employer to continue to offer another retirement formula, if offered before December 31, 2012, to new public employees if the retirement formula has a lower benefit factor at normal retirement age and results in a lower normal cost than the 2% @ 62 PEPRA retirement formula. On December 18, 2012, the Board approved and adopted the 1.62% @ 65 retirement formula for certain general (non-safety) public employees hired on or after January 1, 2013.

The Board has the authority to amend the plan. The plan is intended to comply with the requirements of the Internal Revenue Code (IRC) Section 401(a) and is intended for retirement. The employee acquires a vested interest in the employer contribution account upon attaining normal retirement age, or early retirement age because of death or disability. If an employee terminates prior to early or normal retirement date for any other reason than death or disability, the employee is only entitled to a vested interest of 100% of the employer contribution after five years of service.

Funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the early or normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2015, the plan had 515 active participants and 0 inactive participants.

Funding Policy: This plan is a defined contribution plan funded entirely by employer contributions. As of June 30, 2015, the County provides up to a 2% match per pay period of the employee's voluntary contribution to the IRC Section 457 element of the 1.62% Defined Contribution Plan. Employer contributions are deposited into the 401(a) Plan. Total employer contributions for the year ended June 30, 2015, were $368.

Great West Retirement Services serves on behalf of the County as the third party administrator of the plan and will hold all plan assets in trust. Plan participants will self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2015, the value of plan assets was $542.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at $100,000. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period, and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

County of Orange 401(a) Defined Contribution Plan

Plan Description: Effective January 1, 1999, as amended and restated on May 1, 2013, the Board established the County of Orange 401(a) Plan for the benefit of eligible employees, elected officials, which includes

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

County of Orange 401(a) Defined Contribution Plan (Continued)

Plan Description (Continued)

members of the Board, certain executive managers, certain administrative managers once classified as confidential and grandfathered in the plan, attorneys represented by the Orange County Attorney's Association, and certain other employee classifications as defined in the plan document. The Board also has the authority to amend the plan. The plan was closed to the attorneys effective June 24, 2005. The plan was closed to new administrative managers included in the Executive Policy Unit effective June 23, 2006. The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2015, the plan had 649 active participants and 29 inactive participants.

Funding Policy: This plan is a defined contribution plan funded entirely by employer contributions. County contributions to the plan vary according to employee classification and range from 3% to 8% of bi-weekly compensation. Additional County contributions equal to 1.5% of compensation are made on behalf of elected officials electing not to participate in OCERS. Individuals elected or appointed to the Board on or after June 5, 2012 are required by Orange County Ordinance to participate in OCERS and may not receive the additional 1.5% of compensation. Total contributions for the year ended June 30, 2015, were $913 by the County and zero by the employees.

Great West Retirement Services serves on behalf of the County as the third party administrator of the plan and holds all plan assets in trust. Plan participants self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2015, the value of plan assets was $14,005.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at $100,000. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period, and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

Extra-Help Defined Benefit Plan

Plan Description: The plan is a cost-sharing multiple-employer defined benefit retirement plan for employees working less than half-time or as extra-help for the County and six (6) other cost-sharing agencies. Eligible employees of this plan are not covered by OCERS or Social Security. Initially, the normal retirement benefits for a participant who retired on or after the normal retirement date was a monthly amount equal to one-twelfth of two percent of the participant's career earnings during the final 30 years of credited service. There are no automatic cost-of-living adjustment (COLA) increases and no ad hoc COLAs have ever been granted. The current benefit for a participant who terminates or retires after November 20, 2008 is a lump sum, which is equal to the actuarial equivalent of the participant's contribution plus interest earnings. The normal retirement date is the first day of the month coinciding with or immediately preceding a participant's 65th birthday.

The plan was adopted to comply with the Omnibus Budget Reconciliation Act of 1990. The County Board of Supervisors has full authority to amend or establish plan or benefit provisions at any time in accordance with the plan. The County is the named fiduciary and has the duty and full power to administer the plan. The Chief Financial Officer of the County is the Trustee of the plan, and has authority over the management and investment of plan assets.

The plan was adopted in January 1992 and was closed to new participants as of February 28, 2002. This plan subsequently froze benefit accruals and stopped collecting employee contributions effective November 21, 2008. As of that date, the normal retirement benefit was changed to a single lump sum distribution equal to the greater of the participant's account balance or the present value of their normal

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Plan Description (Continued)

retirement benefit. As of June 30, 2015, the plan consists of 44 active plan participants, 233 terminated plan participants entitled to but not yet receiving benefits, and 40 retirees receiving benefits.

The plan financial statements are prepared using the accrual basis of accounting. County contributions are recognized in the period in which contributions are due, pursuant to the plan documentation and as may be required by statutory requirements. The benefits paid to participants and refunds of prior contributions are recognized when due and payable, in accordance with the terms of the plan.

The County charges a benefits administration fee to County agencies, which funds the cost of administering all of the County benefit programs, including the Extra-Help Defined Benefit Retirement Plan. The County Treasurer charges its normal investment management fee related to the Pension Trust Fund's participation in the County Pool.

Contributions: The County has the authority to determine Plan contributions. GASB Statement No. 67 requires the County to have an actuarial valuation performed at least biennially to determine the plan's total pension liability. This valuation is currently performed biennially. The plan's total pension liability was calculated using the data and assets as of June 30, 2013, rolled forward to June 30, 2014 and June 30, 2015 using actual benefit payments for the fiscal years 2013-14 and 2014-15. In both the 2013 valuation and the 2014 and 2015 roll forward calculations the actuarial assets are valued at market value. The actuary has determined the County's actuarially determined contribution using the entry age normal actuarial cost method, which is (a) normal cost, plus (b) 10-year amortization of the UAAL. Further information on the County's net pension liability and contributions can be found in the Required Supplementary Information (RSI) section following the notes to the basic financial statements. Based on the plan actuary's advice, the County determines the amount necessary for contribution to the plan. Since the plan's inception, the County and six (6) cost-sharing agencies have contributed $4,904. For the fiscal year ended June 30, 2015, the County and six (6) cost-sharing agencies contributed the total actuarially determined contribution of $421, which is equal to normal cost plus 10-year amortization of the UAAL. The County's proportionate share of the contribution was $413.

Plan participants do not contribute to the fund effective November 21, 2008 (the date of the freeze). Note that effective November 21, 2008, the normal cost is $0 due to the plan freeze.

Investment policy: The County has sole authority for establishing and amending the Plan's investment policy and allocation of the invested assets. The Plan's policy in regard to the allocation of invested assets may be established and amended by the Plan's Trustee. The Plan may invest in bonds, mortgages, notes, common or preferred stock, mutual funds, or other securities, policies of life insurance, annuity contracts, or property (real, bank deposits, or retain in cash or other property).

Concentrations: The Plan held 100% of its investments in the Orange County Investment Pool (OCIP). See Note 4, Deposits and Investments for information about OCIP. The Plan has stated its investments in OCIP at fair value based on information provided by OCIP.

Discount Rate: For the year ended June 30, 2015, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expense, was 0.346%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the total pension liability was 3.25%, the long-term expected rate of return on plan assets. Since this expected long-term rate of return is less than the 20-year AA municipal bond rate on June 30, 2015, 3.25% was used as the discount rate for all years.

(Dollar Amounts in Thousands)

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Discount Rate (Continued)

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 3.25% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 8 basis points. An investment return excluding administrative expenses would have been 3.33%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and net Pension Liability. The difference is not material to the County's financial statements.

The long-term expected rate of return on plan investments was determined using a building-block method equal to the expected future real rate of return on the OCIP plus expected inflation, rounded to the nearest 0.25%. As of June 30, 2015, OCIP was invested 100% in the major asset class of Cash & Equivalents. The best estimate of the long-term expected arithmetic real rate of return for this asset class (net of investment expense and inflation) is 0.37%.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions: The components of the collective net pension liability of the County and the six (6) cost-sharing agencies at June 30, 2015 were as follows:

Collective Total Pension Liability	$	8,341
Plan's Collective Fiduciary Net Position		(5,117)
Collective Net Pension Liability	$	3,224
Plan Fiduciary Net Position as a percentage of the Total Pension Liability		61.35%

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 and rolled forward to the measurement date of June 30, 2015. The County's proportionate share of the June 30, 2015 net pension liability is $3,163. The County's proportion of 98.12% is based on an employer contribution allocation and has not changed since June 30, 2014.

For the year ended June 30, 2015, the County recognized pension expense of $131. At June 30, 2015, the County reported deferred outflows of resources of $118, which represents the net difference between projected and actual earnings on plan investments.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Net difference between projected and actual earnings on plan investments	$	118	$	-
Total	$	118	$	-

The deferred outflows of resources related to this pension plan will be recognized as pension expense for the County as follows:

Year ended June 30:		
2016	$	29
2017		29
2018		30
2019		30

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement: (a) 3% inflation, (b) 3.25% investment return, (c) the 417(e) lump sum mortality table used for ERISA-governed plans and the 30-year Treasury rate with a look-back month of November grading into the long-term assumption of 5.0%, (d) RP-2000 Combined Healthy Mortality Table with a three year set back, and (e) a 50% participation assumption for vested terminations deemed unlikely to be found. This plan does not have a salary increase assumption or post-retirement benefit increase assumption as these factors do not impact the benefits of this frozen plan.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the collective plan and the County's proportionate share, calculated using the discount rate of 3.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.25%) or 1-percentage-point higher (4.25%) than the current rate:

Net Pension Liability	1% Decrease (2.25%)	Current Discount Rate (3.25%)	1% Increase (4.25%)
Collective plan	$ 3,360	$ 3,224	$ 3,113
County's proportionate share	$ 3,297	$ 3,163	$ 3,054

Extra-Help Defined Contribution Plan

Plan Description: Effective March 1, 2002, as amended and restated on July 1, 2011, the Board established the Extra-Help Defined Contribution Plan to replace the Extra-Help Defined Benefit Retirement Plan for new employees hired on or after March 1, 2002, and supplements the benefits of the Extra-Help Defined Benefit Retirement Plan for employees hired prior to March 1, 2002. Eligible employees of this plan are not covered by OCERS or Social Security. This plan is a tax-deferred retirement plan, established in accordance with IRC Sections 457 and 3121 and is intended to comply with the Omnibus Budget Reconciliation Act of 1990 and meet the requirements to be a Social Security replacement plan. The Board has the authority to amend the plan. As of June 30, 2015, there were 3,625 active participants and 392 inactive participants in the plan.

The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return.

If a participant's employment status changes from a part-time or extra-help employee to a permanent full-time employee or a part-time employee working 20 hours or more per week, those participants may elect to transfer the balance to the County's Section 457 Defined Contribution Plan or leave the balance in the plan until they are no longer employed with the County.

Funding Policy: Participants in the plan are required to contribute 7.5% of compensation each pay period. The contributions are invested in the Stable Value Fund offered through Great West Retirement Services, which is designed to protect principal and maximize earnings. Great West Retirement Services serves on behalf of the County as the third party administrator of the plan and holds all plan assets in trust. There is no additional contribution made by the County. Total employee contributions for the year ended June 30, 2015, were $1,018 by the employees and zero by the County. As of June 30, 2015 the value of plan assets was $7,597.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at $100,000. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period, and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

(Dollar Amounts in Thousands)

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Contribution Plan (Continued)

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered retirement funds, condensed financial statements are presented below as of and for the year ended June 30, 2015:

Statement of Fiduciary Net Position	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan
Assets					
Pooled Cash/Investments	$ 5,115	$ 5,115	$ --	$ --	$ --
Restricted Cash/Investments with Trustee	22,117	--	7,597	14,005	515
Receivables:					
Interest/Dividends	10	10	--	--	--
Due from Other Governmental Agencies	27	-	--	--	27
Total Assets	27,269	5,125	7,597	14,005	542
Liabilities					
Salaries and Employee Benefits Payable	8	8	--	--	--
Total Liabilities	8	8	--	--	--
Net Position					
Restricted for Pension Benefits	27,261	5,117	7,597	14,005	542
Total Net Position	$ 27,261	$ 5,117	$ 7,597	$ 14,005	$ 542

Statement of Changes in Fiduciary Net Position	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan
Additions:					
Contributions to Pension Trust:					
Employer	$ 1,702	$ 421	$ --	$ 913	$ 368
Employee	1,018	--	1,018	--	--
Interest and Investment Income	726	29	161	528	8
Less: Investment Expense	(32)	(8)	(9)	(15)	--
Total Additions	3,414	442	1,170	1,426	376
Deductions:					
Benefits Paid to Participants	2,438	522	1,175	741	--
Administrative Expense	4	4	--	--	--
Total Deductions	2,442	526	1,175	741	--
Change in Net Position for Employees' Retirement	972	(84)	(5)	685	376
Net Position at July 1, 2014	26,289	5,201	7,602	13,320	166
Net Position at June 30, 2015	$ 27,261	$ 5,117	$ 7,597	$ 14,005	$ 542

19. POSTEMPLOYMENT HEALTH CARE BENEFITS

County of Orange Retiree Medical Plan

Plan Description: The County of Orange Third Amended Retiree Medical Plan (the Retiree Medical Plan) is a single employer defined benefit Other Postemployment Benefit (OPEB) plan, intended to assist career employees in maintaining health insurance coverage following retirement from County service. The Retiree Medical Plan was established by the County Board of Supervisors (Board). The Board is also the authority for amending the Retiree Medical Plan. The Retiree Medical Plan is not required by the County Employees Retirement Law of 1937 ("CERL") – the statute governing County employee retirement benefits. Eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums. The Retiree Medical Plan specifically states that it does not create any vested right to the benefits.

In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of continuous County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan and be able to receive a monthly benefit payment from the Orange County Employees Retirement System (OCERS). To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

The monthly Grant amount is determined by a formula that multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2014 was $20.51 (absolute dollars) per year of County service, and the maximum base monthly Grant was $512.75 (absolute dollars). The base number for calendar year 2015 is $21.13 (absolute dollars) per year of County service, and the maximum monthly Grant is $528.25 (absolute dollars). The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. In no case shall the Grant exceed the actual cost to a retiree for the Qualified Health Plan and Medicare premiums.

The Grant is reduced by 50% once the retiree becomes Medicare A and B eligible. Retirees who were age 65 and/or Medicare A and B eligible on the effective date are not subject to the Medicare reduction. For employees retiring after the effective date, the Grant is reduced or increased by 7.5% based on the employee's age at retirement, such that the Grant is reduced 7.5% for each year under age 60 and increased by 7.5% for each year of age worked after age 60 up to age 70. The effective date varies by labor agreement. Safety employees and disability retirements are exempt from the age adjustment.

The base number for the Grant is adjusted annually based on a formula defined in the Retiree Medical Plan document with a maximum increase/decrease of 3%. Surviving dependents of a deceased employee or retiree eligible for the Grant are entitled to receive 50% of the Grant that the employee/retiree was eligible to receive.

In addition to the Grant, the Retiree Medical Plan provides a frozen lump sum payment to terminated employees not eligible for the Grant. The qualifying hours of service for calculation of the lump sum payment is frozen and the effective date varies by labor agreement. The frozen lump sum payment is equal to 1% of the employee's final average hourly pay (as defined in the Retiree Medical Plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

Employees represented by the American Federation of State, County and Municipal Employees (AFSCME) who retired before September 30, 2005 are not subject to the Medicare reduction or age adjustment to the Grant. The base number for these retirees is adjusted annually with a maximum increase/decrease of 5%. AFSCME employees who were employed on or after September 30, 2005 are not eligible for the Grant or the lump sum payment. They may participate in the County-offered health plans at their own cost if they meet the minimum plan requirements.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Plan Description (Continued)

Employees represented by the Association of Orange County Deputy Sheriffs (AOCDS) who were hired on or after October 12, 2007 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant and lump sum calculations for employees represented by AOCDS who were hired before October 12, 2007 were frozen. A Defined Contribution Plan (Health Reimbursement Arrangement) was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Law enforcement management employees who were hired on or after June 19, 2009 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant calculations for law enforcement management employees who were hired before June 19, 2009 were frozen. The qualifying hours of service for calculation of the lump sum payment for law enforcement management employees were frozen as of June 23, 2006. A Defined Contribution Plan (Health Reimbursement Arrangement) was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Effective January 1, 2008, health insurance premium rates were separately pooled for the active and retired employees, except for employees represented by the AOCDS. Effective July 1, 2008, retiree health insurance premium rates for retired employees enrolled in the AOCDS health plans have been 10% higher than active employees.

Funding Policy: The County implemented an employer contribution in an amount equal to the Annual Required Contribution (ARC) for the affected labor groups except AOCDS. In order to more adequately fund benefits under the Retiree Medical Plan, on June 19, 2007, the Board adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 trust for which the County Chief Financial Officer is the Trustee. In addition, OCERS has established an Internal Revenue Code section 401(h) account to invest monies and acts as Trustee for the 401(h) account which is used to pay the Grant. OCERS issues a Comprehensive Annual Financial Report (CAFR) for each fiscal year ending on December 31, which includes the Retiree Medical Trust. The CAFR can be obtained online at www.ocers.org. by request, in writing, to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

The County is currently setting aside contributions of 0.6% for AFSCME, 1.8% for AOCDS, 4.8% for law enforcement management, 3.6% for the Probation Department safety personnel and 3.5% of payroll for all other labor groups, which is the estimated ARC for those groups. Additionally, employees represented by AOCDS and law enforcement management employees hired before April 4, 2009 contribute 3.6% of base payroll while employees hired on or after April 4, 2009 contribute 2%. Effective July 25, 2014, contributions for employees represented by AOCDS were reduced to 2.6% and 1%, respectively.

Funds were initially deposited into the Trust in December 2007, with subsequent deposits made throughout each fiscal year. The costs to administer the Trust are paid from the Trust.

Actuarial Methods and Assumptions: The County contracts with an outside actuarial consultant to prepare a biennial actuarial valuation in conformance with GASB Statement No. 45. The County received a June 30, 2013 valuation for fiscal years 2013-14 and 2014-15 for the Retiree Medical Plan (the Report). Among the actuarial methods and assumptions used in the Report are:

- The entry age normal actuarial cost method
- Closed period amortization of the UAAL over 30 years as a level percentage of payroll (23 years remaining as of June 30, 2015)
- A 7.25% long-term expected rate of return on funds held in the Trusts
- A 3.75% per annum payroll increase assumption

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Actuarial Methods and Assumptions (Continued):

- A 3.25% per annum general inflation rate assumption
- The assumed annual increases in the monthly grant of 3% for non-AFSCME employees and 5% for AFSCME employees. The healthcare trend was assumed to be greater than or equal to the annual increase to the Grant through 2021 and beyond. Therefore, it is the Grant annual increase rather than the healthcare trend that affects the projected benefits and the UAAL.
- There are an estimated 25,682 participants in the plan of which 17,705 are employees, 38 are deferred retirees, and 7,939 are retirees.

Annual OPEB Cost and Net OPEB Obligation/(Asset): The County's annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of time not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost, the amount actually contributed to the 115 and 401(h) Trusts and changes in the County's Net OPEB Obligation (NOO) for the current year:

	FY 2014-15
Total Annual Required Contribution	$ 44,921
Interest on Net OPEB Asset	(3,043)
Amortization on Net OPEB Asset	2,976
Annual OPEB Cost	44,854
Contributions Made	(41,181)
Decrease in Net OPEB Asset	3,673
Net OPEB Asset, Beginning of year	(48,729)
Net OPEB Asset, End of year	$ (45,056)

The County's annual OPEB Cost, the percentage of annual OPEB cost contribution to the plan, and the NOO for FY 2014-15 and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset)
6/30/2013	$ 42,497	114%	$ (41,805)
6/30/2014	43,136	116%	(48,729)
6/30/2015	44,854	92%	(45,056)

Funded Status and Funding Progress: The funded status of the OPEB Plan as of June 30, 2013 is as follows:

Actuarial Accrued Liability (AAL)	$ 573,763
Actuarial Value of Plan Assets	155,702
Unfunded Actuarial Accrued Liability (UAAL)	$ 418,061
Funded Ratio (Actuarial Value of Plan Assets/AAL)	27.1%
Covered Payroll	$ 1,217,052
UAAL as Percentage of Covered Payroll	34.4%

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Funded Status and Funding Progress (Continued):

The preceding noted actuarial accrued liability was based on the June 30, 2013 actuarial valuation. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial valuations contained in the Report involve estimates of the values of reported amounts and assumptions about the probability of events far into the future and will be subject to continual revision as they reflect a long-term perspective. Assumptions used in the Report also include techniques designed to reduce short-term volatility in AAL and the actuarial value of assets. Current estimates of the funded status and trend information about the funding progress and the employer contributions are presented in the Required Supplementary Information section following the notes to the basic financial statements.

County of Orange Health Reimbursement Arrangement (HRA)

Plan Description: On October 23, 2007, the Board approved and adopted a Memorandum of Understanding (MOU) agreement with the AOCDS. The MOU restructured the Retiree Medical Plan and established a Defined Contribution Plan (Health Reimbursement Arrangement) to replace the Retiree Medical Plan for new employees, and to supplement the current employees' frozen service hour accruals for the Grant.

On June 24, 2008, the Board approved the County of Orange Health Reimbursement Arrangement (HRA) Plan with an effective date of October 12, 2007. The HRA Plan is not required by California Public Employees' Retirement Law (CERL). The plan is intended to fund the reimbursement accounts of eligible employees on a pre-tax basis and reimburse the eligible unreimbursed and substantiated qualified medical expenses of retired participants.

On March 24, 2009, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan HRA for law enforcement management employees effective June 19, 2009. The HRA replaces the Retiree Medical Plan for new employees, and supplements the current law enforcement management employees' frozen service hour accruals for the Grant.

The HRA is intended to comply with the requirements of Internal Revenue Code (IRC) Sections 105 and 106, and meets the requirements of a health reimbursement arrangement as defined under Internal Revenue Service (IRS) Notice 2002-45. The contributions made to reimbursement accounts, any investment gains and qualified medical expenses reimbursed under this plan are intended to be eligible for exclusion from the gross income of eligible employees, participants and retired participants (including the spouses and dependents of each) under IRC Section 105(b). The HRA may be amended by the employer or the plan administrator to comply with federal, state, or local laws, statues, regulations, or guidelines. Reimbursement of qualified medical expenses was deferred until the selection and implementation of the third party administrator. Administration of the HRA by the third party administrator began in August 2009. As of June 30, 2015, the plan had 2,055 active and 532 inactive participants.

Funding Policy: Employer and mandatory employee contributions were effective October 12, 2007 for employees represented by AOCDS and were effective June 19, 2009 for law enforcement management employees. All contributions to the HRA are deemed to be employer contributions whether made directly by the employer or as a mandatory employee contribution. Employee contributions for employees represented by AOCDS are mandatory pursuant to the MOU and mandatory pursuant to Board action for law enforcement management employees. For employees represented by AOCDS, the County contributes 3.0% of compensation each pay period. Employees represented by AOCDS are required to contribute 2.0% of compensation each pay period. For law enforcement management employees, the County contributes 1.0% of compensation each pay period. Law enforcement management employees in the HRA are required to contribute 1.0% of compensation each pay period.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Health Reimbursement Arrangement (HRA) (Continued)

Funding Policy (Continued)

ICMA Retirement Corporation serves on behalf of the County as the third party administrator of the HRA and holds HRA assets in trust. HRA participants self-direct the investment of plan contributions into any of a number of eligible investment options offered under the HRA. As of June 30, 2015, the value of HRA assets was $72,143.

Administrative Cost: Annual administrative fees include a Plan Asset Fee of 0.25% & Annual Account Fee of $20. Each quarter, twenty-five percent (25%) of the fees are assessed to participant accounts, and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered postemployment health care benefit trust funds, condensed financial statements are presented below as of and for the year ended June 30, 2015:

Statement of Fiduciary Net Position	Total	Retiree Medical Plan	Health Reimbursement Arrangement Plan
Assets			
Pooled Cash/Investments	$ 4,182	$ 4,137	$ 45
Restricted Cash and Investments with Trustee	277,809	206,118	71,691
Interest Receivable	18	18	--
Due from Other Governmental Agencies	2,761	2,354	407
Total Assets	284,770	212,627	72,143
Liabilities			
Due to Other Governmental Agencies	--	--	--
Total Liabilities	--	--	--
Net Position			
Restricted for OPEB Benefits	284,770	212,627	72,143
Total Net Position	$ 284,770	$ 212,627	$ 72,143

Statement of Changes in Fiduciary Net Position	Total	Retiree Medical Plan	Health Reimbursement Arrangement Plan
Additions:			
Employer Contributions	$ 49,424	$ 41,181	$ 8,243
Employee Contributions	2,798	2,798	--
Interest and Investment Income	6,002	4,668	1,334
Less: Investment Expense	(212)	(7)	(205)
Total Additions	58,012	48,640	9,372
Deductions:			
Benefits Paid to Participants	31,190	29,874	1,316
Administrative Expense	33	33	--
Total Deductions	31,223	29,907	1,316
Change in Net Position	26,789	18,733	8,056
Net Position at July 1, 2014	257,981	193,894	64,087
Net Position at June 30, 2015	$ 284,770	$ 212,627	$ 72,143

20. CONTINGENCIES

Grants

The County participates in a number of Federal and State grant programs subject to financial and compliance audits by the grantors or representatives. Audits of certain grant programs for or including the year ended June 30, 2015 have not yet been conducted or settled. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures that may be disallowed by the grantor cannot be determined at this time. The County expects such amounts, if any, to be immaterial.

Third Party Payor Agreement and the Medical Services Initiative

California's Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. Under the Waiver, the County received payments under the Low Income Health Program (LIHP). The non-Federal share of these payments was provided by the County's Medical Services Initiative (MSI) primarily through certified public expenditures, whereby the County would expend its local funding for services to draw down the federal financial participation. The LIHP is a coverage program for low-income uninsured adults that was included as part of California's Section 1115 Medicaid Waiver. The program expanded the previous Health Care Coverage Initiative (HCCI) and allowed for a transition to the anticipated health reform.

The MSI Program ended December 31, 2013 with the majority of the MSI population eligible for either the Medi-Cal expansion or subsidized commercial insurance through the health insurance exchange. While administering the LIHP, the MSI program contracted with all of the County's key clinics and hospitals and provided integrated care through contractual relationships with surgery centers, skilled nursing facilities, urgent care facilities, "Minute Clinics" and a variety of diagnostic centers and programs. The County used a third party administrator to process claims for LIHP and MSI participants related to services provided by all health care providers. The third party administrator invoiced the County monthly for claims processed and had six months after the end of each contract year to reconcile and submit a final settlement invoice followed by a final State reconciliation. As the State processed LIHP claims, additional services were made allowable for certain years. As such, supplemental invoices were still being submitted and processed that resulted in revenue pertaining to prior periods. As the MSI program and LIHP ended in FY 2013-14, estimates have been recorded as deferred inflows of resources for amounts anticipated for remaining final settlements as well as for allowable administrative claims that total approximately $8,488.

Laws and regulations governing Medi-Cal programs are complex and subject to interpretation. The County believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from Medi-Cal programs.

Estimated Liability for Litigation and Claims

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, a liability has been accrued in the accompanying financial statements. Litigation where loss to the County is reasonably possible has not been accrued. For information regarding accrued liabilities for self-insurance claims incurred but not reported, refer to Note 16, Self-Insurance.

21. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2015:

Teeter Plan Notes: On July 15, 2015, the County issued an additional $30,542 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of $64,365. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. For additional information regarding the Teeter Plan Notes, refer to Note 11, Long-Term Obligations.

Airport Terminal Improvements Project: On December 8, 2015, the Board awarded a design-build contract in the amount of $101,837 for the Terminal Improvements Project. The Board also authorized the Airport to file a PFC Amendment with the Federal Aviation Administration (FAA) to allow the Airport to be reimbursed for eligible costs expended on approved and completed PFC projects. Upon approval by the FAA, funds will be available for the Airport to fund a significant portion of the Terminal Improvements Project. The Terminal Improvement Project will enhance efficiency and extend the useful lives of the Terminal components, provide patrons of the Airport with numerous safety, code compliance, comfort, convenience, and aesthetic improvements, and allow patrons to experience a uniform level of quality and service throughout the Thomas F. Riley Terminal.

Passage of Senate Bill 107: In September 2015, the State passed Senate Bill 107 (Bill), which contains additional provisions and provides specifically to existing law governing the dissolution of redevelopment agencies and the wind-down of their existing activities and obligations. The Successor Agency's management is still evaluating the impact of the Bill to the Successor Agency.

COUNTY OF ORANGE
CALIFORNIA

Required Supplementary Information
(Dollar Amounts in Thousands)

Orange County Extra-Help Defined Benefit Plan

Schedule of Changes in the Collective Plan Net Pension Liability and Related Ratios

	2015	2014
Total Pension Liability		
Service cost	$ -	$ -
Interest	271	282
Changes of benefit terms	-	-
Difference between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(522)	(695)
Net change in Total Pension Liability	(251)	(413)
Total Pension Liability-beginning	8,592	9,005
Total Pension Liability-ending (a)	$ 8,341	$ 8,592
Plan Fiduciary Net Position		
Contributions-employer	$ 421	$ 421
Contributions-member	-	-
Net investment income	17	15
Benefit payments, including refunds of member contributions	(522)	(695)
Administrative expense	-	-
Other	-	-
Net change in Plan Fiduciary Net Position	(84)	(259)
Plan Fiduciary Net Position- beginning	5,201	5,460
Plan Fiduciary Net Position-ending (b)	$ 5,117	$ 5,201
Plan Net Pension Liability-ending (a) – (b)	$ 3,224	$ 3,391
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	61.35%	60.53%
Covered employee payroll	$ 1,829	$ 1,876
Plan Net Pension Liability as a percentage of covered employee payroll	176.27%	180.76%

Schedule of Investment Returns

	2015	2014
Actual money-weighted rate of return, net of investment expense	0.35%	0.26%

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

(Dollar Amounts in Thousands)

Orange County Extra-Help Defined Benefit Plan (Continued)

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

	2015
County's proportion of the net pension liability	98.12%
County's proportionate share of the net pension liability	$ 3,163
County's covered-employee payroll	$ 1,829
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.94%
Plan fiduciary net position as a percentage of the total pension liability	61.35%

Schedule of Collective Plan Contributions

	2015	2014
Actuarially determined contribution	$ 421	$ 421
Contributions in relation to the actuarially determined contribution	421	421
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 1,829	$ 1,876
Contributions as a percentage of covered-employee payroll	23.02%	22.44%

Schedule of County Contributions

	2015	2014
Actuarially determined contribution	$ 413	$ 421
Contributions in relation to the actuarially determined contribution	413	421
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 1,829	$ 1,876
Contributions as a percentage of covered - employee payroll	22.58%	22.44%

The schedules are presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

Orange County Extra-Help Defined Benefit Plan (Continued)

Notes to Schedule

Valuation date	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Amortization method	Level dollar, open
Remaining amortization period	10 years
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	n/a
Investment rate of return	3.25%
Retirement age	100% retirement at age 65
Participation assumption	100% for Actives, and 50% for Vested Terminations deemed unlikely to be found
Mortality	RP-2000 Combined Healthy Mortality Table set back 3 years
Actuarial Equivalence for Lump Sums – Mortality	417(e) lump sum table
Actuarial Equivalence for Lump Sums – Interest Rate	30-year Treasury rate with look-back month of November, current rates grading into 5% long-term assumption

Orange County Employees Retirement System (OCERS)

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

	2015	2014
County's proportion of the net pension liability	76.68%	74.20%
County's proportionate share of the net pension liability	$ 3,897,233	$ 3,925,919
County's covered-employee payroll	$ 1,198,458	$ 1,176,008
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	325.19%	333.83%
Plan fiduciary net position as a percentage of the total pension liability	68.16%	66.88%

For GASB purposes, covered employee payroll represents gross salary.

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

(Dollar Amounts in Thousands)

Orange County Employees Retirement System (OCERS) (Continued)

Schedule of County Contributions

		2015
Actuarially determined contribution	$	340,626
Contributions in relation to the actuarially determined contribution		340,626
Contribution deficiency (excess)	$	-
Covered employee payroll	$	1,198,458
Contributions as a percentage of covered - employee payroll		28.42%

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

Orange County Retiree Medical Plan

Schedule of Funding Progress

For Years Ended June 30

Actuarial Valuation as of June 30 (1)	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a=c)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)
2009	$ 94,110	$ 456,005	$ 361,895	20.6%	$ 1,267,427	28.6%
2011	116,804	528,639	411,835	22.1%	1,273,636	32.3%
2013	155,702	573,763	418,061	27.1%	1,217,052	34.4%

(1) The County's outside actuarial consultant prepares a biennial actuarial valuation in conformance with GASB Statement No. 43 and 45.

COUNTY OF ORANGE
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MAJOR GOVERNMENTAL FUNDS DEBT SERVICE

GASB Statement No. 34 requires budgetary comparisons in Required Supplementary Information (RSI) for the General Fund and for each Major Special Revenue Fund that has a legally adopted annual budget. Governments may elect to report the budgetary comparison information in a budgetary comparison statement as part of the basic financial statements, rather than as RSI, which is where the County of Orange has elected to present those required budgetary comparisons. However, GASB Statement No. 34 clearly limits the budgetary comparison requirements to only the General Fund and the Major Special Revenue Funds. Governments do not have the option of presenting budgetary comparisons for other funds in conjunction with the basic financial statements or RSI, which is why the following budgetary comparison schedule for the Major Governmental Debt Service fund is located in Supplemental Information.

Teeter Plan Notes: This fund accounts for the financing of the County's purchase of delinquent taxes receivable pursuant to the Teeter Plan. The Teeter Plan is an alternate secured property tax distribution plan, whereby, the County distributes 100% of the local secured levy to the taxing agencies participating in the Teeter Plan and in exchange receives the right to keep the delinquent taxes, penalties and interest.

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Teeter Plan Notes				
Revenues and Other Financing Sources				
Fines, Forfeitures and Penalties	$ 11,500	$ 11,500	$ --	$ (11,500)
Use of Money and Property	250	250	161	(89)
Other	--	--	1	1
Bond Issuance Proceeds	38,000	38,000	31,541	(6,459)
Total Revenues and Other Financing Sources	49,750	49,750	31,703	(18,047)
Expenditures and Other Financing Uses				
General Government:				
Teeter Series A Debt Service	81,250	81,250	38,186	43,064
Total Expenditures and Other Financing Uses	81,250	81,250	38,186	43,064
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(31,500)	(31,500)	(6,483)	$ 25,017
Fund Balances - Beginning of Year	58,952	58,952	58,952	
Fund Balances - End of Year	$ 27,452	$ 27,452	$ 52,469	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources (other than the permanent fund or for major capital projects) that have either legal or operational requirements to restrict expenditures for specified purposes.

Parking Facilities
This fund is used to account for revenues and expenditures related to parking facilities. This includes costs to lease parking spaces for County staff, costs and revenue from the Manchester and Hall of Administration lots, interest revenue, and the County's operating and maintenance costs.

Service Areas, Lighting, Maintenance and Assessment Districts
This group of funds is used to account for the construction of public facilities from the proceeds of various Mello-Roos districts (also known as Community Facilities Districts), bond issues, special assessment district bond issues, and interfund transfers from County Service Area operating funds. Upon completion of construction, the public facilities are transferred to the Special Assessment and Community Facilities Districts. It is also used to account for local park and recreation facilities, highway lighting, and street sweeping services within unincorporated areas of the County. Revenues consist primarily of property taxes and state grants.

Other Environmental Management
This group of funds is used to account for Local Redevelopment Authority (LRA) activities, fees from violations of fish and game laws, usage of various state tidelands held in trust by the County, registration of off-highway vehicles, and motor vehicle fees levied by the South Coast Air Quality Management District.

Tobacco Settlement
This fund accounts for tobacco settlement monies allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories. On November 7, 2000, Orange County voters passed Measure H. This measure requires the County to utilize its share of the national tobacco litigation settlement revenues in the following percentages:

- *80% for specified health care services*
- *20% for public safety*

Community and Welfare Services
This group of funds is used to account for the Orange County Workforce Investment Act, Welfare-to-Work, Shelter Care Facilities, In Home Supportive Services, Housing and Community Development, Substance Abuse Treatment, and Other Community and Welfare Social Programs. Revenues consist primarily of Federal grants passed through the State, as well as State grants.

OC Parks
This fund accounts for the development and maintenance of County tidelands and related aquatic recreational facilities, as well as the acquisition, operation and maintenance of County beaches, inland, regional park facilities and community park sites in the unincorporated areas. Revenues consist primarily of property taxes, state aid, lease and concession revenues, and park and recreation fees.

OC Dana Point Harbor

This fund is comprised of two funds. The operating fund accounts for monies received primarily through rent and concession revenues which are dedicated to providing public coastal access, environmental stewardship, and a diverse regional recreational facility so all users and visitors may experience the unique Dana Point Harbor resource in a safe and enjoyable way. The other fund is an emergency repair fund to be used only for extraordinary, non-routine repairs as required by the California Department of Boating and Waterways (DBW) loan documents. Maintaining compliance with the DBW loan documents through this emergency repair fund allows OC Dana Point Harbor to utilize low interest loans to finance the Dana Point Marina Revitalization Project.

Housing Asset

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with Health and Safety Code 34172. The Orange County Housing Authority assumed the housing functions previously performed by OCDA. The Housing Asset Fund was established and the housing assets from the OCDA Low and Moderate Income Housing Fund were transferred into the Fund.

Schedule I County-Administered Accounts

These funds are used to account for the portion of the 1996 Recovery Certificates of Participation which were used to reimburse certain County-administered accounts for their allocated share of the Orange County Investment Pool loss, in accordance with the County's Modified Second Amended Plan of Adjustment ("Plan of Adjustment"), Exhibit 8 - "Schedule I - County-Administered Accounts." In addition, on February 2, 2000, the Bankruptcy Court ordered a segregation of litigation proceeds to ensure indemnification of the representative, Tom Hayes, and others pursuant to the plan, to pay future expenses, fees, and charges incurred by the representative, and to pay litigation costs.

OC Public Libraries

This fund accounts for library services for the unincorporated areas as well as some of the incorporated areas within the County. Property taxes provide most of the fund's revenue and licenses, permits, federal and state aid, and charges for services provide the remaining revenue.

Plan of Adjustment Available Cash

This group of funds is used to account for monies set aside, pursuant to the Plan of Adjustment, for specified parties to the 1994 bankruptcy and for County-Administered Accounts. These monies are then distributed from these funds in accordance with the provisions in the Plan of Adjustment.

Health Care Programs

This group of funds is used to account for Board-approved Realignment reserves for health care, Mental Health Services Act revenues, Medi-Cal Mental Health Managed Care programs, Medi-Cal Administrative Activities and Targeted Case Management, Bioterrorism preparedness grant funds, Emergency Medical Services allocations, and other purpose-restricted revenues related to health care programs. Revenues consist primarily of State grants and allocations, and Federal grants passed through the State.

Orange County Housing Authority

This fund is used to account for revenues received from the Federal Government for Section 8 Rental Assistance Program expenditures. This program assists low-income families to obtain decent, safe and sanitary housing through a system of rental subsidies.

Other Governmental Resources

This group of funds is used to account for fees charged for property characteristics information that are purpose-restricted for technological and capital acquisitions and/or improvements.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

DEBT SERVICE FUNDS

These funds are used to account for the accumulation and disbursement of taxes and other revenues for the periodic payment of principal and interest on general long-term debt that includes general obligation, revenue, and demand bond issues.

Orange County Public Facilities Corporation Bonds, Master Lease
This fund is used to account for Orange County Public Facilities Corporation Revenue Bonds (governmental fund type components only) and for Master Lease Obligations.

Pension Obligation Bonds
This fund is used to account for the debt service expenditures for the Orange County Taxable Pension Obligation Bonds.

South OC Public Financing Authority
This fund was established to account for the debt service expenditures for the South Orange County Financing Authority (SOCPFA). The SOCPFA was formed to provide for the financing of public capital improvements.

Orange County Public Financing Authority
This fund was established to account for the debt service expenditures for the Orange County Public Financing Authority (OCPFA). On August 16, 2005, OCPFA issued Lease Revenue Refunding Bonds Series 2005 to defease certain non-callable Recovery COPs, refund the remaining COPs, fund a debt service reserve fund, and pay the cost of issuance of the Series 2005 Bonds.

CAPITAL PROJECTS FUNDS

These funds are used to account for the acquisition and construction of major capital facilities (other than those financed by the proprietary funds).

Criminal Justice Facilities
This group of funds is used to account for monies received from surcharges and penalty assessments on offenses used for capital improvements to court and other criminal justice facilities.

Countywide Capital Projects Non-General Fund
This fund was established to budget and account for the multi-year approved capital projects funded primarily with Net County Cost or general purpose revenue.

PERMANENT FUND

A Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Regional Park Endowment
This fund is used to account for costs associated with the repair and maintenance of a mitigation area in Limestone Regional Park.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

		Special Revenue		
	Total Nonmajor Governmental Funds	Parking Facilities	Service Areas, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
ASSETS				
Pooled Cash/Investments	$ 656,422	$ 1,312	$ 3,836	$ 3,475
Imprest Cash Funds	61	--	--	--
Restricted Cash and Investments with Trustee	185,577	--	--	--
Investments	1,347	--	1,257	--
Deposits In-Lieu of Cash	35	--	--	--
Receivables				
Accounts	1,925	21	--	--
Taxes	1,764	--	17	--
Interest/Dividends	805	4	5	5
Deposits	2,113	--	--	--
Allowance for Uncollectible Receivables	(34)	--	--	--
Due from Other Funds	26,613	48	--	4
Due from Other Governmental Agencies	25,107	309	--	40
Prepaid Costs	10,527	40	--	--
Notes Receivable, Net	28,255	--	--	474
Total Assets	$ 940,517	$ 1,734	$ 5,115	$ 3,998
LIABILITIES				
Accounts Payable	$ 11,642	$ 244	$ --	$ 3
Retainage Payable	1,842	1	--	--
Salaries and Employee Benefits Payable	2,973	17	--	--
Deposits from Others	4,472	--	--	--
Due to Other Funds	49,938	153	6	1
Due to Component Unit	1	--	--	--
Due to Other Governmental Agencies	9,314	400	--	--
Unearned Revenue	8,541	--	--	52
Advances from Other Funds	3,800	--	--	--
Total Liabilities	92,523	815	6	56
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Intergovernmental Revenues	3,255	--	--	40
Unavailable Revenue - Property Taxes	1,274	--	7	--
Unavailable Revenue - Long-Term Notes Receivables	473	--	--	473
Unavailable Revenue - Other	21	--	--	--
Total Deferred Inflows of Resources	5,023	--	7	513
FUND BALANCES				
Nonspendable	10,715	40	--	--
Restricted	748,491	359	5,102	1,391
Assigned	83,765	520	--	2,038
Total Fund Balances	842,971	919	5,102	3,429
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 940,517	$ 1,734	$ 5,115	$ 3,998

(Dollar Amounts in Thousands)

	Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor
ASSETS				
Pooled Cash/Investments	$ 16,943	$ 105,388	$ 87,611	$ 64,605
Imprest Cash Funds	--	8	--	--
Restricted Cash and Investments with Trustee	--	--	--	--
Investments	--	90	--	--
Deposits In-Lieu of Cash	--	--	--	35
Receivables				
Accounts	--	97	948	310
Taxes	--	--	1,010	--
Interest/Dividends	--	126	122	90
Deposits	--	--	30	2,083
Allowance for Uncollectible Receivables	--	--	--	--
Due from Other Funds	--	3,971	68	--
Due from Other Governmental Agencies	--	5,989	255	85
Prepaid Costs	--	262	4,108	320
Notes Receivable, Net	--	6,464	--	--
Total Assets	$ 16,943	$ 122,395	$ 94,152	$ 67,528
LIABILITIES				
Accounts Payable	$ --	$ 3,902	$ 2,852	$ 1,433
Retainage Payable	--	--	863	381
Salaries and Employee Benefits Payable	--	60	1,196	69
Deposits from Others	--	11	1,238	2,780
Due to Other Funds	4,864	20,769	1,893	520
Due to Component Unit	--	--	--	--
Due to Other Governmental Agencies	--	1,394	19	102
Unearned Revenue	--	126	670	7
Advances from Other Funds	--	--	--	--
Total Liabilities	4,864	26,262	8,731	5,292
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Intergovernmental Revenues	--	3,195	--	--
Unavailable Revenue - Property Taxes	--	--	745	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--
Unavailable Revenue - Other	--	--	--	--
Total Deferred Inflows of Resources	--	3,195	745	--
FUND BALANCES				
Nonspendable	--	262	4,108	320
Restricted	12,079	50,361	68,629	61,916
Assigned	--	42,315	11,939	--
Total Fund Balances	12,079	92,938	84,676	62,236
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 16,943	$ 122,395	$ 94,152	$ 67,528

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue				
	Housing Asset	Schedule I County - Administered Accounts	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs
ASSETS					
Pooled Cash/Investments	$ 13,093	$ 6,028	$ 30,703	$ 17	$ 286,807
Imprest Cash Funds	--	--	53	--	--
Restricted Cash and Investments with Trustee	--	--	--	--	--
Investments	--	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--	--
Receivables					
Accounts	--	--	50	--	--
Taxes	--	--	737	--	--
Interest/Dividends	18	8	42	--	350
Deposits	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	--	--	57	20,860	--
Due from Other Governmental Agencies	--	--	27	--	16,624
Prepaid Costs	--	--	4,382	--	--
Notes Receivable, Net	19,187	--	--	--	--
Total Assets	$ 32,298	$ 6,036	$ 36,051	$ 20,877	$ 303,781
LIABILITIES					
Accounts Payable	$ 9	$ --	$ 735	$ --	$ --
Retainage Payable	--	--	133	--	--
Salaries and Employee Benefits Payable	--	--	1,272	--	--
Deposits from Others	--	--	443	--	--
Due to Other Funds	147	--	4,631	--	15,304
Due to Component Unit	--	--	--	--	1
Due to Other Governmental Agencies	--	--	220	--	7,172
Unearned Revenue	--	--	20	--	7,666
Advances from Other Funds	--	--	--	--	--
Total Liabilities	156	--	7,454	--	30,143
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Intergovernmental Revenues	--	--	17	--	--
Unavailable Revenue - Property Taxes	--	--	522	--	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	--
Unavailable Revenue - Other	--	--	--	--	--
Total Deferred Inflows of Resources	--	--	539	--	--
FUND BALANCES					
Nonspendable	--	--	4,382	--	--
Restricted	32,142	6,036	23,676	20,877	260,050
Assigned	--	--	--	--	13,588
Total Fund Balances	32,142	6,036	28,058	20,877	273,638
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 32,298	$ 6,036	$ 36,051	$ 20,877	$ 303,781

(Dollar Amounts in Thousands)

Special Revenue		Debt Service		
Orange County Housing Authority	Other Governmental Resources	Orange County Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds	
				ASSETS
$ 12,064	$ 932	$ --	$ 149	Pooled Cash/Investments
--	--	--	--	Imprest Cash Funds
2,371	--	3,287	135,400	Restricted Cash and Investments with Trustee
--	--	--	--	Investments
--	--	--	--	Deposits In-Lieu of Cash
				Receivables
499	--	--	--	Accounts
--	--	--	--	Taxes
16	1	--	--	Interest/Dividends
--	--	--	--	Deposits
(34)	--	--	--	Allowance for Uncollectible Receivables
4	--	--	2	Due from Other Funds
1,334	--	--	--	Due from Other Governmental Agencies
1,415	--	--	--	Prepaid Costs
2,130	--	--	--	Notes Receivable, Net
$ 19,799	$ 933	$ 3,287	$ 135,551	Total Assets
				LIABILITIES
$ 639	$ --	$ --	$ --	Accounts Payable
--	--	--	--	Retainage payable
359	--	--	--	Salaries and Employee Benefits Payable
--	--	--	--	Deposits from Others
1,601	--	--	3	Due to Other Funds
--	--	--	--	Due to Component Unit
7	--	--	--	Due to Other Governmental Agencies
--	--	--	--	Unearned Revenue
--	--	--	--	Advances from Other Funds
2,606	--	--	3	Total Liabilities
				DEFERRED INFLOWS OF RESOURCES
3	--	--	--	Unavailable Revenue - Intergovernmental Revenues
--	--	--	--	Unavailable Revenue - Property Taxes
--	--	--	--	Unavailable Revenue - Long-Term Notes Receivable
--	--	--	--	Unavailable Revenue - Other
3	--	--	--	Total Deferred Inflows of Resources
				FUND BALANCES
1,415	--	--	--	Nonspendable
15,775	933	3,287	135,548	Restricted
--	--	--	--	Assigned
17,190	933	3,287	135,548	Total Fund Balances
$ 19,799	$ 933	$ 3,287	$ 135,551	Total Liabilities, Deferred Inflows of Resources and Fund Balances

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Debt Service		Capital Projects		Permanent
	South OC Public Financing Authority	Orange County Public Financing Authority	Criminal Justice Facilities	Countywide Capital Projects Non-General Fund	Regional Park Endowment
ASSETS					
Pooled Cash/Investments	$ --	$ --	$ 9,765	$ 13,365	$ 329
Imprest Cash Funds	--	--	--	--	--
Restricted Cash and Investments with Trustee	3,744	40,775	--	--	--
Investments	--	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--	--
Receivables					
Accounts	--	--	--	--	--
Taxes	--	--	--	--	--
Interest/Dividends	--	--	18	--	--
Deposits	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	--	--	1,599	--	--
Due from Other Governmental Agencies	--	--	444	--	--
Prepaid Costs	--	--	--	--	--
Notes Receivable, Net	--	--	--	--	--
Total Assets	$ 3,744	$ 40,775	$ 11,826	$ 13,365	$ 329
LIABILITIES					
Accounts Payable	$ --	$ --	$ 1,825	$ --	$ --
Retainage payable	--	--	464	--	--
Salaries and Employee Benefits Payable	--	--	--	--	--
Deposits from Others	--	--	--	--	--
Due to Other Funds	--	--	46	--	--
Due to Component Unit	--	--	--	--	--
Due to Other Governmental Agencies	--	--	--	--	--
Unearned Revenue	--	--	--	--	--
Advances from Other Funds	--	--	3,800	--	--
Total Liabilities	--	--	6,135	--	--
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Intergovernmental Revenues	--	--	--	--	--
Unavailable Revenue - Property Taxes	--	--	--	--	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	--
Unavailable Revenue - Other	--	--	21	--	--
Total Deferred Inflows of Resources	--	--	21	--	--
FUND BALANCES					
Nonspendable	--	--	--	--	188
Restricted	3,744	40,775	5,670	--	141
Assigned	--	--	--	13,365	--
Total Fund Balances	3,744	40,775	5,670	13,365	329
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,744	$ 40,775	$ 11,826	$ 13,365	$ 329

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

	Total Nonmajor Governmental Funds	Special Revenue		
		Parking Facilities	Service Area, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
Revenues				
Taxes	$ 107,378	$ --	$ 555	$ --
Licenses, Permits, and Franchises	1,011	--	--	--
Fines, Forfeitures and Penalties	14,424	--	--	--
Use of Money and Property	60,928	8,643	24	460
Intergovernmental	327,873	820	4	247
Charges for Services	15,463	240	29	649
Other	31,113	33	71	163
Total Revenues	558,190	9,736	683	1,519
Expenditures				
Current				
General Government	32,571	--	14,831	171
Public Protection	19	--	--	19
Public Ways and Facilities	7,640	7,273	154	213
Health and Sanitation	1,189	--	--	--
Public Assistance	178,916	--	--	--
Education	41,949	--	--	--
Recreation and Cultural Services	98,001	--	--	--
Capital Outlay	21,405	--	--	--
Debt Service				
Principal Retirement	34,507	--	--	--
Interest	22,989	--	--	--
Total Expenditures	439,186	7,273	14,985	403
Excess (Deficit) of Revenues Over Expenditures	119,004	2,463	(14,302)	1,116
Other Financing Sources (Uses)				
Transfers In	94,359	1,439	--	100
Transfers Out	(183,752)	(3,775)	(1)	(200)
Capital Leases	43	--	--	--
Total Other Financing Sources (Uses)	(89,350)	(2,336)	(1)	(100)
Net Change in Fund Balances	29,654	127	(14,303)	1,016
Fund Balances - Beginning of Year	813,317	792	19,405	2,413
Fund Balances - End of Year	$ 842,971	$ 919	$ 5,102	$ 3,429

(Dollar Amounts in Thousands)

	Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor
Revenues				
Taxes	$ --	$ --	$ 62,390	$ --
Licenses, Permits, and Franchises	--	753	248	10
Fines, Forfeitures and Penalties	--	--	59	121
Use of Money and Property	89	806	10,165	24,927
Intergovernmental	--	28,091	1,577	--
Charges for Services	--	2,987	8,002	1,013
Other	26,241	590	1,819	155
Total Revenues	26,330	33,227	84,260	26,226
Expenditures				
Current				
General Government	14	--	--	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	22,642	--	--
Education	--	--	--	--
Recreation and Cultural Services	--	--	76,804	21,197
Capital Outlay	--	145	8,511	133
Debt Service				
Principal Retirement	--	--	--	--
Interest	--	--	--	--
Total Expenditures	14	22,787	85,315	21,330
Excess (Deficit) of Revenues Over Expenditures	26,316	10,440	(1,055)	4,896
Other Financing Sources (Uses)				
Transfers In	14	14,248	164	--
Transfers Out	(28,670)	(27,277)	(2,183)	(22)
Capital Leases	--	--	--	--
Total Other Financing Sources (Uses)	(28,656)	(13,029)	(2,019)	(22)
Net Change in Fund Balances	(2,340)	(2,589)	(3,074)	4,874
Fund Balances - Beginning of Year	14,419	95,527	87,750	57,362
Fund Balances - End of Year	$ 12,079	$ 92,938	$ 84,676	$ 62,236

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued) NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue				
	Housing Asset	Schedule I County - Administered Accounts	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs
Revenues					
Taxes	$ --	$ --	$ 44,433	$ --	$ --
Licenses, Permits, and Franchises	--	--	--	--	--
Fines, Forfeitures and Penalties	--	--	6	--	9,724
Use of Money and Property	291	26	331	14	1,251
Intergovernmental	--	--	689	--	143,796
Charges for Services	--	--	1,144	--	1,373
Other	116	--	1,020	--	5
Total Revenues	407	26	47,623	14	156,149
Expenditures					
Current					
General Government	--	4	--	16,932	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	1,189
Public Assistance	877	--	--	--	--
Education	--	--	41,949	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	2,353	--	--
Debt Service					
Principal Retirement	--	--	8	--	--
Interest	--	--	1	--	--
Total Expenditures	877	4	44,311	16,932	1,189
Excess (Deficit) of Revenues Over Expenditures	(470)	22	3,312	(16,918)	154,960
Other Financing Sources (Uses)					
Transfers In	--	--	--	20,859	107
Transfers Out	--	--	--	--	(116,208)
Capital Leases	--	--	43	--	--
Total Other Financing Sources (Uses)	--	--	43	20,859	(116,101)
Net Change in Fund Balances	(470)	22	3,355	3,941	38,859
Fund Balances - Beginning of Year	32,612	6,014	24,703	16,936	234,779
Fund Balances - End of Year	$ 32,142	$ 6,036	$ 28,058	$ 20,877	$ 273,638

(Dollar Amounts in Thousands)

	Special Revenue		Debt Service	
	Orange County Housing Authority	Other Governmental Resources	Orange County Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds
Revenues				
Taxes	$ --	$ --	$ --	$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures and Penalties	--	--	--	--
Use of Money and Property	113	4	70	12,914
Intergovernmental	152,649	--	--	--
Charges for Services	5	21	--	--
Other	607	226	--	--
Total Revenues	153,374	251	70	12,914
Expenditures				
Current				
General Government	--	580	--	39
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	155,397	--	--	--
Education	--	--	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	50	--	--	--
Debt Service				
Principal Retirement	--	--	518	4,966
Interest	--	--	2,090	15,394
Total Expenditures	155,447	580	2,608	20,399
Excess (Deficit) of Revenues Over Expenditures	(2,073)	(329)	(2,538)	(7,485)
Other Financing Sources (Uses)				
Transfers In	--	--	2,405	--
Transfers Out	--	(15)	--	--
Capital Leases	--	--	--	--
Total Other Financing Sources (Uses)	--	(15)	2,405	--
Net Change in Fund Balances	(2,073)	(344)	(133)	(7,485)
Fund Balances - Beginning of Year	19,263	1,277	3,420	143,033
Fund Balances - End of Year	$ 17,190	$ 933	$ 3,287	$ 135,548

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Debt Service		Capital Projects		Permanent
	South OC Public Financing Authority	Orange County Public Financing Authority	Criminal Justice Facilities	Countywide Capital Projects Non-General Fund	Regional Park Endowment
Revenues					
Taxes	$ --	$ --	$ --	$ --	$ --
Licenses, Permits, and Franchises	--	--	--	--	--
Fines, Forfeitures and Penalties	--	--	4,514	--	--
Use of Money and Property	1	735	58	5	1
Intergovernmental	--	--	--	--	--
Charges for Services	--	--	--	--	--
Other	--	--	64	--	3
Total Revenues	1	735	4,636	5	4
Expenditures					
Current					
General Government	--	--	--	--	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	--
Public Assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	10,213	--	--
Debt Service					
Principal Retirement	4,780	24,235	--	--	--
Interest	1,049	4,455	--	--	--
Total Expenditures	5,829	28,690	10,213	--	--
Excess (Deficit) of Revenues Over Expenditures	(5,828)	(27,955)	(5,577)	5	4
Other Financing Sources (Uses)					
Transfers In	5,829	29,193	6,638	13,363	--
Transfers Out	--	(895)	(3,627)	(879)	--
Capital Leases	--	--	--	--	--
Total Other Financing Sources (Uses)	5,829	28,298	3,011	12,484	--
Net Change in Fund Balances	1	343	(2,566)	12,489	4
Fund Balances - Beginning of Year	3,743	40,432	8,236	876	325
Fund Balances - End of Year	$ 3,744	$ 40,775	$ 5,670	$ 13,365	$ 329

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Parking Facilities				
Revenues and Other Financing Sources				
Use of Money and Property	$ 3,038	$ 3,049	$ 3,305	$ 256
Charges for Services	231	517	240	(277)
Other	15	15	33	18
Transfers In	1,439	1,439	1,439	--
Total Revenues and Other Financing Sources	4,723	5,020	5,017	(3)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Parking Facilities	4,900	5,197	4,932	265
Total Expenditures and Other Financing Uses	4,900	5,197	4,932	265
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(177)	(177)	85	$ 262
Fund Balances - Beginning of Year	1,207	1,207	1,207	
Fund Balances - End of Year	$ 1,030	$ 1,030	$ 1,292	
Service Area, Lighting, Maintenance and Assessment Districts				
Revenues and Other Financing Sources				
Taxes	$ 537	$ 537	$ 555	$ 18
Use of Money and Property	17	23	25	2
Intergovernmental	4	4	4	--
Charges for Services	28	28	29	1
Other	86	136	71	(65)
Total Revenues and Other Financing Sources	672	728	684	(44)
Expenditures and Other Financing Uses				
General Government:				
Special Assessment-Top of the World Improvement	54	54	--	54
CFD 2002-1 Ladera Construction	65	1,022	285	737
CFD 2003-1, Ladera Construction	46	160	159	1
CFD 2004-1 Ladera Construction	17,385	12,201	11,426	775
Newport Ridge Construction 92-1	27	38	38	--
Newport Ridge Construction Series B	256	2,923	2,923	--
Public Ways and Facilities:				
North Tustin Landscaping and Lighting Assessment District	2,591	2,591	110	2,481
County Service Area No. 13 - La Mirada	15	17	9	8
County Service Area No. 20 - La Habra	200	200	1	199
County Service Area No. 22 - East Yorba Linda	110	118	35	83
Total Expenditures and Other Financing Uses	20,749	19,324	14,986	4,338
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(20,077)	(18,596)	(14,302)	$ 4,294
Fund Balances - Beginning of Year	19,402	19,402	19,402	
Fund Balances - End of Year	$ (675)	$ 806	$ 5,100	
Other Environmental Management				
Revenues and Other Financing Sources				
Use of Money and Property	$ 386	$ 386	$ 459	$ 73
Intergovernmental	245	245	247	2
Charges for Services	75	75	649	574
Other	148	148	163	15
Transfers In	--	100	100	--
Total Revenues and Other Financing Sources	854	954	1,618	664
Expenditures and Other Financing Uses				
General Government:				
Real Estate Development Program	426	1,022	332	690
Air Quality Improvement	534	534	39	495
Public Protection:				
Survey Monument Preservation	450	456	19	437
Public Ways and Facilities:				
El Toro Improvement Fund	282	282	213	69
Total Expenditures and Other Financing Uses	1,692	2,294	603	1,691
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(838)	(1,340)	1,015	$ 2,355
Fund Balances - Beginning of Year	2,412	2,412	2,412	
Fund Balances - End of Year	$ 1,574	$ 1,072	$ 3,427	

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Tobacco Settlement				
Revenues and Other Financing Sources				
Other	$ 25,179	$ 25,179	$ 26,241	$ 1,062
Total Revenues and Other Financing Sources	25,179	25,179	26,241	1,062
Expenditures and Other Financing Uses				
General Government:				
Orange County Tobacco Settlement Fund	40,211	39,571	28,588	10,983
Total Expenditures and Other Financing Uses	40,211	39,571	28,588	10,983
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(15,032)	(14,392)	(2,347)	$ 12,045
Fund Balances - Beginning of Year	14,391	14,391	14,391	
Fund Balances - End of Year	$ (641)	$ (1)	$ 12,044	
Community and Welfare Services				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	$ 815	$ 815	$ 753	$ (62)
Use of Money and Property	601	601	790	189
Intergovernmental	41,620	41,920	30,030	(11,890)
Charges for Services	2,889	3,193	2,987	(206)
Other	259	259	590	331
Transfers In	17,846	17,993	14,394	(3,599)
Total Revenues and Other Financing Sources	64,030	64,781	49,544	(15,237)
Expenditures and Other Financing Uses				
Public Assistance:				
MHSA Housing Fund	1,531	1,531	25	1,506
Dispute Resolution Program	905	905	656	249
Domestic Violence Program	816	899	783	116
Facilities Development and Maintenance	11,877	18,977	7,623	11,354
Workforce Investment Act	23,469	22,613	14,285	8,328
County Executive Office - Single Family Housing	8,922	8,922	276	8,646
OC Housing	6,398	7,101	5,591	1,510
Strategic Priority Affordable Housing	66	66	5	61
In-Home Support Services Public Authority	1,326	1,441	1,222	219
SSA Donations and Fees	1,230	1,377	856	521
SSA Wraparound	23,515	25,513	18,539	6,974
CalHome Program Reuse Fund	1,275	1,275	274	1,001
SARC Lease Conveyance	72	72	70	2
Total Expenditures and Other Financing Uses	81,402	90,692	50,205	40,487
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(17,372)	(25,911)	(661)	$ 25,250
Fund Balances - Beginning of Year	96,658	96,658	96,658	
Fund Balances - End of Year	$ 79,286	$ 70,747	$ 95,997	
OC Parks				
Revenues and Other Financing Sources				
Taxes	$ 59,681	$ 59,681	$ 62,614	$ 2,933
Licenses, Permits, and Franchises	205	205	248	43
Fines, Forfeitures and Penalties	20	20	59	39
Use of Money and Property	9,520	9,520	10,165	645
Intergovernmental	2,462	2,462	1,425	(1,037)
Charges for Services	6,599	6,599	8,002	1,403
Other	2,382	2,382	1,512	(870)
Transfers In	15,226	15,390	15,389	(1)
Total Revenues and Other Financing Sources	96,095	96,259	99,414	3,155
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
County Tidelands - Newport Bay	5,916	5,916	3,491	2,425
OC Parks	101,305	101,305	85,843	15,462
OC Capital	23,208	23,511	13,438	10,073
Total Expenditures and Other Financing Uses	130,429	130,732	102,772	27,960
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(34,334)	(34,473)	(3,358)	$ 31,115
Fund Balances - Beginning of Year	87,069	87,069	87,069	
Fund Balances - End of Year	$ 52,735	$ 52,596	$ 83,711	

BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
OC Dana Point Harbor				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	$ 10	$ 10	$ 10	$ --
Fines, Forfeitures and Penalties	108	108	121	13
Use of Money and Property	23,255	23,255	25,182	1,927
Charges for Services	694	694	1,013	319
Other	78	78	146	68
Transfers In	302	302	292	(10)
Total Revenues and Other Financing Sources	24,447	24,447	26,764	2,317
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
OC Dana Point Harbor	30,377	30,377	21,517	8,860
Dana Point Marina Department of Boating and Waterways Emergency Repair Fund	2,948	2,946	2	2,944
Total Expenditures and Other Financing Uses	33,325	33,323	21,519	11,804
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(8,878)	(8,876)	5,245	$ 14,121
Fund Balances - Beginning of Year	57,346	57,346	57,346	
Fund Balances - End of Year	$ 48,468	$ 48,470	$ 62,591	
Housing Asset				
Revenues and Other Financing Sources				
Taxes	$ 150	$ 150	$ --	$ (150)
Use of Money and Property	202	202	290	88
Other	50	50	117	67
Total Revenues and Other Financing Sources	402	402	407	5
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Development Agency Housing Asset	10,720	10,720	837	9,883
Total Expenditures and Other Financing Uses	10,720	10,720	837	9,883
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(10,318)	(10,318)	(430)	$ 9,888
Fund Balances - Beginning of Year	32,564	32,564	32,564	
Fund Balances - End of Year	$ 22,246	$ 22,246	$ 32,134	
Schedule 1 County-Administered Accounts				
Revenues and Other Financing Sources				
Use of Money and Property	$ 16	$ 16	$ 25	$ 9
Total Revenues and Other Financing Sources	16	16	25	9
Expenditures and Other Financing Uses				
General Government:				
Indemnification Reserve	4	4	1	3
Litigation Reserve	12	12	3	9
Total Expenditures and Other Financing Uses	16	16	4	12
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	--	21	$ 21
Fund Balances - Beginning of Year	6,011	6,011	6,011	
Fund Balances - End of Year	$ 6,011	$ 6,011	$ 6,032	

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
OC Public Libraries				
Revenues and Other Financing Sources				
Taxes	$ 41,530	$ 41,530	$ 44,572	$ 3,042
Licenses, Permits, and Franchises	657	--	--	--
Fines, Forfeitures and Penalties	19	19	6	(13)
Use of Money and Property	150	150	324	174
Intergovernmental	1,056	869	689	(180)
Charges for Services	1,059	1,059	1,144	85
Other	676	676	1,021	345
Transfers In	1,335	1,335	792	(543)
Total Revenues and Other Financing Sources	46,482	45,638	48,548	2,910
Expenditures and Other Financing Uses				
Education:				
OC Public Libraries - Capital	3,954	3,954	2,344	1,610
OC Public Libraries	50,551	55,413	42,509	12,904
Total Expenditures and Other Financing Uses	54,505	59,367	44,853	14,514
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(8,023)	(13,729)	3,695	$ 17,424
Fund Balances - Beginning of Year	24,187	24,187	24,187	
Fund Balances - End of Year	$ 16,164	$ 10,458	$ 27,882	
Plan of Adjustment Available Cash				
Revenues and Other Financing Sources				
Use of Money and Property	$ 11	$ 11	$ 13	$ 2
Transfers In	9,492	18,936	20,859	1,923
Total Revenues and Other Financing Sources	9,503	18,947	20,872	1,925
Expenditures and Other Financing Uses				
General Government:				
Recovery Plan of Adjustment Available Cash	9,503	26,381	16,932	9,449
Total Expenditures and Other Financing Uses	9,503	26,381	16,932	9,449
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	(7,434)	3,940	$ 11,374
Fund Balances - Beginning of Year	16,936	16,936	16,936	
Fund Balances - End of Year	$ 16,936	$ 9,502	$ 20,876	
Health Care Programs				
Revenues and Other Financing Sources				
Fines, Forfeitures and Penalties	$ 9,794	$ 9,394	$ 9,724	$ 330
Use of Money and Property	920	975	1,088	113
Intergovernmental	122,498	123,266	143,796	20,530
Charges for Services	1,277	1,277	1,373	96
Other	260	260	5	(255)
Transfers In	410	410	91	(319)
Total Revenues and Other Financing Sources	135,159	135,582	156,077	20,495
Expenditures and Other Financing Uses				
Health and Sanitation:				
Medi-Cal Administrative Activities Targeted Case Management	1,932	1,932	1,184	748
Emergency Medical Services	9,834	9,834	8,837	997
HCA Purpose Restricted Revenues	2,266	2,266	1,042	1,224
HCA Interest Bearing Purpose Restricted Revenue	84	84	26	58
HCA Realignment	4,444	4,444	--	4,444
Mental Health Services Act	144,023	144,038	104,115	39,923
Bioterrorism Center for Disease Control	4,549	5,357	2,077	3,280
Total Expenditures and Other Financing Uses	167,132	167,955	117,281	50,674
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(31,973)	(32,373)	38,796	$ 71,169
Fund Balances - Beginning of Year	234,644	234,644	234,644	
Fund Balances - End of Year	$ 202,671	$ 202,271	$ 273,440	

BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPEICAL REVENUE (Continued)

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Orange County Housing Authority				
Revenues and Other Financing Sources				
Use of Money and Property	$ 145	$ 145	$ 113	$ (32)
Intergovernmental	159,281	159,281	152,465	(6,816)
Charges for Services	--	--	5	5
Other	868	868	607	(261)
Total Revenues and Other Financing Sources	160,294	160,294	153,190	(7,104)
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Housing Authority-Operating Reserve	3,343	3,343	573	2,770
Orange County Housing Authority	167,155	165,945	154,875	11,070
Total Expenditures and Other Financing Uses	170,498	169,288	155,448	13,840
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(10,204)	(8,994)	(2,258)	$ 6,736
Fund Balances - Beginning of Year	19,444	19,444	19,444	
Fund Balances - End of Year	$ 9,240	$ 10,450	$ 17,186	
Other Governmental Resources				
Revenues and Other Financing Sources				
Use of Money and Property	$ 3	$ 3	$ 4	$ 1
Charges for Services	30	30	21	(9)
Other	212	212	226	14
Transfers In	86	86	--	(86)
Total Revenues and Other Financing Sources	331	331	251	(80)
Expenditures and Other Financing Uses				
General Government:				
Remittance Processing Equipment Replacement	550	550	6	544
Assessor Property Characteristic	400	400	399	1
Deferred Compensation Reimbursement - CEO	202	214	189	25
Total Expenditures and Other Financing Uses	1,152	1,164	594	570
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(821)	(833)	(343)	$ 490
Fund Balances - Beginning of Year	1,275	1,275	1,275	
Fund Balances - End of Year	$ 454	$ 442	$ 932	

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Pension Obligation Bonds				
Revenues and Other Financing Sources				
Use of Money and Property	$ 11,036	$ 11,036	$ 11,037	$ 1
Total Revenues and Other Financing Sources	11,036	11,036	11,037	1
Expenditures and Other Financing Uses				
General Government:				
Pension Obligation Bonds Debt Service	20,406	20,406	20,399	7
Total Expenditures and Other Financing Uses	20,406	20,406	20,399	7
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(9,370)	(9,370)	(9,362)	$ 8
Fund Balances - Beginning of Year	72,996	72,996	72,996	
Fund Balances - End of Year	$ 63,626	$ 63,626	$ 63,634	

BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Criminal Justice Facilities				
Revenues and Other Financing Sources				
Fines, Forfeitures and Penalties	$ 4,512	$ 4,515	$ 4,514	$ (1)
Use of Money and Property	27	27	55	28
Other	35	35	64	29
Transfers In	16,068	15,206	6,638	(8,568)
Total Revenues and Other Financing Sources	20,642	19,783	11,271	(8,512)
Expenditures and Other Financing Uses				
Public Protection:				
Criminal Justice Facilities Accumulated Capital Outlay	9,783	9,994	4,749	5,245
Courthouse Temporary Construction	3,939	3,942	3,939	3
Sheriff-Coroner Construction and Facility Development	11,412	10,161	5,007	5,154
Total Expenditures and Other Financing Uses	25,134	24,097	13,695	10,402
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(4,492)	(4,314)	(2,424)	$ 1,890
Fund Balances - Beginning of Year	8,230	8,230	8,230	
Fund Balances - End of Year	$ 3,738	$ 3,916	$ 5,806	
Countywide Capital Projects Non General Fund				
Revenues and Other Financing Sources				
Transfers In	$ --	$ 12,691	$ 13,363	$ 672
Total Revenues and Other Financing Sources	--	12,691	13,363	672
Expenditures and Other Financing Uses				
Capital Improvements:				
Countywide Capital Projects Non General	884	7,340	876	6,464
Total Expenditures and Other Financing Uses	884	7,340	876	6,464
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(884)	5,351	12,487	$ 7,136
Fund Balances - Beginning of Year	876	876	876	
Fund Balances - End of Year	$ (8)	$ 6,227	$ 13,363	

BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUND

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Regional Park Endowment				
Revenues and Other Financing Sources				
Use of Money and Property	$ 1	$ 1	$ 1	$ --
Other	2	2	4	2
Total Revenues and Other Financing Sources	3	3	5	2
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Limestone Regional Park Mitigation Maintenance Endowment	5	3	--	3
Total Revenues and Other Financing Sources	5	3	--	3
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2)	--	5	$ 5
Fund Balances - Beginning of Year	168	168	168	
Fund Balances - End of Year	$ 166	$ 168	$ 173	

INTERNAL SERVICE FUNDS

These funds are used to account for the financing of goods or services provided by one County department or agency to other County departments or agencies, or to other governmental entities, on a cost-reimbursement basis.

Health and Other Self-Insured Employee Benefits
These funds are used to account for the County's self-funded health insurance programs, group salary continuance plan, and group dental insurance programs.

Health Maintenance Organization (HMO) Health Insurance
This fund is used to account for the fully insured health plans for the County employees and retirees.

Life Insurance
This fund is used to account for the County's life insurance and accidental death and dismemberment insurance for employees.

Workers' Compensation
This fund is used to account for the County's self-funded workers' compensation insurance program.

Unemployment Insurance
This fund is used to account for the County's self-funded unemployment insurance program.

Property and Casualty Risk
This fund is used to account for the County's self-funded property and casualty risk insurance program.

Transportation
This fund is used to account for motor pool repair and maintenance, and for other transportation services, which are provided to departments and agencies on a cost-reimbursement basis.

Publishing Services
This fund is used to account for printing and graphic services, which are provided to departments and agencies on a cost-reimbursement basis.

Information and Technology
This fund is used to account for voice and data services to departments and agencies on a cost-reimbursement basis.

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance
ASSETS			
Current Assets			
Pooled Cash/Investments	$ 213,905	$ 28,439	$ 4,012
Imprest Cash Funds	133	125	--
Restricted Cash and Investments with Trustee	10	10	--
Receivables			
Accounts	137	13	23
Interest/Dividends	300	41	--
Allowance for Uncollectible Receivables	(91)	--	--
Due from Other Funds	2,657	--	--
Due from Other Governmental Agencies	586	292	--
Inventory of Materials and Supplies	453	--	--
Prepaid Costs	1,657	--	--
Total Current Assets	219,747	28,920	4,035
Noncurrent Assets			
Capital Assets			
Construction in Progress	824	--	--
Structures and Improvements	11,788	--	--
Accumulated Depreciation	(5,807)	--	--
Equipment	115,167	--	--
Accumulated Depreciation	(70,639)	--	--
Total Capital Assets	51,333	--	--
Total Assets	271,080	28,920	4,035
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to Pension	6,417	--	--
Total Deferred Outflows of Resources	6,417	--	--
LIABILITIES			
Current Liabilities			
Accounts Payable	26,566	107	--
Retainage Payable	3	--	--
Salaries and Employee Benefits Payable	901	--	--
Due to Other Funds	820	1	--
Due to Other Governmental Agencies	5	--	--
Insurance Claims Payable	51,836	11,760	--
Compensated Employee Absences Payable	971	--	--
Capital Lease Obligations Payable	6,900	--	--
Total Current Liabilities	88,002	11,868	--
Noncurrent Liabilities			
Insurance Claims Payable	155,741	--	--
Compensated Employee Absences Payable	1,133	--	--
Capital Lease Obligations Payable	13,800	--	--
Net Pension Liability	37,220	--	--
Total Noncurrent Liabilities	207,894	--	--
Total Liabilities	295,896	11,868	--
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to Pension	3,763	--	--
Total Deferred Inflows of Resources	3,763	--	--
NET POSITION			
Net Investment in Capital Assets	51,333	--	--
Unrestricted	(73,495)	17,052	4,035
Total Net Position	$ (22,162)	$ 17,052	$ 4,035

(Dollar Amounts in Thousands)

Life Insurance	Workers' Compensation	Unemployment Insurance	
			ASSETS
			Current Assets
$ 151	$ 72,388	$ 10,924	Pooled Cash/Investments
--	--	--	Imprest Cash Funds
--	--	--	Restricted Cash and Investments with Trustee
			Receivables
--	--	--	Accounts
--	109	15	Interest/Dividends
--	--	--	Allowance for Uncollectible Receivables
--	--	--	Due from Other Funds
--	1	--	Due from Other Governmental Agencies
--	--	--	Inventory of Materials and Supplies
--	183	--	Prepaid Costs
151	72,681	10,939	Total Current Assets
			Noncurrent Assets
			Capital Assets
--	--	--	Construction in Progress
--	--	--	Structures and Improvements
--	--	--	Accumulated Depreciation
--	8	--	Equipment
--	(8)	--	Accumulated Depreciation
--	--	--	Total Capital Assets
151	72,681	10,939	Total Assets
			DEFERRED OUTFLOWS OF RESOURCES
--	1,173	--	Deferred Outflows of Resources Related to Pension
--	1,173	--	Total Deferred Outflows of Resources
			LIABILITIES
			Current Liabilities
--	1,244	--	Accounts Payable
--	--	--	Retainage Payable
--	103	--	Salaries and Employee Benefits Payable
--	6	1	Due to Other Funds
--	--	--	Due to Other Governmental Agencies
--	28,313	952	Insurance Claims Payable
--	110	--	Compensated Employee Absences Payable
--	--	--	Capital Lease Obligations Payable
--	29,776	953	Total Current Liabilities
			Noncurrent Liabilities
--	127,261	--	Insurance Claims Payable
--	135	--	Compensated Employee Absences Payable
--	--	--	Capital Lease Obligations Payable
--	7,184	--	Net Pension Liability
--	134,580	--	Total Noncurrent Liabilities
--	164,356	953	Total Liabilities
			DEFERRED INFLOWS OF RESOURCES
--	727	--	Deferred Inflows of Resources Related to Pension
--	727	--	Total Deferred Inflows of Resources
			NET POSITION
--	--	--	Net Investment in Capital Assets
151	(91,229)	9,986	Unrestricted
$ 151	$ (91,229)	$ 9,986	Total Net Position

COMBINING STATEMENT OF NET POSITION (Continued)
INTERNAL SERVICE FUNDS

	Property & Casualty Risk	Transportation	Publishing Services	Information & Technology
ASSETS				
Current Assets				
Pooled Cash/Investments	$ 37,662	$ 13,761	$ 2,443	$ 44,125
Imprest Cash Funds	5	--	--	3
Restricted Cash and Investments with Trustee	--	--	--	--
Receivables				
Accounts	14	57	--	30
Interest/Dividends	60	18	3	54
Allowance for Uncollectible Receivables	(11)	(56)	--	(24)
Due from Other Funds	469	1,335	--	853
Due from Other Governmental Agencies	9	54	66	164
Inventory of Materials and Supplies	--	453	--	--
Prepaid Costs	131	570	113	660
Total Current Assets	38,339	16,192	2,625	45,865
Noncurrent Assets				
Capital Assets				
Construction in Progress	--	91	--	733
Structures and Improvements	--	8,986	--	2,802
Accumulated Depreciation	--	(5,115)	--	(692)
Equipment	--	38,646	1,536	74,977
Accumulated Depreciation	--	(24,668)	(1,174)	(44,789)
Total Capital Assets	--	17,940	362	33,031
Total Assets	38,339	34,132	2,987	78,896
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to Pension	474	2,092	400	2,278
Total Deferred Outflows of Resources	474	2,092	400	2,278
LIABILITIES				
Current Liabilities				
Accounts Payable	2,114	303	170	22,628
Retainage Payable	--	--	--	3
Salaries and Employee Benefits Payable	71	331	59	337
Due to Other Funds	2	389	288	133
Due to Other Governmental Agencies	--	--	5	--
Insurance Claims Payable	10,811	--	--	--
Compensated Employee Absences Payable	85	329	73	374
Capital Lease Obligations Payable	--	--	--	6,900
Total Current Liabilities	13,083	1,352	595	30,375
Noncurrent Liabilities				
Insurance Claims Payable	28,480	--	--	--
Compensated Employee Absences Payable	120	370	80	428
Capital Lease Obligations Payable	--	--	--	13,800
Net Pension Liability	2,757	12,090	2,342	12,847
Total Noncurrent Liabilities	31,357	12,460	2,422	27,075
Total Liabilities	44,440	13,812	3,017	57,450
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources Related to Pension	279	1,223	235	1,299
Total Deferred Inflows of Resources	279	1,223	235	1,299
NET POSITION				
Net Investment in Capital Assets	--	17,939	362	33,032
Unrestricted	(5,906)	3,250	(227)	(10,607)
Total Net Position	$ (5,906)	$ 21,189	$ 135	$ 22,425

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance
Operating Revenues			
Use of Money and Property	$ 1,970	$ --	$ --
Charges for Services	88,104	--	--
Insurance Premiums	297,564	64,717	158,107
Total Operating Revenues	387,638	64,717	158,107
Operating Expenses			
Salaries and Employee Benefits	18,665	--	--
Services and Supplies	31,171	1,758	--
Professional Services	45,471	3,898	6
Operating Leases	2,472	--	--
Insurance Claims and Premiums	275,732	59,255	159,038
Other Charges	196	196	--
Taxes and Other Fees	10	--	--
Depreciation	4,178	--	--
Total Operating Expenses	377,895	65,107	159,044
Operating Income (Loss)	9,743	(390)	(937)
Nonoperating Revenues			
Intergovernmental Revenues	1,115	1,115	--
Interest Revenue	778	124	33
Gain on Disposition of Capital Assets	212	--	--
Other Revenue, Net	5,196	2,139	250
Total Nonoperating Revenues	7,301	3,378	283
Income (Loss) Before Contributions and Transfers	17,044	2,988	(654)
Capital Contributions	112	--	--
Transfers In	5,758	1,003	5
Transfers Out	(250)	--	(31)
Change in Net Position	22,664	3,991	(680)
Net Position - Beginning of Year	(9,033)	13,061	4,715
Adjustment Due to Change in Accounting Principle	(35,793)	--	--
Net Position - Beginning of Year, as Restated	(44,826)	13,061	4,715
Net Position - End of Year	$ (22,162)	$ 17,052	$ 4,035

(Dollar Amounts in Thousands)

Life Insurance	Workers' Compensation	Unemployment Insurance	
			Operating Revenues
$ --	$ --	$ --	Use of Money and Property
--	--	--	Charges for Services
996	41,162	--	Insurance Premiums
996	41,162	--	Total Operating Revenues
			Operating Expenses
--	2,146	--	Salaries and Employee Benefits
--	280	--	Services and Supplies
--	4,778	138	Professional Services
--	205	--	Operating Leases
998	40,937	1,112	Insurance Claims and Premiums
--	--	--	Other Charges
--	--	--	Taxes and Other Fees
--	--	--	Depreciation
998	48,346	1,250	Total Operating Expenses
(2)	(7,184)	(1,250)	Operating Income (Loss)
			Nonoperating Revenues
--	--	--	Intergovernmental Revenues
1	266	49	Interest Revenue
--	--	--	Gain on Disposition of Capital Assets
--	1,756	7	Other Revenue, Net
1	2,022	56	Total Nonoperating Revenues
(1)	(5,162)	(1,194)	Income (Loss) Before Contributions and Transfers
--	--	--	Capital Contributions
--	677	--	Transfers In
(1)	--	--	Transfers Out
(2)	(4,485)	(1,194)	Change in Net Position
153	(79,959)	11,180	Net Position - Beginning of Year
--	(6,785)	--	Adjustment Due to Change in Accounting Principle
153	(86,744)	11,180	Net Position - Beginning of Year, as Restated
$ 151	$ (91,229)	$ 9,986	Net Position - End of Year

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (Continued)
INTERNAL SERVICE FUNDS

	Property & Casualty Risk	Transportation	Publishing Services	Information & Technology
Operating Revenues				
Use of Money and Property	$ --	$ --	$ --	$ 1,970
Charges for Services	--	20,526	4,613	62,965
Insurance Premiums	32,582	--	--	--
Total Operating Revenues	32,582	20,526	4,613	64,935
Operating Expenses				
Salaries and Employee Benefits	1,455	7,130	1,297	6,637
Services and Supplies	9,110	9,327	1,876	8,820
Professional Services	664	2,241	591	33,155
Operating Leases	188	28	526	1,525
Insurance Claims and Premiums	14,392	--	--	--
Other Charges	--	--	--	--
Taxes and Other Fees	--	10	--	--
Depreciation	--	2,656	67	1,455
Total Operating Expenses	25,809	21,392	4,357	51,592
Operating Income (Loss)	6,773	(866)	256	13,343
Nonoperating Revenues				
Intergovernmental Revenues	--	--	--	--
Interest Revenue	118	62	8	117
Gain on Disposition of Capital Assets	--	212	(1)	1
Other Revenue, Net	584	180	220	60
Total Nonoperating Revenues	702	454	227	178
Income (Loss) Before Contributions and Transfers	7,475	(412)	483	13,521
Capital Contributions	--	112	--	--
Transfers In	--	3,280	3	790
Transfers Out	--	(218)	--	--
Change in Net Position	7,475	2,762	486	14,311
Net Position - Beginning of Year	(10,716)	30,104	1,908	20,521
Adjustment Due to Change in Accounting Principle	(2,665)	(11,677)	(2,259)	(12,407)
Net Position - Beginning of Year, as Restated	(13,381)	18,427	(351)	8,114
Net Position - End of Year	$ (5,906)	$ 21,189	$ 135	$ 22,425

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$ 90,719	$ 232	$ --	$ --
Cash Received for Premiums Within the County's Entity	297,564	64,717	158,107	996
Payments to Suppliers for Goods and Services	(330,423)	(65,492)	(159,044)	(998)
Payments to Employees for Services	(19,620)	--	--	--
Payments for Interfund Services	(2,178)	--	--	--
Receipts for Interfund Services	231	--	--	--
Taxes and Other Fees	(10)	--	--	--
Other Operating Receipts (Payments) - Net	2,520	1,943	241	--
Net Cash Provided (Used) by Operating Activities	38,803	1,400	(696)	(2)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	5,758	1,003	5	--
Transfers Out	(250)	--	(31)	(1)
Intergovernmental Revenues	1,115	1,115	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	6,623	2,118	(26)	(1)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(14,188)	--	--	--
Net Cash Used by Capital and Related Financing Activities	(14,188)	--	--	--
CASH FLOW FROM INVESTING ACTIVITIES				
Interest on Investments	633	107	33	1
Net Cash Provided by Investing Activities	633	107	33	1
Net Increase (Decrease) in Cash and Cash Equivalents	31,871	3,625	(689)	(2)
Cash and Cash Equivalents - Beginning of Year	182,177	24,949	4,701	153
Cash and Cash Equivalents - End of Year	$ 214,048	$ 28,574	$ 4,012	$ 151
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$ 9,743	$ (391)	$ (938)	$ (2)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	4,178	--	--	--
Other Revenue - Net	5,196	2,139	250	--
(Increases) Decreases In:				
Accounts Receivable	125	(3)	(23)	--
Due from Other Funds	(14)	--	--	--
Due from Other Governmental Agencies	512	235	15	--
Inventory of Materials and Supplies	36	--	--	--
Prepaid Costs	1,559	--	--	--
Deferred Outflows and Inflows of Resources from Pension Contributions	(3,590)	--	--	--
Increases (Decreases) In:				
Accounts Payable	16,068	(13)	--	--
Retainage Payable	3	--	--	--
Salaries and Employee Benefits Payable	262	--	--	--
Due to Other Funds	(1,933)	--	--	--
Due to Other Governmental Agencies	(193)	--	--	--
Insurance Claims Payable	4,478	(567)	--	--
Compensated Employee Absences Payable	7	--	--	--
Net Pension Liability from Pension Contributions and Expenses	2,366	--	--	--
Total Adjustments	29,060	1,791	242	--
Net Cash Provided (Used) by Operating Activities	$ 38,803	$ 1,400	$ (696)	$ (2)
Reconciliation of Cash and Cash Equivalents to Statement of Net Position				
Pooled Cash/Investments	$ 213,905	$ 28,439	$ 4,012	$ 151
Imprest Cash Funds	133	125	--	--
Restricted Cash and Investments with Trustee	10	10	--	--
Total Cash and Cash Equivalents	$ 214,048	$ 28,574	$ 4,012	$ 151

(Dollar Amounts in Thousands)

Workers' Compensation	Unemployment Insurance	Property & Casualty Risk	
			CASH FLOWS FROM OPERATING ACTIVITIES
$ --	$ --	$ 3	Receipts from Customers
41,162	--	32,582	Cash Received for Premiums Within the County's Entity
(40,781)	(1,081)	(23,981)	Payments to Suppliers for Goods and Services
(2,159)	--	(1,540)	Payments to Employees for Services
(112)	(27)	(183)	Payments for Interfund Services
--			Receipts for Interfund Services
--	--	--	Taxes and Other Fees
1,551	7	396	Other Operating Receipts (Payments) - Net
(339)	(1,101)	7,277	Net Cash Provided (Used) by Operating Activities
			CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
677	--	--	Transfers In
--	--	--	Transfers Out
--	--	--	Intergovernmental Revenues
677	--	--	Net Cash Provided (Used) by Noncapital Financing Activities
			CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
--	--	--	Acquisition of Capital Assets
--	--	--	Net Cash Used by Capital and Related Financing Activities
			CASH FLOW FROM INVESTING ACTIVITIES
224	44	87	Interest on Investments
224	44	87	Net Cash Provided by Investing Activities
562	(1,057)	7,364	Net Increase (Decrease) in Cash and Cash Equivalents
71,826	11,981	30,303	Cash and Cash Equivalents - Beginning of Year
$ 72,388	$ 10,924	$ 37,667	Cash and Cash Equivalents - End of Year
			Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
$ (7,184)	$ (1,250)	$ 6,773	Operating Income (Loss)
			Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:
--	--	--	Depreciation
1,756	7	584	Other Revenue - Net
			(Increases) Decreases In:
--	--	1	Accounts Receivable
261	--	71	Due from Other Funds
--	--	2	Due from Other Governmental Agencies
--	--	--	Inventory of Materials and Supplies
178	--	124	Prepaid Costs
(627)	--	(265)	Deferred Outflows and Inflows of Resources from Pension Contributions
			Increases (Decreases) In:
225	--	33	Accounts Payable
--	--	--	Retainage Payble
36	--	24	Salaries and Employee Benefits Payable
(373)	(27)	(254)	Due to Other Funds
(22)	--	(15)	Due to Other Governmental Agencies
4,833	169	43	Insurance Claims Payable
(2)	--	(6)	Compensated Employee Absences Payable
580	--	162	Net Pension Liability from Pension Contributions and Expenses
6,845	149	504	Total Adjustments
$ (339)	$ (1,101)	$ 7,277	Net Cash Provided (Used) by Operating Activities
			Reconciliation of Cash and Cash Equivalents to Statement of Net Position
$ 72,388	$ 10,924	$ 37,662	Pooled Cash/Investments
--	--	5	Imprest Cash Funds
--	--	--	Restricted Cash and Investments with Trustee
$ 72,388	$ 10,924	$ 37,667	Total Cash and Cash Equivalents

COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS

	Transportation	Publishing Services	Information & Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 20,625	$ 4,583	$ 65,276
Cash Received for Premiums Within the County's Entity	--	--	--
Payments to Suppliers for Goods and Services	(11,175)	(2,358)	(25,513)
Payments to Employees for Services	(7,455)	(1,357)	(7,109)
Payments for Interfund Services	--	(11)	(1,845)
Receipts for Interfund Services	231	--	--
Taxes and Other Fees	(10)	--	--
Other Operating Receipts (Payments) - Net	152	(305)	(1,465)
Net Cash Provided (Used) by Operating Activities	2,368	552	29,344
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	3,280	3	790
Transfers Out	(218)	--	--
Intergovernmental Revenues	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	3,062	3	790
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(6,232)	--	(7,956)
Net Cash Used by Capital and Related Financing Activities	(6,232)	--	(7,956)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on Investments	56	4	77
Net Cash Provided by Investing Activities	56	4	77
Net Increase (Decrease) in Cash and Cash Equivalents	(746)	559	22,255
Cash and Cash Equivalents - Beginning of Year	14,507	1,884	21,873
Cash and Cash Equivalents - End of Year	$ 13,761	$ 2,443	$ 44,128
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	$ (866)	$ 256	$ 13,345
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,656	67	1,455
Other Revenue - Net	180	220	60
(Increases) Decreases In:			
Accounts Receivable	56	--	94
Due from Other Funds	164	--	(510)
Due from Other Governmental Agencies	43	(30)	247
Inventory of Materials and Supplies	36	--	--
Prepaid Costs	557	145	555
Deferred Outflows and Inflows of Resources from Pension Contributions	(1,174)	(222)	(1,302)
Increases (Decreases) In:			
Accounts Payable	(134)	(24)	15,981
Retainage Payble	--	--	3
Salaries and Employee Benefits Payable	96	15	91
Due to Other Funds	67	(11)	(1,335)
Due to Other Governmental Agencies	(66)	(11)	(79)
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	36	5	(26)
Net Pension Liability from Pension Contributions and Expenses	717	142	765
Total Adjustments	3,234	296	15,999
Net Cash Provided (Used) by Operating Activities	$ 2,368	$ 552	$ 29,344
Reconciliation of Cash and Cash Equivalents to Statement of Net Position			
Pooled Cash/Investments	$ 13,761	$ 2,443	$ 44,125
Imprest Cash Funds	--	--	3
Restricted Cash and Investments with Trustee	--	--	--
Total Cash and Cash Equivalents	$ 13,761	$ 2,443	$ 44,128

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the County in a trustee or agency capacity on behalf of outside parties, including employees, individuals, private organizations or other governments. These funds cannot be used to support the County's programs. When these assets are held under a formal trust agreement, a trust fund is used. Agency funds are generally used to account for assets that the County holds on behalf of others as their agent in a purely custodial capacity.

PRIVATE-PURPOSE TRUST FUNDS

Public Administration Trust Funds

These funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds and decedents' property held for escheatment.

OCDA Redevelopment Successor Agency

The Orange County Development Agency was dissolved effective February 1, 2012 in accordance with Health and Safety Code 34172. A successor agency was designated as the successor entity to the former redevelopment agency in accordance with Health and Safety Code 34173. The OCDA Redevelopment Successor Agency holds the assets of the dissolved Orange County Development Agency pending liquidation and distribution.

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

Extra-Help Defined Benefit Plan

This fund is used to account for the retirement plan for employees working less than half-time or as extra-help. This retirement plan was closed to new participants as of February 28, 2002. The eligible employees of these plans are not covered by the Orange County Employees Retirement System.

Extra-Help Defined Contribution Plan

This fund is used to account for the defined contribution retirement plan for extra-help and part-time employees. This plan replaced the Extra-Help Defined Benefit Retirement Plan and was effective for new employees on March 1, 2002. Effective February 10, 2015, the plan also includes new employees who have attained age 60 at date of hire, who waive membership in the Orange County Employees Retirement System ("OCERS"), and do not have funds on deposit with OCERS and otherwise meet the requirements under OCERS' regulations and state law to waive membership in OCERS. The eligible employees of these plans are not covered by the Orange County Employees Retirement System.

401(a) Defined Contribution Plan

This fund accounts for the 401(a) defined contribution plan, which was established in January 1999 for eligible employees, including the members of the Board of Supervisors, certain executive managers, certain administrative managers once classified as confidential and grandfathered in the plan, attorneys represented by the Orange County Attorney's Association and certain other employee classifications as defined in the plan document. The plan was closed to the attorneys effective June 24, 2005. The plan was closed to new administrative managers effective June 23, 2006.

1.62% at 65 Retirement, 401(a) Defined Contribution Plan

This fund is used to account for the matching 401(a) employer contributions for eligible employees in the "1.62@65" Retirement (OCERS) formula who voluntarily contribute to the "1.62@65" Retirement, 457(b) defined contribution plan. The Plan was established on May 7, 2010.

Retiree Medical Plan

This fund is used to account for the annual required contributions, benefit payments, and investment losses and gains in the Retiree Medical Trust which was established effective July 2, 2007. The Retiree Medical Trust was established exclusively for the Retiree Medical Plan which is a single employer Other Postemployment Benefit plan that was established on August 1, 1993 for eligible employees as defined in the plan document.

Health Reimbursement Arrangement Plan

This fund is used to account for the employer contributions to the Health Reimbursement Arrangement, a defined contribution plan, which was established on June 17, 2008 for eligible employees, including employees represented by the Association of Orange County Deputy Sheriffs and Law Enforcement Management employees as defined in the plan document.

AGENCY FUNDS

Unapportioned Tax and Interest Funds

This group of funds is used to account for the collection of property taxes, and later distribution of such taxes, as well as the interest earned on them. Included are taxes collected by the County for other governmental units using the County treasury, as well as governmental units not using the County treasury, such as cities.

Departmental Funds

This group of funds is used by certain County officers to hold various types of cash receipts and deposits in a fiduciary capacity. Disbursements are made from these funds by checks issued by the County Auditor-Controller upon requisition of the responsible officer.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS

	Total	Public Administration Trust Funds	OCDA Redevelopment Successor Agency
ASSETS			
Pooled Cash/Investments	$ 57,364	$ 41,701	$ 15,663
Restricted Cash and Investments			
Restricted Cash	4,630	--	4,630
Receivables			
Interest/Dividends	143	100	43
Due from Other Governmental Agencies	2	2	--
Land and Improvemtents Held for Resale	619	--	619
Total Assets	62,758	41,803	20,955
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	305	--	305
Total Deferred Outflows of Resources	305	--	305
LIABILITIES			
Bonds Payable	33,628	--	33,628
Interest Payable	429	--	429
Due to Other Governmental Agencies	644	622	22
Total Liabilities	34,701	622	34,079
NET POSITION			
Restricted for Private-Purpose Trust Funds	28,362	41,181	(12,819)
Net Position	$ 28,362	$ 41,181	$ (12,819)

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Total	Public Administration Trust Funds	OCDA Redevelopment Successor Agency
Additions:			
Contributions to Private-Purpose Trust	$ 83,033	$ 83,033	$ --
Intergovernmental Revenues	17,568	--	17,568
Other Revenues	786	--	786
Interest and Investment Income	112	65	47
Less: Investment Expense	(7)	--	(7)
Total Additions	101,492	83,098	18,394
Deductions:			
Distributions from Private-Purpose Trust	78,892	78,892	--
Professional Services	274	24	250
Bond Issuance Costs	183	--	183
Tax Pass-Throughs	4,000	--	4,000
Interest Expense	1,539	--	1,539
Total Deductions	84,888	78,916	5,972
Change in Net Position	16,604	4,182	12,422
Net Position, Beginning of Year	11,758	36,999	(25,241)
Net Position, End of Year	$ 28,362	$ 41,181	$ (12,819)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
ASSETS				
Pooled Cash/Investments	$ 9,297	$ 5,115	$ --	$ --
Restricted Cash and Investments with Trustee	299,926	--	7,597	14,005
Receivables				
Interest/Dividends	28	10	--	--
Due from Other Governmental Agencies	2,788	--	--	--
Total Assets	312,039	5,125	7,597	14,005
LIABILITIES				
Salaries and Employee Benefits Payable	8	8	--	--
Total Liabilities	8	8	--	--
NET POSITION				
Restricted for Pension and OPEB Benefits	312,031	5,117	7,597	14,005
Net Position	$ 312,031	$ 5,117	$ 7,597	$ 14,005

(Dollar Amounts in Thousands)

1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan	Health Reimbursement Arrangement Plan	
			ASSETS
$ --	$ 4,137	$ 45	Pooled Cash/Investments
515	206,118	71,691	Restricted Cash and Investments with Trustee
			Receivables
--	18	--	Interest/Dividends
27	2,354	407	Due from Other Governmental Agencies
542	212,627	72,143	Total Assets
			LIABILITIES
--	--	--	Salaries and Employee Benefits Payable
--	--	--	Total Liabilities
			NET POSITION
542	212,627	72,143	Restricted for Pension and OPEB Benefits
$ 542	$ 212,627	$ 72,143	Net Position

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
Additions:				
Contributions to Pension and Other Employee Benefits Trust:				
Employer	$ 51,126	$ 421	$ --	$ 913
Employee	3,816	--	1,018	--
Interest and Investment Income	6,728	29	161	528
Less: Investment Expense	(244)	(8)	(9)	(15)
Total Additions	61,426	442	1,170	1,426
Deductions:				
Benefits Paid to Participants	33,628	522	1,175	741
Administrative Expense	37	4	--	--
Total Deductions	33,665	526	1,175	741
Change in Net Position	27,761	(84)	(5)	685
Net Position, Beginning of Year	284,270	5,201	7,602	13,320
Net Position, End of Year	$ 312,031	$ 5,117	$ 7,597	$ 14,005

(Dollar Amounts in Thousands)

1.62%@65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan	Health Reimbursement Arrangement Plan	
			Additions:
			Contributions to Pension and Other Employee Benefits Trust:
$ 368	$ 41,181	$ 8,243	Employer
--	2,798	--	Employee
8	4,668	1,334	Interest and Investment Income
--	(7)	(205)	Less: Investment Expense
376	48,640	9,372	Total Additions
			Deductions:
--	29,874	1,316	Benefits Paid to Participants
--	33	--	Administrative Expense
--	29,907	1,316	Total Deductions
376	18,733	8,056	Change in Net Position
166	193,894	64,087	Net Position, Beginning of Year
$ 542	$ 212,627	$ 72,143	Net Position, End of Year

COMBINING STATEMENT OF FIDUCIARY NET POSITION
ALL AGENCY FUNDS

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
ASSETS			
Pooled Cash/Investments	$ 338,086	$ 189,325	$ 148,761
Cash/Cash Equivalents	326	--	326
Restricted Cash and Investments with Trustee	31,075	--	31,075
Investments	1,082	--	1,082
Deposits In-Lieu of Cash	19,247	--	19,247
Receivables			
Accounts	3	--	3
Taxes	317,620	317,620	--
Interest/Dividends	7,328	6,995	333
Allowance For Uncollectible Receivables	(154,807)	(154,805)	(2)
Due from Other Governmental Agencies	5,565	2,126	3,439
Notes Receivable	30,376	--	30,376
Total Assets	595,901	361,261	234,640
LIABILITIES			
Interest Payable	6,015	6,015	--
Deposits from Others	30,386	--	30,386
Monies Held for Others	155,775	--	155,775
Due to Other Governmental Agencies	50,808	2,329	48,479
Unapportioned Taxes	352,917	352,917	--
Total Liabilities	595,901	361,261	234,640
NET POSITION	$ --	$ --	$ --

COMBINING STATEMENT OF CHANGES ASSETS AND LIABILITIES
ALL AGENCY FUNDS

UNAPPORTIONED TAX AND INTEREST FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	$ 158,931	$ 7,643,015	$ 7,612,621	$ 189,325
Receivables				
Taxes	304,568	16,512,040	16,498,988	317,620
Interest	4,686	46,900	44,591	6,995
Allowance for Uncollectible Receivables	(137,072)	--	17,733	(154,805)
Due from Other Governmental Agencies	9	29,776	27,659	2,126
Total Assets	$ 331,122	$ 24,231,731	$ 24,201,592	$ 361,261
LIABILITIES				
Interest Payable	$ 3,436	$ 19,070	$ 16,491	$ 6,015
Due to Other Governmental Agencies	4,683	81,784	84,138	2,329
Unapportioned Taxes	323,003	10,342,523	10,312,609	352,917
Total Liabilities	$ 331,122	$ 10,443,377	$ 10,413,238	$ 361,261

DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	$ 139,343	$ 3,482,403	$ 3,472,985	$ 148,761
Cash/Cash Equivalents	253	557	484	326
Restricted Cash and Investments with Trustee	38,726	90,525	98,176	31,075
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	11,891	9,914	2,558	19,247
Receivables				
Accounts	8	63	68	3
Taxes	--	6	6	--
Interest	204	812	683	333
Allowance for Uncollectible Receivables	(1)	--	1	(2)
Due from Other Governmental Agencies	24,030	601,510	622,101	3,439
Prepaid Costs	--	2,559	2,559	--
Notes Receivable	28,233	2,372	229	30,376
Total Assets	$ 243,769	$ 4,190,721	$ 4,199,850	$ 234,640
LIABILITIES				
Deposits From Others	$ 17,312	$ 46,663	$ 33,589	$ 30,386
Monies Held for Others	181,297	5,988,410	6,013,932	155,775
Due to Component Unit	--	13	13	--
Due to Other Governmental Agencies	45,160	1,101,674	1,098,355	48,479
Total Liabilities	$ 243,769	$ 7,136,760	$ 7,145,889	$ 234,640

(Dollar Amounts in Thousands)

TOTAL - ALL AGENCY FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	$ 298,274	$ 11,125,418	$ 11,085,606	$ 338,086
Cash/Cash Equivalents	253	557	484	326
Restricted Cash and Investments with Trustee	38,726	90,525	98,176	31,075
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	11,891	9,914	2,558	19,247
Receivables				
Accounts	8	63	68	3
Taxes	304,568	16,512,040	16,498,988	317,620
Interest	4,890	47,712	45,274	7,328
Allowance for Uncollectible Receivables	(137,073)	--	17,734	(154,807)
Due from Other Governmental Agencies	24,039	631,286	649,760	5,565
Prepaid Costs	--	2,559	2,559	--
Notes Receivable	28,233	2,372	229	30,376
Total Assets	$ 574,891	$ 28,422,446	$ 28,401,436	$ 595,901
LIABILITIES				
Interest Payable	$ 3,436	$ 19,070	$ 16,491	$ 6,015
Deposits from Others	17,312	46,663	33,589	30,386
Monies Held for Others	181,297	5,988,410	6,013,932	155,775
Due to Component Unit	--	13	13	--
Due to Other Governmental Agencies	49,843	1,183,458	1,182,493	50,808
Unapportioned Taxes	323,003	10,342,523	10,312,609	352,917
Total Liabilities	$ 574,891	$ 17,580,137	$ 17,559,127	$ 595,901

COUNTY OF ORANGE
CALIFORNIA

STATISTICAL SECTION
(UNAUDITED)

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the Comprehensive Annual Financial Report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the basic financial statements, notes to the basic financial statements, and required supplementary information to understand and assess a government's economic condition.

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Debt Capacity These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.	206
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	211
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	213

Source: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2014-15	2013-14[4]	2012-13	2011-12[4]	2010-11
Governmental Activities					
Net Investment					
in Capital Assets	$ 2,670,577	$ 2,646,812	$ 2,563,976	$ 2,699,809	$ 2,626,281
Restricted for:					
Expendable					
Other Postemployment					
Benefits	--	--	--	-- [1]	41,609
Pension Benefits	112,544	109,986	105,900	96,604	107,807
Capital Projects	6,154	8,661	11,904	16,269	56,219
Debt Service	37,734	37,639	31,965	-	87,253
Legally Segregated					
for Grants and					
Other Purposes	1,045,897	1,190,106	1,174,791	1,077,117	1,133,256
Regional Park Endowment	141	140	139	--	--
Nonexpendable					
Regional Park Endowment	188	185	183	319	315
Unrestricted	(2,991,814)	331,408	196,850	37,790	(73,741)
Total Governmental Activities					
Net Position	$ 881,421	$ 4,324,937	$ 4,085,708	$ 3,927,908	$ 3,978,999
Business-Type Activities					
Net Investment					
in Capital Assets	$ 642,427	$ 624,621	$ 587,934	$ 574,982	$ 591,664
Restricted for:					
Expendable					
Debt Service	7,324	7,090	58,772	--	--
Passenger Facility Charges				--	--
Approved Capital Projects	70,538	62,522	55,331	--	--
Capital Projects -					
Replacements and Renewals	1,000	1,000	1,000	--	--
Landfill Closure/Postclosure	33,337	37,412	40,355	--	--
Landfill Corrective Action	8,174	7,141	6,109	--	--
Wetland	879	879	879	--	--
Prima Deshecha/La Pata				--	--
Closure	104	104	104		
Airport [3]	--	--	--	58,149	50,899
Waste Management [3]	--	--	--	82,205	84,070
Unrestricted [2]	362,546	384,871	335,122	350,474	313,568
Total Business-Type Activities					
Net Position	$ 1,126,329	$ 1,125,640	$ 1,085,606	$ 1,065,810	$ 1,040,201

Notes:
(1) In FY 2011-12, it was determined that the Restricted Net Position for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.
(2) In accordance with GASB Statement No. 54, which was implemented in FY 2010-11, net positions for business-type activities have been reclassified in the government-wide statements to be consistent with the classification of net position in the enterprise fund financial statements.
(3) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.
(4) The balances shown have not been restated to include the prior period adjustments.

(Dollar Amounts in Thousands)

Fiscal Year 2009-10	2008-09	2007-08	2006-07	2005-06	
					Governmental Activities
$ 2,560,468	$ 2,445,397	$ 2,302,926	$ 2,273,891	$ 2,306,178	Net Investment in Capital Assets
					Restricted for:
					Expendable
43,580	57,322	46,442	--	--	Other Postemployment Benefits
--	--	--	--	--	Pension Benefits
58,947	85,197	211,426	247,277	255,201	Capital Projects
76,936	66,515	168,468	155,918	121,840	Debt Service
1,069,801	1,047,284	990,198	916,563	738,515	Legally Segregated for Grants and Other Purposes
--	--	--	--	--	Regional Park Endowment
					Nonexpendable
154	149	139	125	109	Regional Park Endowment
(9,986)	(1,271)	57,812	135,826	(33,051)	Unrestricted
$ 3,799,900	$ 3,700,593	$ 3,777,411	$ 3,729,600	$ 3,388,792	Total Governmental Activities Net Position
					Business-Type Activities
$ 537,375	$ 493,658	$ 395,227	$ 359,544	$ 343,390	Net Investment in Capital Assets
					Restricted for:
					Expendable
--	--	--	--	--	Debt Service
--	--	--	--	--	Passenger Facility Charges
--	--	--	--	--	Approved Capital Projects
--	--	--	--	--	Replacements and Renewals
--	--	--	--	--	Landfill Closure/Postclosure
--	--	--	--	--	Landfill Corrective Action
--	--	--	--	--	Wetland
--	--	--	--	--	Prima Deshecha/La Pata Closure
48,225	176,225	218,293	194,038	146,332	Airport
86,943	284,943	294,068	292,847	264,502	Waste Management
321,778	--	--	--	--	Unrestricted
$ 994,321	$ 954,826	$ 907,588	$ 846,429	$ 754,224	Total Business-Type Activities Net Position

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting) (Continued)

	Fiscal Year				
	2014-15	2013-14 (1)	2012-13	2011-12 (1)	2010-11
Primary Government					
Net Investment in Capital Assets	$ 3,313,004	$ 3,271,433	$ 3,151,910	$ 3,274,791	$ 3,217,945
Restricted for:					
Expendable					
Other Postemployment Benefits	--	--	--	--	41,609
Pension Benefits	112,544	109,986	105,900	96,604	107,807
Capital Projects	6,154	8,661	11,904	16,269	56,219
Debt Service	45,058	44,729	90,737	--	87,253
Legally Segregated for Grants and Other Purposes	1,045,897	1,190,106	1,174,791	1,077,117	1,133,256
Regional Park Endowment	141	140	139	--	--
Passenger Facility Charges Approved Capital Projects	70,538	62,522	55,331	--	--
Replacements and Renewals	1,000	1,000	1,000	--	--
Landfill Closure/Postclosure	33,337	37,412	40,355	--	--
Landfill Corrective Action	8,174	7,141	6,109	--	--
Wetland	879	879	879	--	--
Prima Deshecha/La Pata Closure	104	104	104	--	--
Airport (3)	--	--	--	58,149	50,899
Waste Management (3)	--	--	--	82,205	84,070
Nonexpendable					
Regional Park Endowment	188	185	183	319	315
Unrestricted (2)	(2,629,268)	716,279	531,972	388,264	239,827
Total Primary Government Net Position	$ 2,007,750	$ 5,450,577	$ 5,171,314	$ 4,993,718	$ 5,019,200

Notes: (1) The balances shown have not been restated to include prior period adjustments.

(2) In accordance with GASB Statement No. 54, which was implemented in FY 2010-11, net positions for business-type activities have been reclassified in the government-wide statements to be consistent with the classification of net position in the enterprise fund financial statements.

(3) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.

(Dollar Amounts in Thousands)

Fiscal Year 2009-10	2008-09	2007-08	2006-07	2005-06	
					Primary Government
					Net Investment
$ 3,097,843	$ 2,939,055	$ 2,698,153	$ 2,633,435	$ 2,649,568	in Capital Assets
					Restricted for:
					Expendable
					Other Postemployment
43,580	57,322	46,442	--	--	Benefits
--	--	--	--	--	Pension Benefits
58,947	85,197	211,426	247,277	255,201	Capital Projects
76,936	66,515	168,468	155,918	121,840	Debt Service
					Legally Segregated
					for Grants and
1,069,801	1,047,284	990,198	916,563	738,515	Other Purposes
--	--	--	--	--	Regional Park Endowment
					Passenger Facility Charges
--	--	--	--	--	Approved Capital Projects
--	--	--	--	--	Replacements and Renewals
--	--	--	--	--	Landfill Closure/Postclosure
--	--	--	--	--	Landfill Corrective Action
--	--	--	--	--	Wetland
					Prima Deshecha/La Pata
--	--	--	--	--	Closure
48,225	176,225	218,293	194,038	146,332	Airport
86,943	284,943	294,068	292,847	264,502	Waste Management
					Nonexpendable
154	149	139	125	109	Regional Park Endowment
311,792	(1,271)	57,812	135,826	(33,051)	Unrestricted
					Total Primary Government
$ 4,794,221	$ 4,655,419	$ 4,684,999	$ 4,576,029	$ 4,143,016	Net Position

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2014-15	2013-14 (1)	2012-13	2011-12 (1)	2010-11
Expenses					
Governmental Activities:					
General Government	$ 191,793	$ 131,026	$ 221,110	$ 161,615	$ 223,710
Public Protection	1,326,028	1,261,984	1,264,354	1,231,925	1,174,859
Public Ways and Facilities	114,398	127,561	137,651	144,382	136,017
Health and Sanitation	537,580	626,063	621,381	593,657	586,525
Public Assistance	1,049,665	988,735	944,230	930,348	931,263
Education	43,314	41,240	38,548	41,226	39,788
Recreation and Cultural Services	102,069	96,820	101,232	102,762	101,993
Interest on Long-Term Debt	23,560	28,028	31,269	56,765	53,806
Subtotal Governmental Activities	3,388,407	3,301,457	3,359,775	3,262,680	3,247,961
Business-Type Activities:					
Airport	124,778	120,731	122,568	107,120	88,059
Waste Management	69,307	94,161	94,737	94,553	93,985
Compressed Natural Gas	331	379	305	306	349
Subtotal Business-Type Activities	194,416	215,271	217,610	201,979	182,393
Total Primary Government Expenses	$ 3,582,823	$ 3,516,728	$ 3,577,385	$ 3,464,659	$ 3,430,354
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	$ 36,924	$ 32,016	$ 32,127	$ 26,942	$ 33,561
Public Protection	286,644	273,215	283,031	271,423	310,773
Public Ways and Facilities	53,834	53,071	39,981	62,653	53,960
Health and Sanitation	102,599	93,470	81,039	86,027	93,815
Public Assistance	37,650	42,300	34,780	35,036	36,304
Education	1,480	2,059	1,327	1,437	1,576
Recreation and Cultural Cultural Services	43,882	39,251	39,637	38,888	37,560
Operating Grants and Contributions	1,996,861	2,033,550	1,904,858	1,800,296	1,706,231
Capital Grants and Contributions	33,241	54,478	62,893	39,010	170,516
Subtotal Governmental Activities Program Revenues	2,593,115	2,623,410	2,479,673	2,361,712	2,444,296
Business-Type Activities:					
Charges for Services					
Airport	141,563	136,359	132,941	129,213	124,298
Waste Management	139,493	125,106	106,876	99,249	102,595
Compressed Natural Gas	312	392	385	293	242
Operating Grants and Contributions	255	900	200	212	657
Capital Grants and Contributions	9,215	5,277	3,839	5,216	6,544
Subtotal Business-Type Activities Program Revenues	290,838	268,034	244,241	234,183	234,336
Total Primary Government Program Revenues	$ 2,883,953	$ 2,891,444	$ 2,723,914	$ 2,595,895	$ 2,678,632

Notes: (1) The balances shown have not been restated to include prior year adjustments.

(2) In FY 2006-07, the Unrestricted Investment Earnings were reclassified from Program Revenues to General Revenues for Business-Type Activities.

(Dollar Amounts in Thousands)

	Fiscal Year				
	2009-10	2008-09	2007-08	2006-07	2005-06
Expenses					
Governmental Activities:					
General Government	$ 165,489	$ 268,092	$ 264,049	$ 281,739	$ 227,536
Public Protection	1,160,823	1,230,894	1,164,458	1,055,593	972,996
Public Ways and Facilities	120,135	108,748	131,563	96,776	105,342
Health and Sanitation	578,983	593,331	576,160	527,541	467,640
Public Assistance	931,469	898,668	862,709	794,862	773,109
Education	41,009	41,265	37,728	32,722	40,452
Recreation and Cultural Services	90,649	81,896	75,612	80,279	72,535
Interest on Long-Term Debt	53,782	59,751	76,210	65,961	64,680
Subtotal Governmental Activities	3,142,339	3,282,645	3,188,489	2,935,473	2,724,290
Business-Type Activities:					
Airport	92,068	91,959	86,750	90,524	84,362
Waste Management	84,754	79,374	101,990	85,378	76,771
Compressed Natural Gas	95	--	--	--	--
Subtotal Business-Type Activities	176,917	171,333	188,740	175,902	161,133
Total Primary Government Expenses	$ 3,319,256	$ 3,453,978	$ 3,377,229	$ 3,111,375	$ 2,885,423
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	$ 27,452	$ 44,782	$ 40,659	$ 45,647	$ 38,645
Public Protection	278,355	289,014	295,740	283,215	275,703
Public Ways and Facilities	45,809	47,283	45,898	41,014	42,483
Health and Sanitation	86,430	82,059	95,069	85,305	79,493
Public Assistance	30,914	26,636	6,360	5,372	4,709
Education	1,449	1,338	1,349	4,743	1,353
Recreation and Cultural Cultural Services	38,223	40,138	40,449	39,028	34,974
Operating Grants and Contributions	1,741,762	1,641,501	1,735,820	1,759,887	1,605,063
Capital Grants and Contributions	16,828	94,031	46,308	69,340	18,178
Subtotal Governmental Activities Program Revenues	2,267,222	2,266,782	2,307,652	2,333,551	2,100,601
Business-Type Activities:					
Charges for Services					
Airport	126,656	125,095	126,139	127,747	101,775
Waste Management	82,442	93,456	99,548	111,362	114,239
Compressed Natural Gas	129	--	--	--	--
Operating Grants and Contributions	1,432	171	569	691 (2)	22,846
Capital Grants and Contributions	8,077	7,466	15,188	6,731	1,720
Subtotal Business-Type Activities Program Revenues	218,736	226,188	241,444	246,531	240,580
Total Primary Government Program Revenues	$ 2,485,958	$ 2,492,970	$ 2,549,096	$ 2,580,082	$ 2,341,181

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting) (Continued)

	Fiscal Year				
	2014-15	2013-14 (4)	2012-13	2011-12 (4)	2010-11
Net (Expense)/Revenue					
Governmental Activities	$ (795,292)	$ (678,047)	$ (880,102)	$ (900,968)	$ (803,665)
Business-Type Activities	96,422	52,763	26,631	32,204	51,943
Total Primary Government Net Revenue/(Expense)	$ (698,870)	$ (625,284)	$ (853,471)	$ (868,764)	$ (751,722)
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	$ 328,500	$ 277,591	$ 313,299	$ 311,779	$ 298,953
Property Taxes, Levied for Flood Control District	77,090	72,737	69,321	68,184	73,260
Property Taxes, Levied for OC Parks	57,266	54,042	51,550	51,168	51,554
Property Taxes, Levied for OC Public Libraries	42,333	39,734	37,961	37,389	37,590
Property Tax Increments (3)	--	--	--	18,308	30,755
Property Taxes in-Lieu of Motor Vehicle License Fees	314,957	295,798	309,745	303,955	228,421
Other Taxes	71,613	73,178	108,430	43,568	83,938
Grants and Contributions Not Restricted to Specific Programs	49,476	14,192	6,711	9,377	27,457
State Allocation of Motor Vehicle License Fees	764	895	1,659	2,667	49,889
Unrestricted Investment Earnings	6,796	18,459	11,559	4,195	23,703
Miscellaneous	69,789	54,412	48,478	57,125	64,563
Gain on Sale of Capital Assets	--	--	--	34	--
Transfers	19,959	17,557	10,276	11,767	12,681
Subtotal Governmental Activities	1,038,543	918,595	968,989	919,516	982,764
Extraordinary Gain/(Loss) Dissolution of OCDA (1)	--	--	1,800	(69,639)	--
Business-Type Activities:					
Other Taxes	109	101	93	134	-
Unrestricted Investment Earnings	3,042	3,064	2,113	3,530	5,509
Miscellaneous Revenues	1,597	3,177	1,235	1,508	1,109
Special Items	--	--	--	--	--
Transfers	(19,959)	(17,557)	(10,276)	(11,767)	(12,681)
Subtotal Business-Type Activities	(15,211)	(11,215)	(6,835)	(6,595)	(6,063)
Total Primary Government	$ 1,023,332	$ 907,380	$ 963,954	$ 843,282	$ 976,701
Change in Net Position					
Governmental Activities	$ 243,251	$ 240,548	$ 90,687	$ (51,091)	$ 179,099
Business-Type Activities	81,211	41,548	19,796	25,609	45,880
Total Primary Government	$ 324,462	$ 282,096	$ 110,483	$ (25,482)	$ 224,979

Notes:
(1) Extraordinary item results from dissolution of OCDA which is now reported as a private-purpose trust fund.
(2) In FY 2006-07, the Unrestricted Investment Earnings were reclassified from Program Revenues to General Revenues for Business-Type Activities.
(3) Starting in FY 2012-13, there were no property tax increment revenue due to dissolution of OCDA.
(4) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

	Fiscal Year 2009-10	2008-09	2007-08	2006-07	2005-06
Net (Expense)/Revenue					
Governmental Activities	$ (875,117)	$ (1,015,863)	$ (880,837)	$ (601,922)	$ (623,689)
Business-Type Activities	41,819	54,855	52,704	70,629	79,447
Total Primary Government Net Revenue/(Expense)	$ (833,298)	$ (961,008)	$ (828,133)	$ (531,293)	$ (544,242)
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	$ 290,054	$ 263,893	$ 273,259	$ 283,112	$ 271,925
Property Taxes, Levied for Flood Control District	67,103	68,747	68,042	63,209	53,662
Property Taxes, Levied for OC Parks	49,857	51,076	50,551	46,965	39,869
Property Taxes, Levied for OC Public Libraries	37,057	37,932	37,454	34,427	31,408
Property Tax Increments	31,917	35,276	32,376	25,828	26,580
Property Taxes in-Lieu of Motor Vehicle License Fees	229,635	232,760	224,210	206,933	158,240
Other Taxes	93,024	94,184	84,434	54,644	50,676
Grants and Contributions Not Restricted to Specific Programs	10,299	27,637	23,434	1,917	1,881
State Allocation of Motor Vehicle License Fees	46,697	50,390	54,656	58,487	56,873
Unrestricted Investment Earnings	15,541	13,583	27,773	60,856	38,588
Miscellaneous	54,496	49,438	66,887	60,762	66,239
Gain on Sale of Capital Assets	--	--	--	31,460	--
Transfers	11,188	14,129	16,802	14,130	11,435
Subtotal Governmental Activities	936,868	939,045	959,878	942,730	807,376
Extraordinary Gain/(Loss) Dissolution of OCDA	--	--	--	--	--
Business-Type Activities:					
Other Taxes	--	--	--	--	--
Unrestricted Investment Earnings	6,411	17,332	29,206	34,500 (2)	--
Miscellaneous Revenues	2,453	786	2,886	1,206	3,016
Special Items	--	--	(6,835)	--	--
Transfers	(11,188)	(14,129)	(16,802)	(14,130)	(11,435)
Subtotal Business-Type Activities	(2,324)	3,989	8,455	21,576	(8,419)
Total Primary Government	$ 934,544	$ 943,034	$ 968,333	$ 964,306	$ 798,957
Change in Net Position					
Governmental Activities	$ 61,751	$ (76,818)	$ 79,041	$ 340,808	$ 183,687
Business-Type Activities	39,495	58,844	61,159	92,205	71,028
Total Primary Government	$ 101,246	$ (17,974)	$ 140,200	$ 433,013	$ 254,715

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

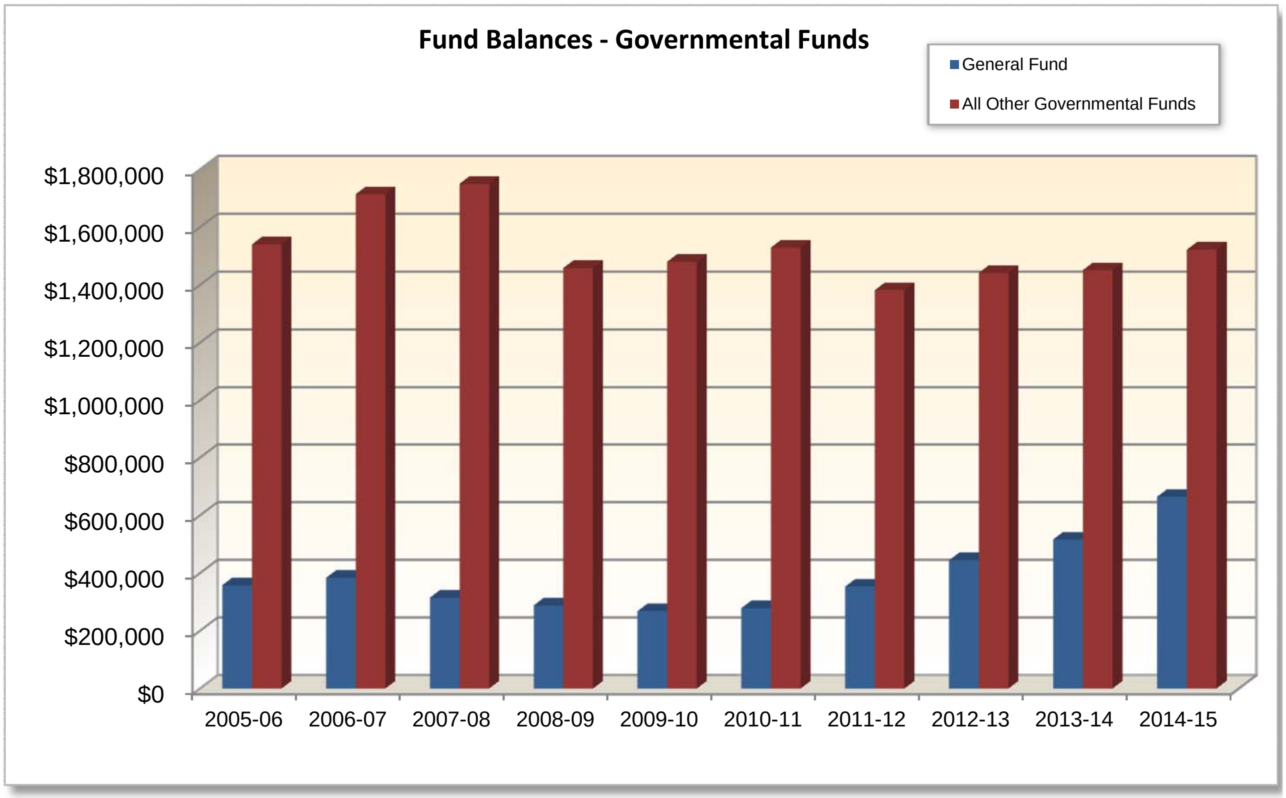
	Fiscal Year				
	2014-15	2013-14	2012-13(2)	2011-12	2010-11
General Fund					
Reserved	$ --	$ --	$ --	$ --	$ --
Unreserved	--	--	--	--	--
Nonspendable (1)	336,606	321,022	263,446	225,460	266,328
Restricted (1)	31,486	42,028	34,679	26,336	10,872
Assigned (1)	269,529	153,336	68,157	100,448	1,394
Unassigned (1)	26,887	--	78,264	990	--
Total General Fund	$ 664,508	$ 516,386	$ 444,546	$ 353,234	$ 278,594
All Other Governmental Funds					
Reserved	$ --	$ --	$ --	$ --	$ --
Unreserved,					
Reported in:					
Special Revenue Funds	--	--	--	--	--
Debt Service Funds	--	--	--	--	--
Capital Projects Funds	--	--	--	--	--
Permanent Fund	--	--	--	--	--
Nonspendable (1)	21,296	21,207	18,929	23,057	20,802
Restricted (1)	1,417,122	1,362,102	1,357,556	1,318,071	1,482,755
Assigned (1)	83,765	67,929	65,556	43,900	34,173
Unassigned (1)	--	--	--	(3,016)	(8,074)
Total All Other Governmental Funds	$ 1,522,183	$ 1,451,238	$ 1,442,041	$ 1,382,012	$ 1,529,656

Note: (1) In accordance with GASB Statement No. 54, which was implemented in FY 2010-11, the classification of fund balance was redefined.

(2) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

	Fiscal Year 2009-10	2008-09	2007-08	2006-07	2005-06
General Fund					
Reserved	$ 53,190	$ 49,423	$ 99,877	$ 89,001	$ 68,082
Unreserved	215,094	238,621	215,096	294,739	290,053
Nonspendable (1)	--	--	--	--	--
Restricted (1)	--	--	--	--	--
Assigned (1)	--	--	--	--	--
Unassigned (1)	--	--	--	--	--
Total General Fund	$ 268,284	$ 288,044	$ 314,973	$ 383,740	$ 358,135
All Other Governmental Funds					
Reserved	$ 540,745	$ 517,375	$ 671,739	$ 626,134	$ 594,090
Unreserved,					
Reported in:					
Special Revenue Funds	894,148	878,113	880,288	838,291	694,973
Debt Service Funds	(1,813)	(9,903)	--	17,456	5,323
Capital Projects Funds	47,362	73,045	198,348	232,317	245,770
Permanent Fund	154	149	139	125	110
Nonspendable (1)	--	--	--	--	--
Restricted (1)	--	--	--	--	--
Assigned (1)	--	--	--	--	--
Unassigned (1)	--	--	--	--	--
Total All Other Governmental Funds	$ 1,480,596	$ 1,458,779	$ 1,750,514	$ 1,714,323	$ 1,540,266



Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Basis of Accounting)

	Fiscal Year				
	2014-15	2013-14	2012-13	2011-12 (2)	2010-11
Revenues					
Taxes	$ 822,511	$ 778,936	$ 854,587	$ 784,797	$ 738,109
Licenses, Permits and Franchises	24,583	24,920	15,213	18,046	16,831
Fines, Forfeitures and Penalties	108,115	62,081	79,267	80,180	93,461
Use of Money and Property	73,700	63,611	58,441	81,088	89,514
Intergovernmental	2,064,354	2,070,245	1,940,687	1,846,311	1,745,066
Charges for Services	480,023	470,899	439,224	435,920	478,916
Contributions from Property Owners	--	--	--	--	--
Other	71,207	54,406	77,464	66,920	64,125
Total Revenues	3,644,493	3,525,098	3,464,883	3,313,262	3,226,022
Expenditures					
General Government	212,805	172,195	186,145	170,156	207,193
Public Protection	1,230,878	1,194,069	1,157,676	1,125,831	1,068,267
Public Ways and Facilities	102,732	127,506	112,294	126,809	110,789
Health and Sanitation	515,560	621,891	611,369	580,791	576,793
Public Assistance	1,030,404	972,156	932,414	909,296	911,704
Education	41,949	40,008	37,239	37,621	37,671
Recreation and Cultural Services	98,001	98,388	94,051	91,753	84,506
Capital Outlay	102,863	125,781	122,639	105,207	84,311
Debt Service					
Principal Retirement	104,756	111,486	72,499	95,429	87,685
Escrow Bond Agent	--	--	--	--	--
Interest	31,513	35,107	43,777	46,152	40,634
Debt Issuance Costs	--	200	--	--	--
Total Expenditures	3,471,461	3,498,787	3,370,103	3,289,045	3,209,553
Excess (Deficit) of Revenues Over Expenditures	173,032	26,311	94,780	24,217	16,469
Other Financing Sources (Uses)					
Transfers In	338,055	294,374	274,363	345,692	395,752
Transfers Out	(323,604)	(279,287)	(268,110)	(336,157)	(388,274)
Bonds Issued	31,541	39,639	78,419	10,000	36,000
Premium on Bonds Issued	--	--	--	2,927	--
Principal Payment on Demand Bonds	--	--	--	--	--
Refunding Bonds Issued	--	--	--	34,380	--
Payment to Refunded Bond Escrow	--	--	--	(40,491)	(710)
Provisions for Increase in Land Held for Resale	--	--	--	43	--
Capital Leases	43	--	--	-	133
Total Other Financing Sources	46,035	54,726	84,672	16,394	42,901
Extraordinary Gain/(Loss)	--	--	1,800	(113,615)	--
Net Change in Fund Balances	$ 219,067	$ 81,037	$ 181,252	$ (73,004)	$ 59,370
Debt Service as a Percentage of Noncapital Expenditures:	4.04%	4.34%	3.60%	4.44%	4.12%

Notes: (1) In FY 2005-06, the County eliminated the effect of intra-departmental billings and expenditures for annual required pension contribution. Prior years have not been restated.

(2) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

	Fiscal Year 2009-10	2008-09	2007-08	2006-07	2005-06
Revenues					
Taxes	$ 741,850	$ 727,159	$ 719,742	$ 674,278	$ 618,429
Licenses, Permits and Franchises	14,976	17,965	20,516	23,289	18,011
Fines, Forfeitures and Penalties	102,959	112,882	89,700	73,353	70,624
Use of Money and Property	88,350	69,667	146,983	165,042	100,207
Intergovernmental	1,769,253	1,697,017	1,743,637	1,722,951	1,614,484
Charges for Services	418,373	443,456	423,611	406,071	386,332
Contributions from Property Owners	--	--	--	--	18,094
Other	65,727	89,064	91,197	104,046	90,721 (1)
Total Revenues	3,201,488	3,157,210	3,235,386	3,169,030	2,916,902
Expenditures					
General Government	211,434	277,369	252,781	204,585	303,827 (1)
Public Protection	1,054,947	1,117,882	1,103,442	1,005,737	910,531
Public Ways and Facilities	106,985	110,548	117,963	90,683	95,161
Health and Sanitation	559,315	576,964	564,335	516,901	458,741
Public Assistance	903,733	878,436	851,836	788,326	664,723
Education	38,921	39,666	37,091	35,904	40,061
Recreation and Cultural Services	82,826	79,889	70,084	73,386	67,776
Capital Outlay	124,077	155,286	143,468	154,373	99,519
Debt Service					
Principal Retirement	88,962	205,268	301,066	191,012	67,602
Escrow Bond Agent	--	--	--	--	230,719
Interest	39,565	46,697	53,478	58,586	57,028
Debt Issuance Costs	--	--	--	799	4,402
Total Expenditures	3,210,765	3,488,005	3,495,544	3,120,292	3,000,090
Excess (Deficit) of Revenues Over Expenditures	(9,277)	(330,795)	(260,158)	48,738	(83,188)
Other Financing Sources (Uses)					
Transfers In	382,154	793,528	359,791	298,138	245,441
Transfers Out	(370,820)	(781,397)	(345,674)	(288,045)	(239,834)
Bonds Issued	--	--	--	32,700	--
Premium on Bonds Issued	--	--	--	2,140	29,290
Principal Payment on Demand Bonds	--	--	211,065	105,991	--
Refunding Bonds Issued	--	--	--	--	565,762
Payment to Refunded Bond Escrow	--	--	--	--	(568,409)
Provisions for Increase in Land Held for Resale	--	--	--	--	--
Capital Leases	--	--	2,400	--	396
Total Other Financing Sources	11,334	12,131	227,582	150,924	32,646
Extraordinary Loss	--	--	--	--	--
Net Change in Fund Balances	$ 2,057	$ (318,664)	$ (32,576)	$ 199,662	$ (50,542)
Debt Service as a Percentage of Noncapital Expenditures:	4.18%	7.54%	10.43%	8.44%	12.40%

Assessed Value of Taxable Property [1]
Last Ten Fiscal Years

Fiscal Year	Residential Property	Industrial/ Commercial Property	Other Property [2]	Unsecured Roll Gross Total [3]
2014-15	$ 352,800,864	$ 105,523,254	$ 3,694,094	$ 20,902,660
2013-14	328,138,473	102,580,010	3,792,261	19,281,087
2012-13	315,635,908	100,074,695	3,489,057	19,905,480
2011-12	310,211,002	96,431,670	2,848,162	20,634,672
2010-11	304,895,403	97,097,750	3,038,747	21,198,638
2009-10	302,855,181	100,686,715	2,814,952	21,516,171
2008-09	310,398,180	97,515,067	3,125,331	21,026,522
2007-08	302,853,813	89,547,612	2,772,022	20,318,430
2006-07	277,879,918	82,230,790	2,948,207	20,831,767
2005-06	249,353,174	74,875,049	2,282,746	18,341,319

Notes:
(1) Article XIIIA, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 percent, the current market value at time of ownership change and the market value for new construction. Estimated actual value of taxable property cannot easily be determined as the property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.
(2) Other property includes: timeshares, rural/agricultural land, unique miscellaneous, mineral rights, water rights and personal property and fixtures.
(3) Unsecured roll includes properties for which taxes assessed are not a lien on real property and are not sufficient, in the opinion of the Assessor, to secure payment of taxes. It consists of improvements, business personal property, boats and aircrafts, and it can also include land and improvements that are identified as real estate of others, as defined by the Assessor (reference Revenue and Taxation Code Section 134).

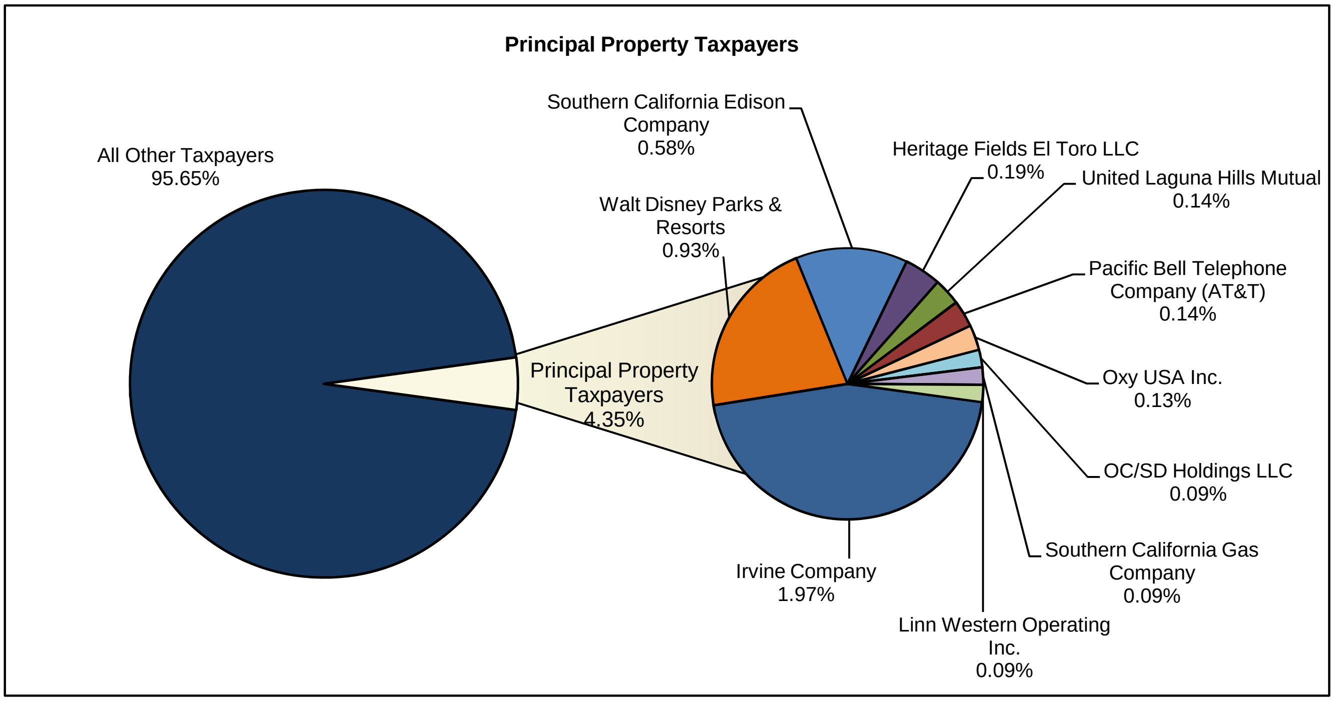
Source: Orange County Assessor Department

(Dollar Amounts in Thousands)

Total Taxable Assessed Value	Less: Exempt & Non-Reimbursed Exemptions	Net Taxable Assessed Value	Total Direct Tax Rate Percent [1]
$ 482,920,872	$ (11,661,965)	$ 471,258,907	1.00
453,791,831	(10,943,554)	442,848,277	1.00
439,105,140	(10,634,193)	428,470,947	1.00
430,125,506	(9,729,486)	420,396,020	1.00
426,230,538	(9,452,472)	416,778,066	1.00
427,873,019	(9,063,739)	418,809,280	1.00
432,065,100	(8,051,290)	424,013,810	1.00
415,491,877	(6,757,810)	408,734,067	1.00
383,890,682	(6,613,199)	377,277,483	1.00
344,852,288	(5,615,327)	339,236,961	1.00

Principal Property Taxpayers
Current Year and Nine Years Ago

	2015			2006		
Taxpayer	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
Irvine Company	$ 106,692	1	1.97%	$ 48,788	1	1.28%
Walt Disney Parks & Resorts	50,529	2	0.93%	35,813	2 & 6	0.94%
Southern California Edison Company	31,303	3	0.58%	17,776	4	0.47%
Heritage Fields El Toro LLC	10,503	4	0.19%			
United Laguna Hills Mutual	7,825	5	0.14%	6,792	7	0.18%
Pacific Bell Telephone Company (AT&T)	7,672	6	0.14%			
Oxy USA Inc.	6,977	7	0.13%			
OC/SD Holdings LLC	5,091	8	0.09%			
Southern California Gas Company	4,727	9	0.09%			
Linn Western Operating Inc.	4,611	10	0.09%			
Irvine Apartment Communities				18,995	3	0.50%
SBC California				7,727	5	0.20%
Irvine Co. of W VA				5,309	8	0.14%
Maguire Properties-Park Place				4,318	9	0.11%
Irvine Community Development				4,127	10	0.11%
Total	$ 235,930		4.35%	$ 149,645		3.93%

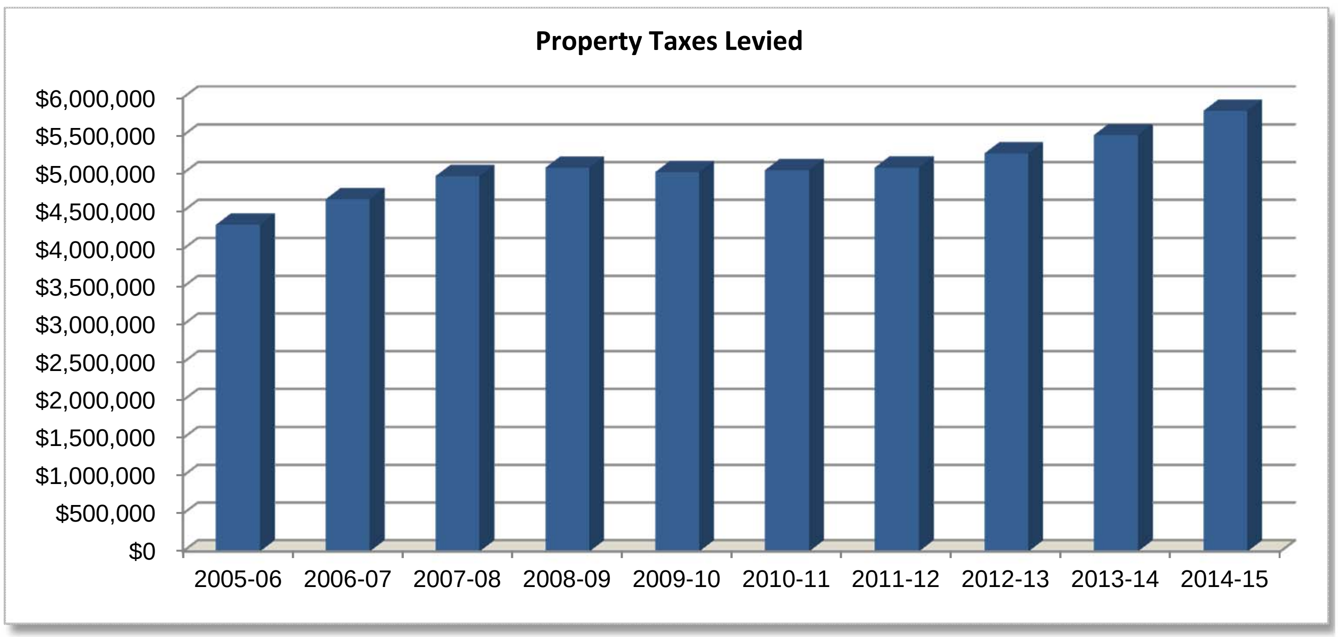


Source: Treasurer-Tax Collector, County of Orange

(Dollar Amounts in Thousands)

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year[1]	Collections Within the Fiscal Year of the Levy[2]		Collections of Delinquent Taxes from Prior Years[4]	Total Collections for the Fiscal Year[3]	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014-15	$ 5,828,106	$ 5,759,699	98.83%	$ -	$ 5,759,699	98.83%
2013-14	5,509,379	5,444,912	98.83%	35,142	5,480,054	99.47%
2012-13	5,265,844	5,194,193	98.64%	36,579	5,230,772	99.33%
2011-12	5,079,589	5,002,490	98.48%	58,963	5,061,453	99.64%
2010-11	5,045,802	4,960,748	98.31%	17,752	4,978,500	98.67%
2009-10	5,019,061	4,904,188	97.71%	8,628	4,912,816	97.88%
2008-09	5,076,796	4,901,574	96.55%	6,882	4,908,456	96.68%
2007-08	4,965,990	4,784,438	96.34%	4,088	4,788,526	96.43%
2006-07	4,661,169	4,499,537	96.53%	1,333	4,500,870	96.56%
2005-06	4,323,550	4,133,562	95.61%	425	4,133,987	95.62%



Notes:
(1) Total tax levy includes secured, supplemental, unsecured and former redevelopment agency increment, including penalties.
(2) Total tax collections include penalties.
(3) Total collections include collections of current year taxes and collections related to prior year levies. The percentage of levy represents the ratio of total collections to the taxes levied for that fiscal year.
(4) No amounts are shown in FY 2014-15 because the property taxes levied will be collected in the following year.

Source: Auditor-Controller, County of Orange

Ratios of Outstanding Debt [1] by Type
Last Ten Fiscal Years (in Thousands Except Per Capita)
(Accrual Basis of Accounting)

	Governmental Activities					
Fiscal Year	Refunding Recovery Bonds [6]	Redevelopment Bonds [2]	Certificates of Participation [5]	Pension Obligation Bonds [5]	Teeter Plan Revenue Bonds	Teeter Plan Notes
2014-15	$ -	$ --	$ 8,780	$ 116,494	$ --	$ 33,823
2013-14	19,172	--	10,626	127,206	--	39,830
2012-13	35,317	--	12,347	138,484	--	43,486
2011-12	51,600	--	3,422	47,523	--	--
2010-11	67,028	47,009	4,064	54,680	--	--
2009-10	81,619	49,729	4,758	59,331	--	--
2008-09	95,206	52,306	5,502	69,711	--	--
2007-08	108,175	54,750	6,306	72,728	123,725	--
2006-07	120,019	57,122	7,165	89,891	123,725	--
2005-06	131,420	58,994	8,092	99,714	123,725	--

Notes:
(1) Details regarding the County's outstanding debt can be found in Note 11, Long-Term Obligations.
(2) Redevelopment Bonds are no longer County debt due to the dissolution of Redevelopment Agency on February 1, 2012. Details regarding the Redevelopment Bonds can be found in Note 12, Conduit Debt Obligations and Successor Agency Debt.
(3) Capital lease obligations arise from lease agreements which are in-substance like purchases. The agreements convey property rights to the lessee and the lessee assumes substantially all the risks and benefits of ownership.
(4) See demographic and economic statistics schedule for personal income and population data. For years prior to FY 2012-13, the personal income ratio and the debt per capita amounts were calculated using personal income and population from the prior fiscal year.
(5) Beginning FY 2012-13, outstanding debt includes accreted interest on capital appreciation bonds.
(6) Beginning FY 2013-14, outstanding debt does not include deferred amount on refunding due to implementation of GASB Statement No. 65. Prior years have not been restated.

Source: Auditor-Controller, County of Orange

(Dollar Amounts in Thousands)

Lease Revenue Bonds [6]	Capital Lease Obligations [3]	Business-Type Activities: Airport Revenue Bonds	Business-Type Activities: Waste Management System Revenue Bonds	Total Primary Government	Percentage of Personal Income [4]	Per Capita [4]
$ 105,880	$ 79,168	$ 202,536	$ --	$ 546,681	0.29%	$ 174
137,115	62,446	209,804	-	606,199	0.34%	195
155,828	67,353	240,540	7,018	700,373	0.41%	227
181,097	71,755	248,900	13,666	617,963	0.37%	202
249,924	76,074	256,683	19,921	775,383	0.49%	258
309,517	80,114	264,099	25,738	874,905	0.57%	276
365,850	84,952	33,502	31,144	738,173	0.50%	235
420,668	90,769	89,897	36,177	1,003,195	0.65%	321
470,616	93,533	101,925	40,881	1,104,877	0.72%	357
486,020	101,546	113,156	45,272	1,167,939	0.81%	380

Ratios of Net General Bonded Debt [1] Outstanding
Last Ten Fiscal Years (in Thousands Except Per Capita)
(Accrual Basis of Accounting)

	General Debt Outstanding					
Fiscal Year	Refunding Recovery Bonds	Pension Obligation Bonds [3]	Restricted for Debt Payments [3]	Total (Excess)/ Under	Percentage of Assessed Value	Per Capita [2]
2014-15	$ -	$ 116,494	$ 116,494	$ -	0.00%	$ -
2013-14	19,172	127,206	127,206	19,172	0.00%	6
2012-13	35,317	138,484	138,484	35,317	0.01%	11
2011-12	51,600	47,523	47,523	51,600	0.01%	17
2010-11	67,028	54,680	54,680	67,028	0.02%	22
2009-10	81,619	59,331	59,331	81,619	0.02%	26
2008-09	95,206	69,711	69,711	95,206	0.02%	30
2007-08	108,175	72,728	72,728	108,175	0.03%	35
2006-07	120,019	89,891	89,891	120,019	0.04%	39
2005-06	131,420	99,714	99,714	131,420	0.04%	43

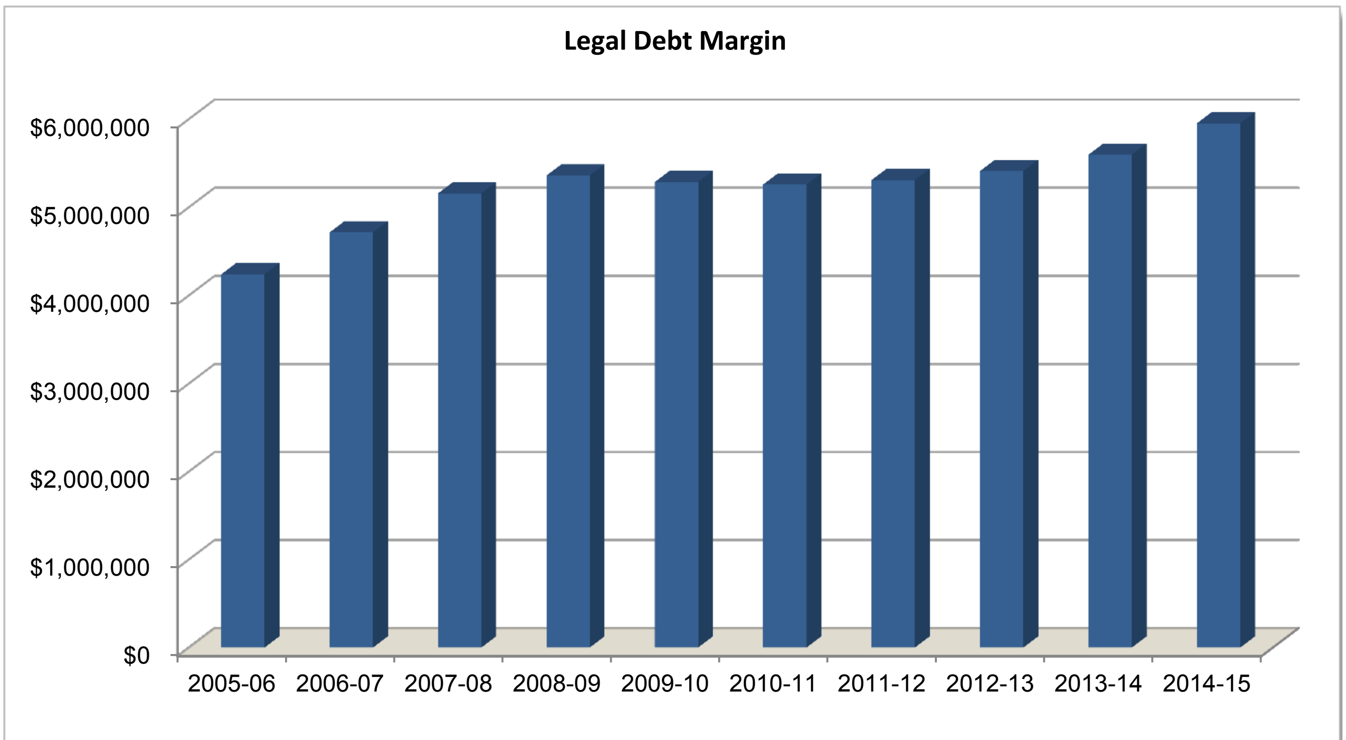
Notes:
(1) Details regarding the County's outstanding debt can be found in Note 11, Long-Term Obligations.
(2) See demographic and economic statistics schedule for population data. For years prior to FY 2012-13, the debt per capita amount was calculated using the population for the prior fiscal year.
(3) Beginning in FY 2012-13, outstanding debt includes accreted interest on capital appreciation bonds.

Source: Auditor Controller, County of Orange

(Dollar Amounts in Thousands)

Legal Debt Margin as a Percentage of Debt Limit
Last Ten Fiscal Years

Fiscal Year	Assessed Value [1]	Legal Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit [2]
2014-15	$ 476,303,290	$ 5,953,791	$ --	$ 5,953,791	0%
2013-14	447,749,156	5,596,864	--	5,596,864	0%
2012-13	432,902,274	5,411,278	--	5,411,278	0%
2011-12	424,769,642	5,309,621	--	5,309,621	0%
2010-11	420,751,575	5,259,395	--	5,259,395	0%
2009-10	422,965,596	5,287,070	--	5,287,070	0%
2008-09	428,809,224	5,360,115	--	5,360,115	0%
2007-08	412,669,779	5,158,372	--	5,158,372	0%
2006-07	377,277,483	4,715,969	--	4,715,969	0%
2005-06	339,236,961	4,240,462	--	4,240,462	0%



Note: (1) Starting from FY 2007-08, Assessed Value includes values for the State assessed properties.

(2) The amount of the general obligation bonded indebtedness the County can incur is limited by law to 1.25 percent of the equalized assessment property tax roll. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIIIA, section 1 requres the approval of 2/3 of the voting on the proposition.

Source: Auditor-Controller, County of Orange

Pledged Revenue Coverage [1]
Last Ten Fiscal Years

South Orange County Public Financing Authority

Funding Source: Interest Earnings, Rents and Concessions, and Transfers

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2014-15	$ 5,830	$ --	$ 5,830	$ 4,780	$ 1,049	1.00
2013-14	5,825	--	5,825	4,680	1,143	1.00
2012-13	5,841	--	5,841	4,520	1,307	1.00
2011-12	--	262	(262)	--	--	--
2010-11	--	--	--	--	--	--
2009-10	--	--	--	--	--	--
2008-09	--	--	--	--	--	--
2007-08	--	--	--	--	--	--
2006-07	--	--	--	--	--	--
2005-06	--	--	--	--	--	--

Orange County Public Facilities Corporation Bonds

Funding Source: Interest Earnings and Transfers

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2014-15	$ 2,475	$ --	$ 2,475	$ 518	$ 2,090	0.95
2013-14	2,459	--	2,459	560	2,045	0.94
2012-13	2,403	44	2,359	600	2,005	0.91
2011-12	2,770	--	2,770	642	1,958	1.07
2010-11	2,525	--	2,525	694	1,906	0.97
2009-10	2,743	--	2,743	744	1,861	1.05
2008-09	2,700	--	2,700	804	1,801	1.04
2007-08	2,789	--	2,789	859	1,741	1.07
2006-07	2,605	--	2,605	927	1,678	1.00
2005-06	2,234	--	2,234	992	1,615	0.86

Orange County Public Financing Authority

Funding Source: Interest Earnings, Rents and Concessions, and Transfers

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2014-15	$ 29,928	--	$ 29,928	$ 24,235	$ 4,455	1.04
2013-14	29,949	--	29,949	23,115	5,605	1.04
2012-13	29,952	--	29,952	22,160	6,638	1.04
2011-12	35,697	--	35,697	61,630	10,837	0.49
2010-11	74,725	--	74,725	58,990	13,643	1.03
2009-10	74,838	--	74,838	56,580	16,151	1.03
2008-09	77,027	--	77,027	56,225	18,385	1.03
2007-08	77,308	--	77,308	51,680	20,283	1.07
2006-07	76,162	2,137	74,025	52,050	21,656	1.00
2005-06	73,479	--	73,479	5,340	10,422	4.66

Teeter Plan Notes (3)

Funding Source: Delinquent Property Taxes Collected

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2014-15	$ 174	$ 2,954	$ (2,780)[4]	$ 37,548	$ 352	(0.07)
2013-14	11,147	251	10,896	43,295	413	0.25
2012-13	15,706	1,032	14,674	14,449	327	0.99
2011-12	17,094	1,769	15,325	--	267	57.40
2010-11	25,679	1,989	23,690	--	654	36.22
2009-10	35,113	2,203	32,910	--	917	35.89
2008-09	35,117	45,284	(10,167)[2]	--	1,170	(8.69)
2007-08	--	--	--	--	--	--
2006-07	--	--	--	--	--	--
2005-06	--	--	--	--	--	--

Airport Revenue Bonds

Funding Source: Rents and Concessions, Other Charges for Services, Misc Revenue, Interest Earnings, and Available Passenger Facility Charge Revenue

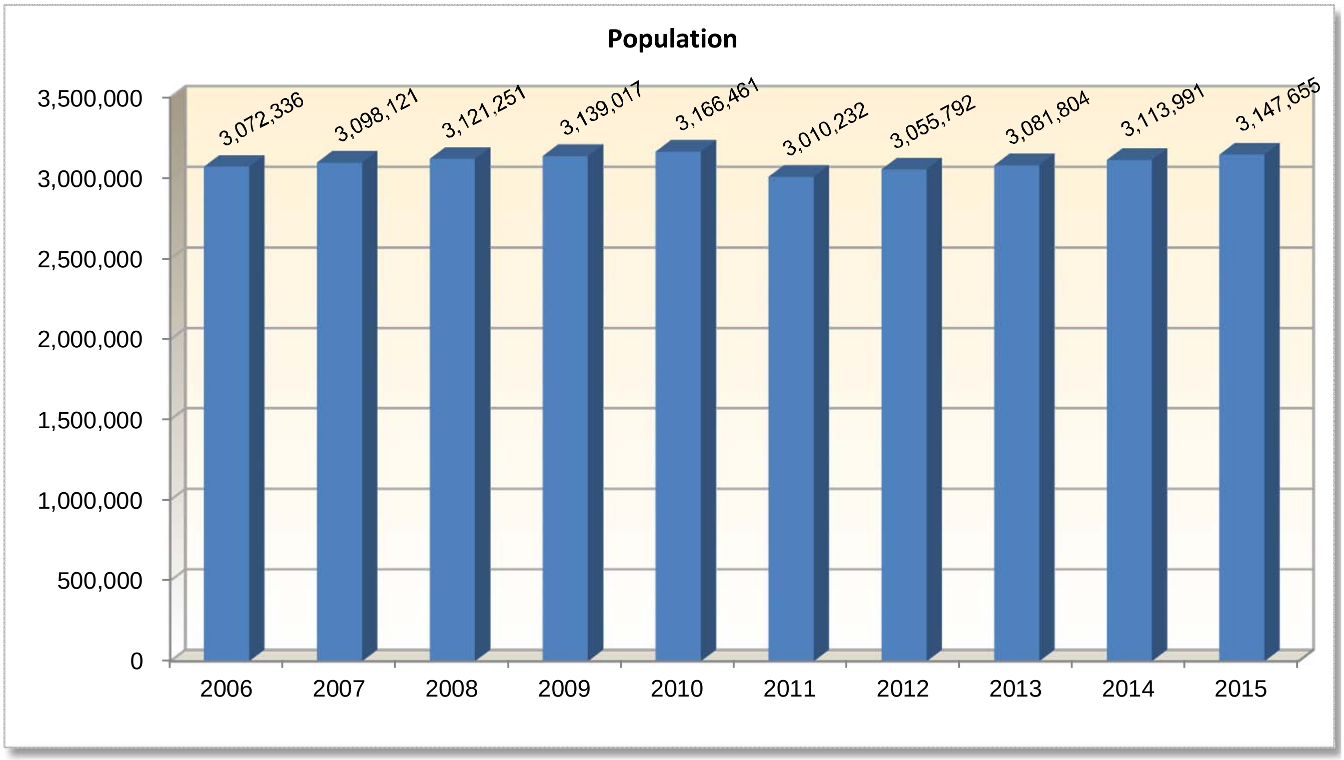
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2014-15	$ 135,491	$ 82,558	$ 52,933	$ 6,995	$ 10,603	3.01
2013-14	131,285	84,708	46,577	30,473	11,395	1.11
2012-13	126,966	79,739	47,227	9,250	12,250	2.20
2011-12	124,403	77,628	46,775	7,851	12,592	2.29
2010-11	120,088	70,521	49,567	7,460	12,906	2.43
2009-10	121,761	68,771	52,990	2,865	7,163	5.28
2008-09	115,026	67,749	47,277	13,480	4,567	2.62
2007-08	118,105	63,174	54,931	12,765	5,280	3.04
2006-07	117,879	82,383	35,496	12,120	6,249	1.93
2005-06	111,324	75,992	35,332	11,500	6,866	1.92

Notes:
(1) Details regarding the County's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.
(2) For FY 2008-09, there is a deficit balance for Net Available Revenue due to additional expenditures resulting from the establishment of the Teeter tax loss reserves in the Tax Loss Reserve Agency Fund during the first year of the program.
(3) Teeter Plan Notes were converted from short-term commercial paper to long-term note in FY 2012-13.
(4) For FY 2014-15, there is a deficit balance for Net Available Revenue due to the change in Teeter Plan Reserve methodology.

Source: Auditor-Controller, County of Orange

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (2)	Per Capita Personal Income (Absolute Dollars) (2)	Median Age (3)	Public School Enrollment (In Thousands) (4)	Unemployment Rate (5)
2015	3,147,655	$ 185,500,000	$ 58,933	N/A	497,116	4.0%
2014	3,113,991	177,412,900	56,973	36.4	500,487	5.4%
2013	3,081,804	168,966,400	54,827	36.2	501,801	6.2%
2012	3,055,792	166,345,500	54,436	36.7	502,195	7.7%
2011	3,010,232	159,007,100	52,822	37.3	502,895	8.6%
2010	3,166,461	153,098,600	48,350	37.2	502,239	9.6%
2009	3,139,017	148,372,600	47,267	36.9	504,136	9.6%
2008	3,121,251	155,068,400	49,681	36.1	503,225	5.7%
2007	3,098,121	153,446,600	49,529	35.9	503,955	3.8%
2006	3,072,336	143,949,044	48,209	35.3	510,114	3.4%



N/A means Not Available

Sources:

(1) California Department of Finance, Demographic Research Unit, http://www.dof.ca.gov

(2) For years prior to 2007, source is U.S. Department of Commerce, Bureau of Economic Analysis, http://www.bea.gov. From 2007 to current, the source for personal income is from the Chapman University Economic & Business Review. Starting in 2007, per capita personal income was calculated by dividing personal income by the population.

(3) U.S. Census Bureau, American Community Survey, http://www.census.gov, 2015 N/A

(4) California Department of Education, http://www.cde.ca.gov

(5) State of California, Employment Development Department, http://www.edd.ca.gov/

Principal Employers
Current Year and Nine Years Ago

2015

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	27,000	1	1.69%
University of California, Irvine	22,385	2	1.40%
County of Orange	18,135	3	1.13%
St. Joseph Health System	12,227	4	0.76%
Kaiser Permanente	7,000	5	0.44%
Boeing Co.	6,890	6	0.43%
Walmart	6,000	7	0.38%
Memorial Care Health System	5,650	8	0.35%
Bank of America	5,500	9	0.34%
Target Corporation	5,400	10	0.34%

2006

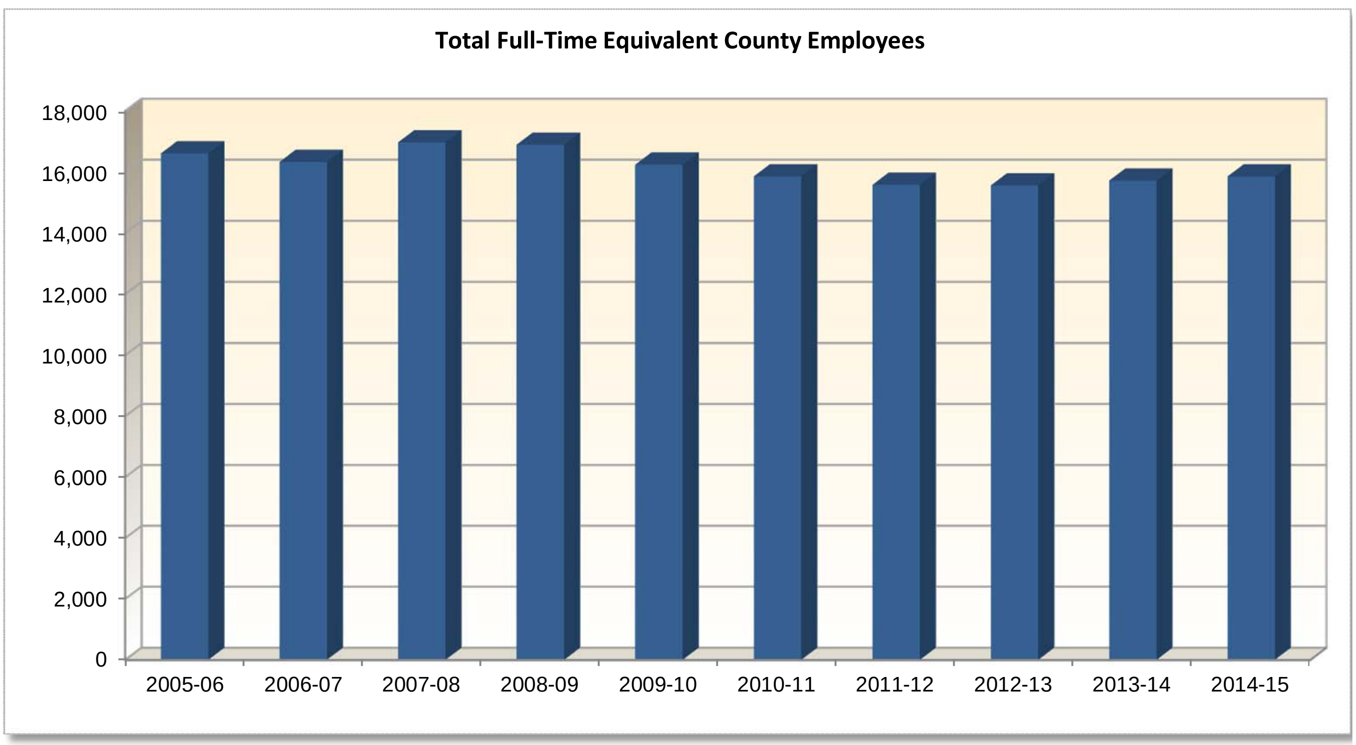
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	21,000	1	1.37%
County of Orange	17,785	2	1.16%
University of California, Irvine	16,229	3	1.06%
Boeing Co.	12,042	4	0.79%
St. Joseph Health System	9,385	5	0.61%
Yum! Brands Inc.	6,600	6	0.43%
Ameriquest Capital Corporation	6,300	7	0.41%
California State University, Fullerton	5,256	8	0.34%
PacifiCare Health System	5,074	9	0.33%
Home Depot, Incorporated	5,000	10	0.33%

Source: Source: Orange County Business Journal Book of Lists - County of Orange
http://www.labormarketinfo.edd.ca.gov

(Dollar Amounts in Thousands)

Full-time Equivalent County Employees by Function
Last Ten Fiscal Years

Function/Program	2014-15	2013-14	2012-13(2)	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
General Government	1,341	1,322	1,273	1,279	1,314	1,346	1,383	1,377	1,334	1,384
Public Protection	6,674	6,760	6,781	6,653	6,692	6,879	7,298	7,226	6,943	7,068
Public Ways and Facilities	440	478	508	542	569	585	622	621	579	598
Health and Sanitation	2,198	2,128	2,137	2,209	2,292	2,346	2,507	2,550	2,441	2,478
Public Assistance	4,239	4,043	3,876	3,867	3,935	4,023	4,000	4,123	3,992	4,029
Education	286	290	286	307	324	325	350	360	351	359
Recreation and Cultural Services	265	274	268	283	289	285	277	264	257	265
Airport	159	162	167	168	168	169	168	161	157	150
Waste Management	241	249	255	257	261	267	272	270	258	263
Children and Families Commission of Orange County	11	11	11	13	14	16	17	17	16	15
Total Full-time Equivalent Employees (1)	15,854	15,717	15,562	15,578	15,858	16,241	16,894	16,969	16,328	16,609



Note: (1) Full-time equivalent employment is calculated by dividing total labor hours by the total of hours in a fiscal year (2,080 hours).
(2) Updated FY 2012-13 numbers due to revaluation of methodology. It was subsequently determined that prior methodology was appropriate.

Source: County Executive Office, County of Orange

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year 2014-15	2013-14	2012-13	2011-12	2010-11
General Government					
Auditor-Controller					
Property Tax Bills Prepared	1,216,325	1,220,750	1,186,238	1,153,816	1,189,320
Assessor					
Number of Real Property Valued	924,791	918,672	914,489	901,840	899,644
Number of Unsecured Property Assessed	145,151	135,551	139,865	159,464	161,005
New Parcels Created and Mapped	6,918	4,519	8,175	3,649	2,739
New Construction Events	18,530	16,904	17,173	17,129	9,372
County Executive Office					
Volunteer Program Service Hours	638,230	700,759	815,407	885,416	935,284
Clerk-Recorder					
Marriage Licenses Issued	23,553	25,244	22,502	22,415	20,868
Marriage Ceremonies Performed	11,213	12,056	*	*	*
Copies of Birth Certificates Issued	79,826	82,268	81,775	83,611	85,773
Property-Related Document Recordings	651,866	580,899	839,353	741,935	725,323
Passport Applications Filed	5,016	2,686	*	*	*
Treasurer-Tax Collector					
Orange County Investment Pool Income	$ 14,581	$ 11,298	$ 12,958	$ 17,978	$ 22,295
Assets Under Management	$ 7,604,246	$ 6,566,145	$ 6,490,056	$ 5,922,768	$ 6,183,195
Number of Property Tax Bills	1,381,808	1,421,654	1,347,596	1,257,709	1,382,198
Percentage of Secured Tax Bill Collection	99.21%	99.16%	98.94%	98.51%	98.35%
Number of Incoming Phone Calls	121,461	115,123	150,830	148,463	162,955
Percentage of Electronic Payments	54.2%	53.8%	49.4%	51.1%	49.3%
Secured Tax Bill Reminders	35,917	31,988	28,664	25,451	21,027
Property Tax Payments by eCheck	285,932	248,908	213,146	181,151	143,136
Registrar of Voters					
Registered Voters	1,424,216	1,411,232	1,683,001	1,612,145	1,621,934
Highest Number of Ballots Cast	640,358	340,187	1,133,204	145,474	898,205
Elections Conducted	7	3	2	2	5
Public Protection					
Sheriff-Coroner					
Patrolled Cities Population	637,261	631,934	627,447	557,403	553,148
Patrolled Unincorporated Areas Population	124,014	121,473	120,396	119,698	121,488
Number of Bookings to Orange County Jail System	56,135	61,262	63,439	65,256	63,615
Average Daily Jail Head Count	6,055	7,039	6,805	6,265	5,721
District Attorney					
Defendants Prosecuted - Adult	56,233	55,906	57,873	61,759	64,418
Defendants Prosecuted - Juvenile	4,482	5,103	6,651	6,743	7,907
Probation					
Physical Arrests - Adult	*	*	2,947	2,307	1,926
Physical Arrests - Juvenile	*	*	640	467	488
Probationers under Supervision as of June 30th-Adult	10,725	14,425	14,186	14,788	13,243
Probationers under Supervision as of June 30th-Juvenile	3,124	4,156	4,984	5,399	5,792
Avg. Daily Juvenile Hall Population	150	229	320	315	417
Avg. Daily Camp Population	203	182	193	169	194
Public Defender					
Cases Appointed Annually	79,119	74,101	77,073	73,487	77,661

(Dollar Amounts in Thousands)

Fiscal Year 2009-10	2008-09	2007-08	2006-07	2005-06	Function/Program
					General Government
					Auditor-Controller
1,144,933	1,148,720	1,149,007	1,164,584	1,155,562	Property Tax Bills Prepared
					Assessor
897,547	888,770	881,233	872,439	859,112	Number of Real Property Valued
168,208	169,821	176,584	171,542	168,342	Number of Unsecured Property Assessed
9,413	9,185	10,252	14,760	13,800	New Parcels Created and Mapped
13,172	16,565	19,380	19,991	16,730	New Construction Events
					County Executive Office
882,680	839,125	675,285	923,689	1,021,153	Volunteer Program Service Hours
					Clerk-Recorder
20,292	21,339	20,894	21,088	21,198	Marriage Licenses Issued
*	*	*	*	*	Marriage Ceremonies Performed
87,999	98,231	117,226	120,817	99,792	Copies of Birth Certificates Issued
669,332	629,373	658,005	849,739	979,733	Property-Related Document Recordings
*	*	*	*	*	Passport Applications Filed
					Treasurer-Tax Collector
$ 35,656	$ 67,242	$ 141,824	$ 167,107	$ 119,561	Orange County Investment Pool Income
$ 5,975,392	$ 5,963,577	$ 6,064,067	$ 6,186,614	$ 5,537,981	Assets Under Management
1,362,221	1,367,901	1,472,466	1,477,237	1,421,439	Number of Property Tax Bills
97.61%	96.30%	96.13%	97.18%	98.35%	Percentage of Secured Tax Bill Collection
160,067	178,420	175,149	161,832	*	Number of Incoming Phone Calls
43.8%	40.8%	41.2%	*	*	Percentage of Electronic Payments
*	*	*	*	*	Secured Tax Bill Reminders
126,942	112,114	105,396	*	*	Property Tax Payments by eCheck
					Registrar of Voters
1,603,312	1,607,989	1,566,951	1,497,397	1,491,009	Registered Voters
482,708	1,167,657	748,910	756,348	653,077	Highest Number of Ballots Cast
5	4	5	3	8	Elections Conducted
					Public Protection
					Sheriff-Coroner
584,947	581,109	575,909	571,648	571,456	Patrolled Cities Population
120,088	119,480	118,136	120,174	118,664	Patrolled Unincorporated Areas Population
58,322	61,778	64,596	66,869	67,062	Number of Bookings to Orange County Jail System
5,171	6,090	6,183	6,571	6,517	Average Daily Jail Head Count
					District Attorney
64,969	70,058	69,507	74,010	71,094	Defendants Prosecuted - Adult
6,894	7,740	9,076	8,763	7,670	Defendants Prosecuted - Juvenile
					Probation
1,822	1,725	2,470	3,000	3,052	Physical Arrests - Adult
685	595	1,051	1,363	1,421	Physical Arrests - Juvenile
13,476	15,022	16,223	16,646	16,656	Probationers under Supervision as of June 30th-Adult
6,527	6,492	6,569	6,112	5,912	Probationers under Supervision as of June 30th-Juvenile
428	455	490	502	522	Avg. Daily Juvenile Hall Population
191	310	438	333	328	Avg. Daily Camp Population
					Public Defender
76,191	83,029	79,052	83,299	79,785	Cases Appointed Annually

* means Not Available
Sources: County Departments

Operating Indicators by Function/Program
Last Ten Fiscal Years (Continued)

Function/Program	Fiscal Year 2014-15	2013-14	2012-13	2011-12	2010-11
Recreation					
OC Community Resources					
Exotic Invasive Plant Removal (acres)	1,466	1,154	4,102	4,042	629
Native Vegetation Restoration (acres)	312	368	843	994	2,448
New Open Space Management (acres)	--	--	--	--	--
Dana Point Harbor					
Slip and Dry Storage Tenants	3,204	2,679	2,700	2,237	2,748
Boat Launches	15,511	15,606	15,037	14,327	15,150
Sailing and Event Center Participants	75,000	111,838	115,996	111,959	108,070
Ocean Institute Students	41,000	100,000	108,668	110,059	125,000
Hotel Guests	43,073	42,887	41,141	36,800	26,972
Catalina Express Passengers	123,688	123,257	123,257	120,945	114,176
Special Events at the Harbor	12	15	16	16	16
Public Ways and Facilities					
OC Public Works (OCPW)					
Building and Home Inspections	30,324	31,772	19,368	15,591	13,215
Health and Sanitation					
OC Community Resources					
Animal Licenses	198,358	192,320	191,098	200,755	173,570
Health Care Agency					
911 Emergency Medical Services Responses	183,794	170,804	171,420	168,172	156,638
Retail Food Facility Inspections Conducted	31,397	32,689	34,953	35,025	34,962
Hazardous Waste Inspections Conducted	5,950	4,616	6,058	5,444	6,237
Number of Home Visits by Public Health Nurses	31,258	35,101	34,953	32,498	29,260
Number of Low Income Children Dental Health Services	755	1,225	1,107	1,344	1,533
Number of Ocean Water Days of Closure (In Beach-Miles)	24	20	8	0.93	61
Public Assistance					
OC Community Resources					
Adult Day Care Hours of Service	43,010	50,944	49,129	70,267	93,425
Elderly Nutrition Program Meals Delivered	1,406,526	1,347,251	1,360,601	1,636,379	1,846,571
One-Way Transportation Trips Provided to Seniors	180,899	187,864	155,003	184,476	287,611
Social Service Agency					
Average Monthly Medi-Cal Recipients	718,061	521,078	430,559	418,649	403,142
Average Monthly Child Abuse Hotline Calls	4,049	3,674	3,009	2,880	3,003
Average Monthly CalFresh (formerly Food Stamp) Recipients	258,676	247,517	230,964	213,919	185,489
Average Monthly In-Home Supportive Services	20,787	19,652	19,663	19,240	18,335
Average Persons Receiving Cash Assistance	55,921	55,225	55,008	56,847	58,770
Average Children in Foster Care/Relative Care	1,924	2,119	2,213	2,128	2,148
Average Elder and Adult Abuse Unduplicated Reports Received	815	710	636	630	604
Education					
OC Community Resources					
Total Volumes Borrowed at Library Branches	6,411,127	6,642,739	6,564,262	6,741,380	7,796,954
Airport					
Passengers	9,608,873	9,304,295	9,124,172	8,642,116	8,611,054
Air Cargo Tonnage	16,997	17,564	17,821	16,831	15,150
Takeoffs & Landings	264,726	252,166	252,506	251,191	260,466
Waste Management					
Solid Waste Tonnage	4,581,359	4,070,238	3,428,657	3,304,643	3,495,649
Gallons of Leachate and Impacted Ground Water Collected	5,510,821	3,854,530	3,116,108	3,448,964	3,209,725

(Dollar Amounts in Thousands)

Fiscal Year 2009-10	2008-09	2007-08	2006-07	2005-06	Function/Program
					Recreation
					OC Community Resources
61	1,475	*	30	15	Exotic Invasive Plant Removal (acres)
82	144	*	13	0.5	Native Vegetation Restoration (acres)
--	--	250	--	--	New Open Space Management (acres)
					Dana Point Harbor
2,750	2,836	2,932	2,932	2,932	Slip and Dry Storage Tenants
18,759	19,903	22,247	22,159	19,719	Boat Launches
83,738	66,163	54,371	54,539	54,496	Sailing and Event Center Participants
125,060	126,957	116,218	149,220	136,926	Ocean Institute Students
25,252	28,650	26,940	29,580	28,366	Hotel Guests
106,305	111,648	114,000	114,708	114,567	Catalina Express Passengers
16	16	16	16	16	Special Events at the Harbor
					Public Ways and Facilities
					OC Public Works (OCPW)
11,222	24,731	31,363	32,365	38,945	Building and Home Inspections
					Health and Sanitation
					OC Community Resources
176,123	158,202	155,875	166,137	167,340	Animal Licenses
					Health Care Agency
158,863	160,369	150,545	147,067	141,850	911 Emergency Medical Services Responses
36,445	33,146	33,451	31,475	31,216	Retail Food Facility Inspections Conducted
6,600	5,847	6,194	6,223	6,122	Hazardous Waste Inspections Conducted
30,091	29,505	30,447	38,245	42,646	Number of Home Visits by Public Health Nurses
1,520	979	660	1,055	993	Number of Low Income Children Dental Health Services
20	26	11	3	19	Number of Ocean Water Days of Closure (In Beach-Miles)
					Public Assistance
					OC Community Resources
92,964	101,732	89,584	76,005	85,116	Adult Day Care Hours of Service
1,796,596	1,725,058	1,736,877	1,606,272	1,665,392	Elderly Nutrition Program Meals Delivered
213,832	233,382	225,783	242,415	226,689	One-Way Transportation Trips Provided to Seniors
					Social Service Agency
376,101	343,222	326,506	317,771	316,949	Average Monthly Medi-Cal Recipients
3,165	3,242	3,427	3,049	2,782	Average Monthly Child Abuse Hotline Calls
150,141	109,491	88,284	82,132	79,487	Average Monthly CalFresh (formerly Food Stamp) Recipients
17,595	16,364	14,425	12,765	11,877	Average Monthly In-Home Supportive Services
53,214	44,115	38,840	38,790	40,886	Average Persons Receiving Cash Assistance
2,336	2,466	2,797	2,692	2,531	Average Children in Foster Care/Relative Care
598	531	549	509	444	Average Elder and Adult Abuse Unduplicated Reports Received
					Education
					OC Community Resources
7,629,378	7,314,615	6,908,477	6,767,502	6,919,627	Total Volumes Borrowed at Library Branches
					Airport
8,812,169	8,552,590	9,566,043	9,910,016	9,600,753	Passengers
14,870	15,197	21,084	22,853	24,246	Air Cargo Tonnage
213,404	215,585	319,791	343,572	348,993	Takeoffs & Landings
					Waste Management
3,502,715	3,876,902	4,207,649	4,706,367	5,063,988	Solid Waste Tonnage
3,390,965	3,441,343	3,766,898	3,695,743	3,922,890	Gallons of Leachate and Impacted Ground Water Collected

* means Not Available

Sources: County Departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year				
Function/Program	2014-15	2013-14	2012-13	2011-12	2010-11
General Government					
Auditor-Controller					
Hall of Finance and Records	1	1	1	1	1
Clerk-Recorder					
OC Archives Building	1	1	1	1	1
Registrar of Voters					
Trailer	1	1	1	1	1
Vehicle/Truck	4	3	3	3	3
Public Protection					
Probation Department					
Juvenile Institutions	4	4	4	5	5
Vehicles/Trucks	159	156	*	*	*
Equipment	16	12	*	*	*
District Attorney					
Justice Center Offices	5	5	5	5	5
Sheriff-Coroner					
Crime/Forensic Lab	1	1	1	1	1
Jail Facilities	3	3	3	3	3
Vehicles	916	911	918	838	844
Buses	11	11	11	11	13
Helicopters	3	3	2	2	2
Boats	10	10	9	9	5
Robot Andros	3	3	3	3	3
Haz-mat Vehicles	4	4	4	4	4
K-9 units	22	18	13	10	14
Public Assistance					
Social Service Agency					
Vehicles	5	5	6	10	10
Office Locations	20	19	20	20	19
Parks and Recreation					
OC Community Resources					
Park Land (acres)	62,900	60,500	59,318	57,688	57,688
Recreational Trails (in miles)	295	295	295	295	295
Zoo	1	1	1	1	1
Urban Regional Parks	15	15	15	12	12
Wilderness Parks	5	5	5	5	5
Nature Preserves	4	4	4	4	4
Harbors	3	3	3	2	2
Beaches	11	11	11	9	9
Historical Sites	7	7	7	7	7
Boats	7	7	9	21	15
Tractors	26	28	24	26	22
Trailers	27	29	33	30	24
Vehicles/Trucks	174	170	211	188	233

(Dollar Amounts in Thousands)

Fiscal Year					
2009-10	2008-09	2007-08	2006-07	2005-06	Function/Program
					General Government
					Auditor-Controller
1	1	1	1	1	Hall of Finance and Records
					Clerk-Recorder
1	1	1	-	-	OC Archives Building
					Registrar of Voters
1	1	1	1	1	Trailer
3	3	3	2	2	Vehicle/Truck
					Public Protection
					Probation Department
5	5	6	6	5	Juvenile Institutions
*	*	*	*	*	Vehicles/Trucks
*	*	*	*	*	Equipment
					District Attorney
5	5	6	6	6	Justice Center Offices
					Sheriff-Coroner
1	1	1	1	1	Crime/Forensic Lab
3	3	3	3	3	Jail Facilities
844	859	855	777	646	Vehicles
13	13	12	14	16	Buses
2	2	2	3	3	Helicopters
5	5	5	3	3	Boats
3	3	3	3	2	Robot Andros
4	4	4	4	4	Haz-mat Vehicles
14	14	13	12	20	K-9 units
					Public Assistance
					Social Service Agency
8	7	8	7	7	Vehicles
20	21	27	27	30	Office Locations
					Parks and Recreation
					OC Community Resources
39,490	39,490	32,000	32,000	32,000	Park Land (acres)
292	300	300	300	300	Recreational Trails (in miles)
1	1	1	1	1	Zoo
12	12	12	12	12	Urban Regional Parks
5	5	5	5	5	Wilderness Parks
4	3	3	3	3	Nature Preserves
2	2	2	2	2	Harbors
9	9	9	9	9	Beaches
7	7	7	7	7	Historical Sites
14	14	15	9	17	Boats
18	17	9	16	9	Tractors
20	17	15	21	15	Trailers
208	176	165	135	119	Vehicles/Trucks

* means Not Available
Source: County Departments

Capital Asset Statistics by Function
Last Ten Fiscal Years (Continued)

Function/Program	2014-15	2013-14	2012-13	2011-12	2010-11
	Fiscal Year				
Parks and Recreation (Continued)					
Dana Point Harbor					
Harbor	1	1	1	1	1
Marinas	2	2	2	2	2
Public Parking Areas	9	9	9	9	9
Beaches	1	1	1	1	1
Access Points to Ocean	6	6	6	6	6
Hotel	1	1	1	1	1
Ocean Education Center	1	1	1	1	1
Sailing and Events Center	1	1	1	1	1
Shops	23	23	23	25	25
Restaurants	16	16	16	16	15
Fuel Dock	1	1	1	1	1
Shipyard	1	1	1	1	1
Boater Service Buildings	15	15	15	15	15
Parcel 11 (Former Restaurant)	*	*	*	*	1
Parcel 23 (Yacht Club)	*	*	*	*	1
Public Ways and Facilities					
OC Public Works					
Hall of Administration	1	1	1	1	1
Data Center	1	1	1	1	1
Alternate Fuel Vehicles	51	60	60	59	59
Vehicles/Trucks	53	54	51	50	50
OC Flood Control District					
Watersheds	13	13	13	13	19
Dams	3	3	3	3	3
Dump Trucks	7	12	5	5	13
Tractors	14	19	5	5	10
Trailers	24	17	8	12	15
Vehicles/Trucks	156	156	156	165	161
Roads					
Street Miles	320	320	319	320	320
Dump Trucks	11	9	4	11	9
Tractors	18	9	6	3	4
Trailers	30	18	10	5	9
Vehicles/Trucks	146	165	151	146	151
Education					
Library Branches	33	33	33	33	33
Library Headquarters	*	*	*	*	1
Health					
Clinics (1)	4	3	3	3	2
Laboratories (1)	2	2	2	2	2
Trailers (1)	12	8	11	27	27
Vehicles and Trucks (1)	24	25	25	24	27
OC Communtiy Resources					
Animal Care Center	1	1	1	1	1
Trailers	3	3	3	3	3

(Dollar Amounts in Thousands)

Fiscal Year 2009-10	2008-09	2007-08	2006-07	2005-06	Function/Program
					Parks and Recreation (Continued)
					Dana Point Harbor
1	1	1	1	1	Harbor
2	2	2	2	2	Marinas
9	9	9	9	9	Public Parking Areas
1	1	1	1	1	Beaches
6	6	6	6	6	Access Points to Ocean
1	1	1	1	1	Hotel
1	1	1	1	1	Ocean Education Center
1	1	1	1	1	Sailing and Events Center
25	26	26	26	26	Shops
16	15	15	15	15	Restaurants
1	1	1	1	1	Fuel Dock
1	1	1	1	1	Shipyard
15	15	15	15	15	Boater Service Buildings
*	*	*	*	*	Parcel 11 (Former Restaurant)
*	*	*	*	*	Parcel 23 (Yacht Club)
					Public Ways and Facilities
					OC Public Works
1	1	1	1	1	Hall of Administration
1	1	1	1	1	Data Center
59	59	59	50	31	Alternate Fuel Vehicles
50	47	47	48	34	Vehicles/Trucks
					OC Flood Control District
11	11	11	13	13	Watersheds
3	3	3	3	3	Dams
13	13	14	14	14	Dump Trucks
19	19	20	20	19	Tractors
14	14	13	13	13	Trailers
122	166	162	154	150	Vehicles/Trucks
					Roads
320	320	320	317	312	Street Miles
1	8	8	8	8	Dump Trucks
3	12	13	13	11	Tractors
11	14	14	14	12	Trailers
144	158	157	143	138	Vehicles/Trucks
					Education
33	33	33	32	32	Library Branches
1	1	1	1	1	Library Headquarters
					Health
2	2	49	37	15	Clinics (1)
2	1	2	2	2	Laboratories (1)
27	27	25	25	-	Trailers (1)
26	25	68	68	-	Vehicles and Trucks (1)
					OC Communtiy Resources
1	1	1	1	1	Animal Care Center
3	3	2	2	*	Trailers

Note: (1) Presentation changed in FY 2014-15 to summarize by asset

(2) * means Not Available

Source: County Departments

Capital Asset Statistics by Function
Last Ten Fiscal Years (Continued)

	Fiscal Year				
Function/Program	2014-15	2013-14	2012-13	2011-12	2010-11
Airport					
Acres	501	501	501	501	501
Runways	2	2	2	2	2
Public Parking Structures/Lots	5	5	5	5	5
Terminals	3	3	3	3	1
Fire Trucks	4	4	4	4	4
Waste Management					
Active Landfills	3	3	3	3	3
Inactive Landfills	2	2	2	2	2
Household Hazardous Waste Collection Centers	4	4	4	4	4
Dozers	7	7	7	8	8
Dump Trucks	10	10	12	12	14
Loaders	20	20	20	21	22
Scrapers	8	8	8	8	11
Excavator	2	2	2	2	2
Tractors	28	29	28	29	29
Graders	4	4	4	4	4
Compactors	8	8	8	8	8
Water/Fuel Trucks	13	13	11	11	11

(Dollar Amounts in Thousands)

Fiscal Year					
2009-10	2008-09	2007-08	2006-07	2005-06	Function/Program
					Airport
501	501	501	501	501	Acres
2	2	2	2	2	Runways
5	5	5	5	5	Public Parking Structures/Lots
1	1	1	1	1	Terminals
4	4	4	4	4	Fire Trucks
					Waste Management
3	3	3	3	3	Active Landfills
2	2	2	2	2	Inactive Landfills
4	4	4	4	4	Household Hazardous Waste Collection Centers
10	10	10	12	15	Dozers
14	14	14	14	4	Dump Trucks
21	21	21	21	12	Loaders
13	13	15	15	10	Scrapers
-	-	-	-	-	Excavator
29	28	27	26	34	Tractors
3	6	5	5	5	Graders
5	5	6	5	8	Compactors
12	13	12	12	12	Water/Fuel Trucks

* means Not Available

Source: County Departments

Your County Working for You

Total County Employees: 17,151

1st District	8
2nd District	8
3rd District	7
4th District	8
5th District	8
Assessor	319
Auditor-Controller	404
CEO	227
Child Support Services	509
Clerk of the Board	26
Clerk-Recorder	103
OC Community Resources	1,177
County Counsel	98
OC Dana Point Harbor	12
District Attorney	808
Health Care Agency	2,403
Human Resource Services	157
John Wayne Airport	157
Performance Audit	1
Probation	1,178
Public Administrator	16
Public Defender	401
Public Guardian	36
OC Public Works	826
Registrar of Voters	56
Sheriff-Coroner	3,735
Social Services Agency	4,144
Treasurer-Tax Collector	75
OC Waste & Recycling	244

John Wayne Airport

OC Parks

OC Public Works

Sheriff-Coroner

Auditor - Controller
County of Orange

12 Civic Center Plaza
Santa Ana, CA 92702
www.ac.ocgov.com

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Reference made to www.dttc.com is presented as a link for additional information regarding DTC and is not a part of this Official Statement.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal of such issue.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, physical Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS
OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture, the Lease and the Site Lease and is not to be considered a full statement of the provisions thereof. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of the documents. Complete copies of the documents are available upon request from the Trustee.

CERTAIN DEFINED TERMS

The following are definitions of certain terms used in the Indenture, the Lease and the Bonds to which reference is hereby made and not otherwise defined in the Official Statement. The following definitions are equally applicable to both the singular and plural forms of any of the terms defined herein.

"Acquisition and Construction Fund" means the fund by that name established pursuant to the Indenture.

"Act" means Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the California Government Code of the State, as may be amended from time to time.

"Additional Bonds" means any bonds authorized to be issued under the Indenture.

"Additional Rental Payments" has the meaning given such term in the Lease.

"Additional Projects" means additional capital improvements, including facilities or equipment of the County to be financed with proceeds of Additional Bonds.

"Authority" means the South Orange County Public Financing Authority, a joint powers authority duly organized and existing under the laws of the State.

"Authorized Authority Officer" means the Chair or Vice Chair of the Board of Directors of the Authority, the Executive Director or Treasurer of the Authority, or any such officer's duly authorized designee, or any other officer or employee of the Authority duly authorized by the Authority.

"Authorized County Officer" means the Chair of the Board of Supervisors, the Vice Chair of the Board of Supervisors, the County Executive Officer, the County Chief Financial Officer or the Public Finance Director or any such officer's duly authorized designee, or any other officer or employee of the County duly authorized by the County.

"Base Rental Payments" means all amounts payable to the Authority by the County as Base Rental Payments pursuant to the Lease.

"Base Rental Payment Schedule" means the schedule of Base Rental Payments payable to the Authority from the County pursuant to the Lease.

"Board" means the Board of Directors of the Authority.

"Bond Year" means each twelve-month period extending from April 1 in one calendar year to March 31 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall extend from the Closing Date to March 31, 2017.

"Bondholder," "Owner" or "Bond Owner," when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Bonds" means the $56,565,000 aggregate principal amount of South Orange County Public Financing Authority Central Utility Facility Lease Revenue Bonds, Series 2016, authorized by and at any time Outstanding pursuant to the Act and the Indenture; and if Additional Bonds are issued, the aggregate principal amount of Bonds and Additional Bonds.

"Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

"Closing Date" means the date of delivery of the Bonds to the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986.

"Completion Certificate" means the certificate of the County filed with the Trustee and signed by an Authorized County Officer, as prescribed by the Lease.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to all compensation, fees and expenses of the Authority and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents, costs of printing and bond insurance and title insurance premiums, if any.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Indenture.

"County" means the County of Orange, California.

"Depository" shall mean DTC or another recognized securities depository selected by the Authority that maintains a book-entry system for the Bonds.

"DTC" means The Depository Trust Company, New York, New York.

"Event of Default" means any of the events described in the Indenture or the Lease, as applicable.

"Federal Securities" mean any direct, noncallable obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or any obligations the principal of and interest on which are unconditionally guaranteed (directly or indirectly) by the United States of America.

"Fiscal Year" means any twelve-month period extending from July 1, in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Independent Certified Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the County, and who, or each of whom: (a) is in fact independent and not under domination of the Authority or the County; (b) does not have any substantial interest, direct or indirect, in the Authority or the County; and (c) is not connected with the Authority or the County as an officer or employee of the Authority or the County but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the County.

"Information Services" means the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board; and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Payment Date" means April 1 and October 1 of each year, commencing October 1, 2016.

"Lease" means the Lease dated as of June 1, 2016, by and between the Authority and the County, pursuant to which the Authority leases the Leased Facilities back to the County, as it may from time to time be supplemented or amended.

"Leased Facilities" means the real property described in the Lease, together with the buildings, improvements, fixtures, furnishings, equipment and appurtenances and related facilities thereon as such property description may be amended or modified (including the addition, release or substitution of property as part of the Leased Facilities), in accordance with the Lease.

"Moody's" means Moody's Investors Service, and its successors and assigns.

"Outstanding," when used as of any particular time with reference to the Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except: (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and (c) Bonds in lieu of which or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

"Permitted Encumbrances" means (1) liens for general ad valorem taxes and assessments, if any, not then delinquent; (2) easements; encumbrances, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions or restrictions that exist of record as of the date of recordation of the Site Lease in the office of the County Recorder; (3) the Site Lease and the Lease, as they may be amended from time to time; (4) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (5) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions that will not materially impair the use of the Leased Facilities; (6) all matters that would be revealed by an accurate survey of the real property described in the Site Lease; and with respect to the Leased Facilities consisting of Buildings A, B and C located at 1300 South Grand, Santa Ana, California, that certain Solar License Agreement (Orange County Central Operations Center and Registrar of Voters) dated January 25, 2012, between OC Solar 2010, LLC and the County and that certain Site Sublicense Agreement (Orange County Central Operations Center and Registrar of Voters) dated December 19, 2012, by and between BA Leasing BSC, LLC and OC Solar 2010, LLC.

"Permitted Investments" means any of the following that at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (provided that the Trustee may rely upon investment direction of the Authority as a determination that such investment is a legal investment):

(1) United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit for the United States are pledged for the payment of principal and interest.

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by Fannie Mae or the Federal Home Loan Mortgage Corporation (FHLMC)

- Obligations of the Resolution Funding Corporation (REFCORP)

- Senior debt obligations of the Federal Home Loan Bank System

- Senior debt obligations of other Government Sponsored Agencies;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and which mature not more than one hundred eighty (180) calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank):

(4) Commercial paper shall be of "prime quality" of the highest ranking or of the highest letter and number rating as provided by a NRSRO and not exceed 270 days. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

(a) Has total assets in excess of five hundred million dollars ($500,000,000), is organized and operating within the United States as a general corporation, and has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.

(b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit or a surety bond, has commercial paper that is rated "A-1 or higher, or the equivalent, by a NRSRO.

Split ratings (i.e. A2/P1) are not allowed;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services, which only invest in direct obligations in U.S. Treasury bills, notes and bonds, U.S. Government Agencies and repurchase agreements with a weighted average of 60 days or less;

(6) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "Aa2/AA" or higher by both Moody's and S&P;

(7) Investment agreements which do not adversely affect the ratings on the Bonds;

(8) The County Treasurer's Orange County Investment Pool;

(9) Any other investment permitted by law and the County's Investment Policy with a rating not lower than the rating on the Bonds from S&P and a rating not lower than the rating on the Bonds from Moody's.

The value of the above investments shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers;

(b) As to certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above, the value thereof established determined by the entity holding such funds, in accordance with its customary practice.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Project" means the Project described in the Lease, and any and all additions or substitutions thereto made as provided in the Lease, and any additional improvements financed with the proceeds of Additional Bonds.

"Project Costs" means, with respect to any item or portion of the Project, the contract price paid or to be paid therefor upon acquisition, construction, procurement or improvement thereof, in accordance with a purchase order or contract therefor. Project Costs include, but are not limited to, the administrative, engineering, legal, financial and other costs incurred by the County and the Authority in connection with the acquisition, construction, procurement, remodeling or improvement of the Project, all applicable sales taxes and other charges resulting from such construction, procurement, remodeling or improvement of the Project and the costs associated with making rebate calculations required by the Code. Project Costs shall not include any costs of the County or the Authority to enforce remedies under the Indenture or under the Lease.

"Rebate Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth day of the month preceding the month in which such Interest Payment Date occurs (i.e. March 15 or September 15, as the case may be), whether or not such day is a Business Day.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Rental Payments" means the Base Rental Payments and the Additional Rental payments, collectively.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Revenues" means all Base Rental Payments payable by the County pursuant to the Lease.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC, and its successors and assigns.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

"Site Lease" means the Site Lease dated as of June 1, 2016, between the County, as lessor, and the Authority, as lessee, pursuant to which the County leases the Leased Facilities to the Authority, as it may from time to time be supplemented or amended.

"State" means the State of California.

"Supplemental Indenture" means any agreement supplemental to or amendatory of the Indenture entered into in accordance with the provisions of the Indenture.

"Tax Certificate" means the Tax Certificate relating to compliance with certain provisions of the Code, executed and delivered by the Authority and the County on the Closing Date, as amended or supplemented from time to time.

"Trust Office" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other offices as may be specified to the Authority by the Trustee in writing.

"Trustee" means Zions Bank, a division of ZB, N.A. and its successors and assigns, and any other corporation or association that may at any time be substituted in its place as provided in Article VI.

"Written Certificate," "Written Request" or "Written Requisition" means a written certificate, request or requisition of the County or of the Authority, as the case may be, signed by an Authorized Officer of the County or an officer of the Authority duly authorized for that purpose by a resolution, respectively, and in each case filed with the Trustee.

THE INDENTURE

The Indenture provides for, among other things, the issuance, execution and delivery of the Bonds and sets forth the terms thereof the creation of certain funds and accounts described herein, certain covenants of the Authority, defines events of default and remedies therefor, and sets forth the rights and responsibilities of the Trustee. Certain provisions of the Indenture setting forth the terms of the Bonds, the redemption provisions thereof and the use of the proceeds of the Bonds are set forth elsewhere in the Official Statement. See "THE BONDS,"

AUTHORIZATION AND ISSUANCE OF BONDS

Description of Bonds

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated during the period from the day after the Record Date for an Interest Payment Date to and including such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or prior to the Record Date for the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if at the time of authentication of any Bond interest with respect to such Bond is in default, such Bond shall bear interest from the Interest Payment Date to which interest has been paid or made available for payment with respect to such Bond.

Interest with respect to any Bond shall be payable in lawful money of the United States of America on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, mailed not later than the Interest Payment Date to the Owner at his address as it appears, on such Record Date, on the Registration Books maintained by the Trustee or at such other address as has been furnished to the Trustee in writing by the Owner on or prior to such Record Date; provided, however, that at the written request of the Owner of at least $1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such Owner on each succeeding Interest Payment Date (unless such request has been revoked in writing) by wire transfer of immediately available funds to an account in the United States designated in such written request. Payments of defaulted interest with respect to the Bonds shall be paid by check to the registered Owners of the Bonds as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the registered Owners of the Bonds not less than ten days prior thereto. The principal of or the redemption price (including accrued interest with respect thereto) of any Bonds is payable when due upon surrender thereof at the Trust Office in lawful money of the United States of America.

Redemption of Bonds

For a description of the provisions of the Indenture relating to the redemption of the Bonds see the caption "THE—BONDS—Redemption" in the forepart of this Official Statement.

Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series and maturity, of authorized denominations in aggregate principal amounts equal to the unredeemed portion of the Bond being redeemed.

Transfer of Bonds

Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon presentation and surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, maturity and principal amount. The Trustee shall not be required to transfer, pursuant to the Indenture, (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for redemption.

Exchange of Bonds

Bonds may be exchanged at the Trust Office of the Trustee for the same principal amount of the same tenor and maturity and of other authorized denominations. The Trustee shall not be required to exchange, pursuant to the Indenture, (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for redemption.

Temporary Bonds

The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds definitive Bonds of like tenor, maturity and principal amount in authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds authenticated and delivered thereunder.

Registration Books

The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which shall at all times during regular business hours be open to inspection by the Authority with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on said records, Bonds as provided in the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen

If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor, maturity and principal amount in an authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the Authority. If any Bond issued under the Indenture shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and the Trustee and, if such evidence shall be satisfactory to them and indemnity satisfactory to them shall be given, the Authority, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee and the Authority). The Authority may require payment of a reasonable fee for each new Bond issued under the Indenture and of the expenses that may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Special Covenants as to Book-Entry Only System for Bonds.

Except as otherwise provided in subsections (a) and (c) below, all of the Bonds initially issued shall be registered in the name of Cede & Co., as nominee for DTC, or such other nominee as DTC shall request pursuant to the representation letter executed by the Authority and delivered to DTC. Payment of the interest on any Bond registered in the name of Cede & Co. shall be made on each Interest Payment Date for such Bonds to the account, in the manner and at the address indicated in or pursuant to the representation letters or operating memoranda, as the case may be, executed by the Authority and the Trustee, respectively, and delivered to DTC (the "Representation Letter").

(a) The Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of such Bonds, representing the aggregate principal amount of the Bonds of such maturity. Upon initial issuance, the ownership of all such Bonds shall be registered in the registration records maintained by the Trustee pursuant to the Indenture in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee, the Authority and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal or redemption price of and interest on such Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders of the Bonds and for all other purposes whatsoever; and neither the Trustee nor the Authority or any paying agent shall be affected by any notice to the contrary. Neither the Trustee nor the Authority or any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of the Indenture, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Bondholder, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Bonds, (iii) any notice which is permitted or required to be given to Bondholders of Bonds under the Indenture, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or (v) any consent given or other action taken by DTC as Bondholder of Bonds. The Trustee shall pay all principal of and interest on the Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the Authority's obligations with respect to the payment of the principal of and interest on the Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Bonds will be transferable to such new nominee in accordance with subsection (e) below.

(b) Notwithstanding any other provision of the Indenture to the contrary, so long as all Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and interest on each such Bond and all notices with respect to each such Bond shall be made and given, respectively, to DTC as provided in any representation letter from the Authority or the Trustee.

(c) In the event that the Authority determines that the Bonds should not be maintained in book-entry form, the Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the Bonds will be transferable in accordance with subsection (e) below. DTC may determine to discontinue providing its services with respect to the Bonds or a portion thereof, at any time by giving written notice of such discontinuance to the Authority or the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Bonds will be transferable in accordance with subsection (e) below. If at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor securities depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, then this Section of the Indenture shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds as provided below. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Bonds then Outstanding. In such event, the Bonds will be transferable to such securities depository in accordance with subsection (e) below, and thereafter, all references in the Indenture to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) The Trustee is authorized and requested by the Indenture to execute and deliver the Representation Letter and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under the Indenture.

(e) In the event that any transfer or exchange of Bonds is authorized under subsection (a) or (c) above, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of the Indenture. In the event Bond certificates are issued to Bondholders other than Cede & Co., its successor as nominee for DTC as holder of all the Bonds, another securities depository as holder of all the Bonds, or the nominee of such successor securities depository, the applicable provisions of the Indenture shall apply to the registration, exchange and transfer of the Bonds and the method of payment of principal of and interest on the Bonds.

Conditions for the Issuance of Additional Bonds

At the request of the County, the Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues, and secured by a pledge of and charge and lien upon the Revenues, as provided in the Indenture equal to the pledge, charge and lien securing any Outstanding Bonds, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any Additional Bonds:

(a) No Event of Default has occurred or is continuing under the Indenture, Lease or Site Lease.

(b) The Supplemental Indenture shall require that the proceeds of the sale of such Additional Bonds shall be applied to finance or refinance Additional Projects or to refund Outstanding Bonds or Additional Bonds previously issued.

(c) In the case of Additional Bonds issued for refunding purposes, the County shall provide to the Authority written evidence that the total principal and interest payments due on the Additional Bonds to maturity are less than the total principal and interest payments to maturity on the Bonds or Additional Bonds refunded with the proceeds of such Additional Bonds.

(d) The Lease shall have been amended, if necessary, so as to increase the Base Rental Payments payable by the County thereunder in each Fiscal Year by an amount equal to the principal of and interest on such Additional Bonds.

Proceedings for Authorization of Additional Bonds

Before any Additional Bonds shall be issued, the County and the Authority shall file or cause to be filed the following documents with the Trustee:

(a) Executed counterparts of the Supplemental Indenture and amendments to the Lease and the Site Lease, if any.

(b) Certified copies of resolutions of the Authority and the County authorizing the issuance of the Additional Bonds and the execution and delivery of the Supplemental Indenture and amendments to the Lease and the Site Lease, if any.

(c) A Written Certificate of the Authority stating that all applicable provisions of the Indenture, have been complied with so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee, and that no Event of Default has occurred and is continuing under the Indenture, the Lease or the Site Lease.

(d) A Written Certificate of the County stating that all applicable provisions of the Lease have been complied with so as to permit the execution and delivery of the Additional Bonds and the amendment of the Lease or the Site Lease, if applicable, that it is in compliance with the terms of the Lease and the Site Lease, and that no Event of Default has occurred and is continuing under the Lease or the Site Lease.

(e) An opinion of Bond Counsel to the effect that (1) the Additional Bonds are valid and binding obligations of the Authority, permitted under the Indenture; (2) any amendment to the Lease or the Site Lease, when duly executed by the County and the Authority, will be valid and binding obligations of the County and the Authority, respectively and (3) if the Additional Bonds are to be tax-exempt, that the interest on the Additional Bonds will not be included in the gross income of the Owners thereof for federal income tax purposes.

Upon delivery to the Trustee of the foregoing instruments, the Trustee shall authenticate and deliver the Additional Bonds in the aggregate principal amount specified in the Supplemental Indenture to, or upon the Written Request of the Authority.

Limitation on the Issuance of Obligations Payable From Revenues

The Authority will not, so long as any Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

(a) Additional Bonds of any series authorized pursuant to Indenture.

(b) Obligations which are junior and subordinate to the payment of the principal, premium and interest for the Bonds and which subordinated obligations are payable as to principal, premium and interest, if any, only out of Revenues after the prior payment of all amounts then required to be paid under the Indenture from Revenues for principal, premium and interest for the Bonds, as the same become due and payable and at the times and in the manner as required by the Indenture.

DEPOSIT AND APPLICATION OF PROCEEDS

Costs of Issuance Fund

There is established by the Indenture a fund to be held by the Trustee known as the "Costs of Issuance Fund," into which shall be deposited a portion of the Bond proceeds pursuant to the Indenture. The moneys in the Costs of Issuance Fund shall be used from time to time to pay Costs of Issuance, upon receipt by the Trustee of a Written Requisition of the Authority stating (i) the payee, the purpose for which the cost has been incurred and the amount of the disbursement, (ii) that each such cost has been properly incurred and is a proper charge against the Costs of Issuance Fund; and (iii) that none of the items for which payment is requested has been previously reimbursed. On the date that is 60 days following the Closing Date, or upon the earlier determination by the Authority that all Costs of Issuance have been paid and written direction to the Trustee to make the transfer provided in the Indenture, the Trustee shall transfer remaining amounts in the Costs of Issuance Fund to the Revenue Fund and the Trustee shall close the Costs of Issuance Fund.

Acquisition and Construction Fund

The Trustee shall establish and maintain a separate fund designated the "Acquisition and Construction Fund." On the Closing Date there shall be deposited in the Acquisition and Construction Fund the amount specified in the Indenture. The moneys in the Acquisition and Construction Fund shall be used and withdrawn by the Trustee from time to time to pay the Project Costs upon submission of a Written Request of the County stating (i) the payee to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes a proper charge against the Acquisition and Construction Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Acquisition and Construction Fund, in each case together with a statement or invoice for each amount requested thereunder.

Upon the filing of a Written Certificate of the County stating that the Project has been completed and all costs relating to the Project have been paid, the Trustee shall transfer the amount, if any, remaining in the Acquisition and Construction Fund to the Revenue Fund to be used for the purposes thereof and the Acquisition and Construction Fund shall be closed.

REVENUES; FLOW OF FUNDS

Pledge of Revenues; Assignment of Rights

Subject to the provisions in the Indenture, the Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent provided in the Indenture) of all of the Revenues and a pledge of all of the moneys in the funds and accounts established and held by the Trustee under the Indenture (other than the Rebate Fund), including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of the Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by provisions in the Indenture.

The Authority transfers in trust and absolutely and irrevocably assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Lease and the Site Lease (except for the Authority's right to indemnification under the Lease and the Site Lease, which right shall not be assigned). The Trustee under the Indenture accepts such assignments. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Revenue Fund; Receipt, Deposit and Application of Revenues

All Revenues shall be deposited by the Trustee upon receipt in the Revenue Fund. On or before each Interest Payment Date, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority.

<u>Interest Account</u>. On or before each Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having come due and payable on the Outstanding Bonds, shall be transferred to the Principal Account.

<u>Principal Account</u>. On or before each Interest Payment Date on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal (i) the principal amount of the Bonds coming due and payable on such Interest Payment Date pursuant to the provisions of the Indenture, and (ii) the redemption price of the Bonds required to be redeemed on such Interest Payment Date pursuant to any of the provisions of the Indenture. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds at the maturity or redemption thereof.

All amounts on deposit in the Revenue Fund on the first day of any Bond Year, to the extent not required to pay the interest or principal of any Outstanding Bonds then having come due and payable, shall be withdrawn therefrom and transferred to the County to be used for any lawful purposes of the County.

Rebate Fund

The Authority agrees to establish a separate fund titled the "Rebate Fund," which shall be held and maintained by the Trustee. The Authority shall cause to be deposited in the Rebate Fund such amounts as required under the Tax Certificate. Subject to the other provisions of the Lease, moneys held in the Rebate Fund are pledged by the Indenture to secure payments to the United States government, and the Authority, the County and the Owners shall have no rights in or claim to such moneys.

Without limiting the generality of the foregoing, the Authority agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final treasury regulations as may be applicable to the Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The Authority specifically covenants to pay or cause to be paid to the United States at the times and in the amounts determined under the Tax Certificate. The Trustee agrees to comply with all instructions given to it by the Authority or the County in accordance with this covenant. The Trustee shall conclusively be deemed to have complied with the provisions of the Indenture if it follows the instructions of the Authority or the County and shall not be required to take any actions thereunder in the absence of instructions from the Authority or the County.

Notwithstanding any provision of the Indenture, if the Authority shall provide to the Trustee an opinion of a nationally recognized bond or tax counsel that any specified action required under the Indenture is no longer required or that some further or different action is required to maintain the tax-exempt status of interest on the Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of the Indenture, and the covenants thereunder shall be deemed to be modified to that extent.

Investments

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments pursuant to a Written Request of the Authority given to the Trustee not less than two Business Days in advance of the making of such investments. In the absence of any such direction from the Authority, the Trustee shall hold any such moneys in deposit accounts identified in clause (5) of the definition of Permitted Investments; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction of the Authority specifying a specific money market fund that satisfies the requirements of such subsection in which such investment is to be made and, if no such written direction is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee may act as principal or agent in the acquisition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

For the purpose of determining the amount in any fund or account, the value of Permitted Investments credited to such fund or account shall be calculated at the cost thereof (excluding accrued interest and brokerage commissions, if any).

COVENANTS OF THE AUTHORITY

Punctual Payment

The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds of the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances

The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other Indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment

The Authority is duly authorized pursuant to law to issue the Bonds, to enter into the Indenture and to pledge and assign the Revenues, the Lease, the Site Lease and the other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee (subject to the provisions of the Indenture) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions by the Trustee relating to the proceeds of Bonds, the Revenues, the Lease, the Site Lease and all funds and accounts established pursuant to' the Indenture. Such books of record and account shall be available for inspection by the Authority and the County during regular business hours with reasonable prior notice.

No Additional Obligations

The Authority covenants that no additional bonds, notes or indebtedness shall be issued or incurred that are payable out of the Revenues in whole or part, except as provided in the Indenture.

Tax Covenants

(a) The Authority covenants that, in order to maintain the exclusion from gross income for Federal income tax purposes of the interest on the Bonds, and for no other purpose, it will satisfy, or take such actions as may be necessary to cause to be satisfied, each provision of the Code necessary to maintain such exclusion. In furtherance of this covenant, the Authority covenants to comply with the Tax Certificate as a source of guidance with respect to the requirements of the Code.

(b) The Authority covenants that no part of the proceeds of the Bonds shall be used, directly or indirectly, to acquire any "investment property," as defined in Section 148 of the Code, and it shall not take or permit to be taken any other action or actions, which would cause the obligation represented by the Indenture or by the Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, as in effect from time to time, or under applicable Treasury regulations promulgated thereunder. In order to assure compliance with the rebate requirements of Section 148 of the Code, the Authority further covenants that it will pay or cause to be paid to the United States Treasury Department the amounts necessary to satisfy the requirements of Section 148(f) of the Code, as required in the Tax Certificate, and that it will establish such accounting procedures as are necessary to, adequately determine, account for and pay over any such amount or amounts required to be paid to the United States in a manner consistent with requirements of Section 148 of the Code, such covenant to survive the termination of the Indenture.

(c) The Authority covenants that it will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial execution and delivery of the Bonds, would result in a loss of exclusion from gross income for purposes of Federal income taxation, under Section 103(a) of the Code, of interest on the Bonds.

(d) The Authority covenants that it will not use or permit the use of the proceeds of the Bonds in such manner or to such extent as would result in a loss of exclusion of the interest on the Bonds from gross income for Federal income tax purposes under Section 103(a) of the Code.

Lease and Site Lease; Amendments

The Trustee, as assignee of the Authority's rights under the Lease and the Site Lease pursuant to, and as limited by, the Indenture, shall receive all Revenues paid by the County pursuant to the Lease.

The Authority, the Trustee and the County may at any time amend or modify the Lease or the Site Lease in accordance with their respective terms, but only if (a) except as provided in clause (b) of this sentence, the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment or modification, or (b) such amendment of modification is for any one or more of the following purposes, in which case the consent of the Bond Owners shall not be required: (a) to add to the covenants and agreements of the County contained in the Lease or the Site Lease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the County; or (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions contained in the Lease or the Site Lease in any other respect whatsoever as the County may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or (c) to amend any provision of the Lease or the Site Lease relating to the Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds, in the opinion of nationally recognized bond counsel; or (d) to amend the

Lease or the Site Lease in connection with any substitution or withdrawal of Leased Facilities in accordance with the Lease and the Site Lease, or in connection with the issuance of Additional Bonds under the Indenture; or (e) to amend any provision agreed to by the Authority and the Trustee, so long as such amendment does not materially adversely affect the interests of the Bondholders.

Further Assurances

The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in the Indenture.

THE TRUSTEE

Appointment of Trustee

Zions Bank, a division of ZB, N.A., is appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Authority agrees that it will maintain a Trustee having a corporate trust office in the State, with a combined capital and surplus, or a member of a bank holding company system the lead bank of which shall have a combined capital and surplus, of at least $50,000,000, and subject to supervision or examination by Federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is authorized and directed by the Indenture to pay the principal of and interest on the Bonds when duly presented for payment at maturity, or on redemption prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds and accounts administered by it and of all Bonds paid and discharged.

Acceptance of Trusts

The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(b) Whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the Indenture, the Trustee (unless other evidence is specifically prescribed in the Indenture) may, in the absence of bad faith on its part, rely upon a Written Certificate of the Authority.

(c) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(d) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order bond or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(e) The Trustee, prior to the occurrence of an Event of Default under the Indenture or under the Lease or the Site Lease, and after the curing or waiving of all such Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no covenants of or against the Trustee shall be implied in the Indenture. In case an Event of Default under the Indenture or under the Lease or the Site Lease has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by the Indenture and by the Lease or the Site Lease, as the case may be, and shall use the same degree of care and skill in the exercise of such rights and powers as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(f) The Trustee may execute any of the trusts or powers under the Indenture and perform the duties required of it thereunder either directly or by or through attorneys or agents, and shall be entitled to the advice of counsel concerning all matters of trust and its duty thereunder. The Trustee may conclusively rely on an opinion of counsel as full and complete authorization and protection for any action taken, suffered or omitted by it under the Indenture.

(g) The Trustee shall not be responsible for any recital in the Indenture, in the Lease or the Site Lease, or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured thereby and makes no representation as to the validity or sufficiency of the Bonds, the Indenture, the Lease or the Site Lease. The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority under the Indenture or on the part of the Authority or the County under the Lease or the Site Lease. The Trustee shall not be responsible for the application by the Authority or the County of the proceeds of the Bonds.

(h) The Trustee may become the Owner or pledgee of Bonds secured by the Indenture with the same rights it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depositary for and permit any of its officers or directors to act as a member of, or in the capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(i) The Trustee may rely and shall be protected in acting or refraining from acting, in good faith and without negligence, upon any notice, resolution, opinion, report, direction, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to the Indenture, the Lease or the Site Lease upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of Bond by such person shall be reflected on the Registration Books.

(j) The permissive right of the Trustee to do things enumerated in the Indenture, the Lease or the Site Lease shall not be construed as a duty and it shall not be answerable for other than its negligence or willful default. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(k) The Trustee shall not be required to take notice to be deemed to have notice of any Event of Default under the Indenture or under the Lease or the Site Lease, except failure by the Authority or the County to make any of the payments to the Trustee required to be made by the Authority pursuant hereto or thereto or failure by the Authority or the County to file with the Trustee any document required by the Indenture, the Lease or the Site Lease to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority, or by the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding and all notice or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default under the Indenture except as aforesaid.

(l) At any and all reasonable times during normal business hours, with prior notice, the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right (but not duty) fully to inspect all non-privileged books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records which are not privileged by statute or by law.

(m) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises of the Indenture.

(n) Notwithstanding anything elsewhere in the Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(o) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(p) Whether or not expressly provided therein, every provision of the Indenture, the Lease and the Site Lease relating to the conduct or affecting the liability of the Trustee shall be subject to the provisions of the Indenture.

(q) No implied covenants or obligations shall be read into the Indenture against the Trustee.

(r) The Trustee shall have no responsibility for, and makes no representations with respect to, any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Fees, Charges and Expenses of Trustee

The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered under the Indenture and under the Lease and the Site Lease, and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default under the Indenture, but only upon any Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held thereunder for the foregoing fees, charges and expenses incurred by it.

Notice to Bond Owners of Default.

If an Event of Default under the Indenture or under the Lease occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee shall, within 30 days of the receipt of such notice, give written notice thereof by first class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Authority to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee reasonably determines that failure to provide such notice is in the best interests of the Bond Owners.

Intervention by Trustee

In any judicial proceeding to which the Authority or the County is a party that, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to the Indenture, shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount of such Bonds then Outstanding.

Removal of Trustee

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee and signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds. The Authority may also remove the Trustee at any time, except during the existence of an Event of Default.

Resignation by Trustee

The Trustee and any successor Trustee may at any time give 90 days' written notice of its intention to resign as Trustee under the Indenture, such notice to be given to the Authority and the County by registered or certified mail. Upon receiving such notice of resignation, the Authority shall appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the successor Trustee shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

Appointment of Successor Trustee

In the event of the removal or resignation of the Trustee pursuant to the Indenture, the Authority shall appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within 90 days following the delivery to the Trustee of the instrument or within 90 days following the receipt of notice by the Authority pursuant to the Indenture, the Trustee may, at the expense of the Authority, apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture. Any such successor Trustee appointed by such court shall become the successor Trustee under the Indenture notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such 90-day period.

Merger or Consolidation

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in the Indenture, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything to the contrary notwithstanding in the Indenture.

Concerning any Successor Trustee

Every successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment thereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Written Request of the Authority, or of the Trustee's successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor thereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee thereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties vested or intended to be vested by the Indenture in the predecessor Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

Appointment of Co-Trustee

It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under the Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies granted in the Indenture to the Trustee or hold title to the properties, in trust, as therein granted, or take any other action that may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of the Indenture are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate trustee or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, shall resign or shall be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Limited Liability of Trustee

No provision in the Indenture shall require the Trustee to risk or expend its own, funds or otherwise incur any financial liability under the Indenture if it shall have reasonable grounds for believing repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of at least 25% in aggregate principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under the Indenture or exercising any power conferred upon the Trustee under the Indenture. The Authority shall indemnify the Trustee, its officers, directors, agents and employees for, and hold it harmless from and against any loss, liability, cost, claim or expense, including without limitation fees and expenses of its attorneys incurred without negligence or bad faith on the Trustee's part, arising out of or in connection with the execution by the Trustee of the Indenture, the acceptance and administration of the trust created thereunder and the exercise of any rights, remedies or powers by the Trustee thereunder or under the Lease or the Site Lease, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties thereunder. The obligations of the Authority under this Section shall survive the resignation or removal of the Trustee under the Indenture.

MODIFICATION AND AMENDMENT OF THE INDENTURE

Amendments

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture, which shall become binding upon execution by the parties to the Indenture, without consent of any Bond Owner, to the extent permitted by law but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision in the Indenture relating to the Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the Bonds under the Code, in the opinion of nationally recognized bond counsel; or

(d) to provide for the issuance of Additional Bonds pursuant to the Indenture; or

(e) to amend any provision agreed to by the Authority and the Trustee, so long as such amendment does not materially adversely affect the interests of the Bondholders.

Except as set forth in the Indenture, the Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture, which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Effect of Supplemental Agreement

From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties to the Indenture or thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Events of Default

The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, or by proceedings for redemption.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe or to perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of 60 days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Outstanding Bonds; provided, however, that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such 60-day period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within such 60-day period and diligently pursued until such failure is corrected.

Remedies

Upon the occurrence of an Event of Default the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or any member, officer or employee thereof, and to compel the Authority or any such member, officer or employee to perform and carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of an Event of Default to require the Authority and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested to do so by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the provisions of the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Bond Owners under the Indenture or now or thereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Application of Revenues and Other Funds After Default

All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid;

First, to the payment of the costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the lesser of the rate of interest payable on the Bonds or the maximum rate permitted by law, provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

first, to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

second, to the payment of principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full,

third, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Power of Trustee to Control Proceedings

In the event that the Trustee shall have, upon the happening of an Event of Default, taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power; in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation and if the Trustee is indemnified as provided in the Indenture. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Bonds issued under the Indenture by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers

Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged thereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Non-Waiver

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein.

Rights of Bond Owners

No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared under the Indenture, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest on such Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

Termination of Proceedings

In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners shall be restored to their former positions and rights thereunder, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

DEFEASANCE OF BONDS

Discharge of Bonds

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and the Lease, is fully sufficient to pay such Bonds, including all principal and interest; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Certified Accountant shall determine in a written report filed with the Trustee (upon which report the Trustee may conclusively rely) will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest) at or before their respective maturity dates;

then, at the Written Request of the Authority, and notwithstanding that any of such Outstanding Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Outstanding Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Outstanding Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Outstanding Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee; subject, however, to the additional requirements set forth in the Indenture. Any funds held by the Trustee following any payment or discharge of the Outstanding Bonds pursuant to the Indenture, which are not required for said purposes, shall be paid over to the County.

MISCELLANEOUS

Limited Liability of Authority

Notwithstanding anything contained in the Indenture, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or for the performance of any covenants contained therein (except to the extent any such covenants are expressly payable thereunder from the Revenues or otherwise from amounts payable under the Lease). The Authority may, but shall have no duty or obligation to, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and such other funds as provided in the Indenture. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority except the Revenues and other funds pledged to the payment of the Bonds as provided in the Indenture. The principal of and interest on the Bonds shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as provided in the Indenture.

Benefits of Indenture Limited to Parties

Nothing expressed or implied in the Indenture is intended to give to any person other than the Authority, the Trustee, the County and the Owners of the Bonds, any right, remedy or claim under or by reason of the Indenture. Any covenants, stipulations, promises or agreements contained in the Indenture by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee, the County and the Owners of the Bonds.

Successor Is Deemed Included in All References to Predecessor

Whenever in the Indenture or any Supplemental Indenture the Authority is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in the Indenture by or on behalf of the Authority shall bind and inure to the benefit of its successors whether so expressed or not.

Content of Written Certificates and Opinions

Every certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture shall include (a) a statement that the person or persons making or giving such certificate or opinion have read such covenant or conditions and the definitions relating thereto in the Indenture; (b) a brief statement as to the nature, and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an Authorized Authority Officer may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Authority, or upon the certificate or opinion of or representations by an officer or officers of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

Execution of Documents by Bond Owners

Any request, consent or other instrument required by the Indenture to be signed and executed by Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bond Owners in person or by their agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgements of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of Bonds shall be proved by the Registration Books. Any request, consent or vote of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote. In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bond Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Disqualified Bonds

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the County or the Authority (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded.

Waiver of Personal Liability

No member of the Board of Directors, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing contained in the Indenture shall relieve any such officer, agent, or employee from the performance of any official duty provided by law.

Partial Invalidity

If any one or more of the covenants or agreements, or portions thereof, provided in the Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of the Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Act or any other applicable provisions of law.

Destruction of Cancelled Bonds

Whenever in the Indenture provision is made for the surrender to the Authority of any Bonds that have been paid or cancelled pursuant to the provisions of the Indenture, the Authority may, by a Written Request of the Authority, direct the Trustee to destroy such Bonds and furnish to the Authority a certificate of such destruction.

Funds and Accounts

Any fund or account required by the Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at, all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds or accounts it may deem necessary to under the Indenture, including to facilitate the deposit and transfer of proceeds of the Bonds.

Payment on Business Days

Whenever in the Indenture any amount is required to be paid on a day that is not a Business Day, such payment shall be required to be made, without accruing additional interest thereby, on the Business Day immediately following such day.

Unclaimed Moneys

Anything in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds that remain unclaimed for one year after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for one year after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall, at the Written Request of the Authority, be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, cause to be mailed to the Owner of all such Bonds, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Governing Law

The Indenture shall be construed and governed in accordance with the laws of the State of California, without reference to conflict of law provisions.

THE LEASE

Under the Lease, the Authority will lease the Leased Facilities to the County pursuant to the terms of the Lease; and the County will be obligated to, among other things, make Base Rental Payments to the Authority for the use and occupancy of the Leased Facilities.

LEASE OF LEASED FACILITIES; TERM; CONSTRUCTION; SUBSTITUTION

Lease of Leased Facilities

Pursuant to the Lease, the Authority leases the Leased Facilities to the County and the County leases the Leased Facilities from the Authority, subject to Permitted Encumbrances. The County agrees and covenants that, during the term of the Lease and except as provided in the Lease, it will use the Leased Facilities for public and County purposes so as to afford the public the benefits contemplated by the Lease.

The leasing by the Authority to the County of the Leased Facilities shall not effect or result in a merger of the County's leasehold estate pursuant to the Lease and its fee estate as lessor under the Site Lease, and the Authority shall continue to have and hold a leasehold estate in the Leased Facilities pursuant to the Site Lease throughout the term thereof and the term of the Lease.

Term; Use and Occupancy

The term of the Lease will commence upon the date of issuance of the Bonds, and shall end on April 1, 2036 (the "Termination Date") unless such term is extended or sooner terminated as provided in the Lease. If on the Termination Date the rental payable under the Lease shall not be fully paid, or if the rental payable under the Lease shall have been abated at any time and for any reason, then the term of the Lease shall be extended until the date after all rental payable under the Lease shall be fully paid and the Bonds shall have been fully repaid, except that the term of the Lease shall in no event be extended beyond April 1, 2046. If prior to the Termination Date all rental payable under the Lease and the Bonds shall have been fully paid, or provision therefor made, the term of the Lease shall immediately end.

Substitution; Addition; Release

The County and the Authority may add property and the improvements, buildings, fixtures and equipment thereon to the Leased Facilities, may substitute real property and the improvements, buildings, fixtures and equipment thereon for all or a part of the Leased Facilities or may release any portion of the Leased Facilities for purposes of the Lease and the Site Lease, but only after the County shall have filed or caused to be filed with the Authority and the Trustee the following:

(a) Executed copies of the amendments to Site Lease and the Lease containing the amended description of the Leased Facilities, including the legal description of the Leased Facilities as modified, in proper recordable form.

(b) A Written Certificate of the County, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the annual fair rental value of the Leased Facilities that will constitute the Leased Facilities after such substitution (which may be based on the construction or acquisition cost or replacement cost of such facility to the County) or release will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year and in any subsequent fiscal year.

(c) With respect to a substitution or addition, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies resulting in title insurance with respect to the Leased Facilities after such substitution or addition in an amount at least equal to the principal amount of the Bonds outstanding; each such insurance instrument, when issued, shall name the Trustee as the insured, and shall insure the leasehold estate of the Authority in such substituted or added property subject only to such exceptions as do not substantially interfere with the County's right to use and occupy such substituted or added property and as will not result in an abatement of Base Rental Payments payable by the County under the Lease;

(d) A Written Certificate of the County stating that such substitution or release, as applicable, does not adversely affect the County's use and occupancy of the Leased Facilities remaining after such substitution or release.

(e) An opinion of bond counsel stating that any amendment executed in connection with such substitution, addition or release, as the case may be, (i) is authorized or permitted under the Lease; (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the County in accordance with its terms; and (iii) will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Substitution of Project as Leased Facilities

In addition to the release and substitution of property pursuant to the Lease as described above, upon completion of the Project, the Leased Facilities described in the Lease may be released upon the Written Request of the County, without Bondholder consent, and upon such release, the Project and related real property upon which the buildings comprising the Project are located shall thereafter constitute the Leased Facilities under the Lease and the Site Lease, provided however, that to effect such release and substitution the County and the Authority shall have complied the provisions of paragraphs (a), (c) and (e) under the caption "Substitution; Addition; Release" above.

RENTAL PAYMENTS; ABATEMENT

Base Rental Payments

The County agrees to pay to the Authority, in accordance with the Base Rental Payment Schedule, semi-annual rental payments as Base Rental Payments for the use and occupancy of the Leased Facilities (subject to the provisions of the Lease). Each Base Rental Payment shall be payable in funds that are immediately available to the Authority no later than the third to the last Business Day of each March and September corresponding to the applicable April 1 or October 1 payment date as set forth in the Base Rental Payment Schedule. Each semi-annual Base Rental Payment shall be paid by the County for the use and occupancy of the Leased Facilities for the previous semiannual period.

Additional Rental

The County shall pay to or upon the order of the Authority as additional rental under the Lease ("Additional Rental Payments") amounts for the payment of all administrative costs and other expenses of the Authority in connection with the Project and the Leased Facilities, including all expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of accountants and attorneys, insurance premiums and all other necessary costs of the Authority or charges required to be paid by it in order to comply with the terms of the Indenture or of the Bonds.

Fair Rental Value

Payments of Base Rental Payments and Additional Rental Payments for each rental period during the term of the Lease shall constitute the total rental for said rental period and shall be paid by the County in each rental payment period for and in consideration of the right of use and occupancy of the Leased Facilities during each such period for which said rental is to be paid. The parties to the Lease have agreed and determined that such total rental payable for each twelve-month period beginning April 1 of each year represents no more than the fair rental value of the Leased Facilities for each such period.

Payment Provisions

Each rental payment payable under the Lease shall be paid in lawful money of the United States of America to or upon the order of the Authority. Notwithstanding any dispute between the Authority and the County and subject to the Lease, the County shall make all rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute. In the event of a determination that the County was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent rental payments due under the Lease or refunded at the time of such determination.

Appropriations Covenant; Rental Payments to Constitute a Current Expense of the County; No Pledge

The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Rental Payments. It shall be the duty of each and every appropriate public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the County.

The Authority and the County understand and intend that the obligation of the County to pay Base Rental Payments and Additional Rental Payments under the Lease shall constitute a current expense of the County and shall not in any way be construed to be a debt of the County in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the County, nor shall anything contained in the Lease constitute a pledge of the general tax revenues, funds or moneys of the County. Base Rental Payments due under the Lease shall be payable only from current funds that are budgeted and appropriated or otherwise legally available for the purpose of paying Base Rental Payments, Additional Rental Payments or other payments due under the Lease as consideration for use and occupancy of the Leased Facilities, including but not limited to the proceeds of insurance maintained pursuant to the Lease. The Lease shall not create an immediate indebtedness for any aggregate payments that may become due under the Lease in the event that the term of the Site Lease is continued. The County has not pledged the full faith and credit of the County, the State of California or any agency or department thereof to the payment of the Base Rental Payments or Additional Rental Payments due under the Lease.

Rental Abatement

Except to the extent of amounts held in the Revenue Fund established under the Indenture or to the extent payable from proceeds of casualty insurance, rental interruption insurance and title insurance maintained pursuant to the Lease, during any period in which by reason of any damage or destruction (other than by condemnation as provided for in the Lease) or title defect there is substantial interference with the use and occupancy of the Leased Facilities, or a portion thereof, by the County, the Rental Payments due under the Lease shall be abated as and to the extent necessary to reduce the Rental Payments due in each period to an amount that does not exceed the fair rental value during such period of the portion of the Leased Facilities still available for use and occupancy by the County. Such abatement shall continue for the period commencing with the substantial interference and ending when use and occupancy is restored to the County. Such abatement shall continue for the period commencing with the substantial interference with use and ending when use and occupancy is restored to the County. In the event of any such interference with use, the Lease shall continue in full force and effect and the County waives the benefits of California Civil Code Section 1932(2) and 1933(4) and Title 11 of the United States Code, Section 365(h) and all other rights to terminate the Lease by virtue of any such interference. To the extent that moneys are available for the payment of Base Rental Payments in any of the funds and accounts established under the Indenture (except the Rebate Fund), Base Rental Payments shall not be abated as provided in the Lease, but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts.

Maintenance of Leased Facilities

During such time as the County is in possession of the Leased Facilities, all maintenance and repair, both ordinary and extraordinary, of the Leased Facilities shall be the responsibility of the County, which shall at all times maintain or otherwise arrange for the maintenance of the Leased Facilities in good condition and repair, and shall pay for or otherwise arrange for payment of all utility services supplied to the Leased Facilities, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Leased Facilities resulting from ordinary wear and tear or want of care on the part of the County or any assignee or sublessee thereof or any other cause and shall pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Leased Facilities.

Changes to the Leased Facilities

The County shall, at its own expense, have the right to remodel the Leased Facilities or to make additions, modifications and improvements to the Leased Facilities. All such additions, modifications and improvements shall thereafter comprise part of the Leased Facilities and be subject to the provisions of the Lease. Such additions, modifications and improvements shall not in any way cause an abatement of Rental Payments under the Lease or damage the Leased Facilities or cause the Lased Facilities to be used for purposes other than those authorized under the provisions of State and federal law; and the Leased Facilities, upon completion of any additions, modifications and improvements made pursuant to the Lease, shall be of a value which is at least equal to the value of the Leased Facilities immediately prior to the making of such additions, modifications and improvements.

Installation of Equipment

The County may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed equipment or other personal property in the Leased Facilities. All such items shall remain the sole property of such party, in which the Authority shall have no interest in such equipment or personal property. Nothing in the Lease shall prevent the County from purchasing items to be installed pursuant to the Lease under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Facilities.

INSURANCE

Fire and Extended Coverage Insurance; Insurance Proceeds

The County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Lease and commencing with the County's beneficial use and occupancy of the Leased Facilities, all-risk property insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of the Leased Facilities, except that such insurance may be subject to deductible clauses for any one loss of not to exceed five hundred thousand dollars ($500,000) (or a comparable deductible adjusted for inflation), or, in the alternative, shall be in an amount and in a form sufficient, in the event of total or partial loss, to prepay all outstanding principal components of Base Rental Payments due under the Lease. Such insurance may be part of a joint-purchase insurance program.

In the event of any damage to or destruction of any part of the Leased Facilities, caused by the perils covered by such insurance, the County, except as provided in the Lease, shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Facilities, and the County shall hold said proceeds in the County treasury separate and apart from all other funds, in a special fund to be designated the "Insurance and Condemnation Fund," to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Leased Facilities to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The County shall permit withdrawals of said proceeds from time to time for the purpose of repair, reconstruction or replacement only in the event that the Base Rental Payments payable in each year following such repair, reconstruction or replacement shall equal the amount of Base Rental Payments payable in such year as set forth in the Base Rental Payment Schedule. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be applied by the County as Base Rental Payments. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay an aggregate principal amount of Base Rental Payments equal to the portion of the Leased Facilities so destroyed or damaged (determined by reference to the proportion that the acquisition cost of such portion of the Leased Facilities bears to the acquisition cost of the Leased Facilities), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities and thereupon shall cause said proceeds to be used for the prepayment of Base Rental Payments.

The Authority and the County shall promptly apply for Federal disaster aid or State disaster aid in the event that the Leased Facilities are damaged or destroyed as a result of an earthquake occurring at any time. Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Facilities, or, at the option of the County; to prepay all outstanding principal components of Base Rental Payments due under the Lease if such use of such disaster aid is permitted.

Liability Insurance

Except as provided in the Lease, the County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Lease commencing with the County's beneficial use and occupancy of the Leased Facilities, a commercial general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees, indemnifying said parties against all direct or contingent loss or liability for damages for bodily injury, death or property damage occasioned by reason of the operation of the Leased Facilities, with minimum liability limits of two million dollars ($2,000,000) for bodily injury or death of each person in each accident or event, and in a minimum amount of five hundred thousand dollars ($500,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks. Such liability insurance may be part of a joint-purchase insurance program. Such insurance may be maintained by the County in the form of self-insurance.

Workers' Compensation

The County shall maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance may be maintained by the County in the form of self-insurance.

Rental Interruption Insurance

The County shall maintain insurance issued by a responsible carrier against rental interruption or loss of use and possession of the Leased Facilities or, as an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance shall be maintained by the County in an amount sufficient to pay the maximum annual Base Rental Payments under the Lease for any two-year period.

Title Insurance

The County shall obtain title insurance on the Leased Facilities, in an amount not less than the principal amount of the Bonds outstanding, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances. Proceeds of such insurance shall be delivered to the Trustee as a prepayment of Base Rental Payments pursuant to the Lease and shall be applied by the Trustee to the redemption of Bonds pursuant to the Indenture.

DEFAULTS AND REMEDIES

Defaults and Remedies

(a) If the County shall fail to (i) pay any Base Rental Payment or Additional Rental Payment under the Lease when the same becomes due and payable, time being expressly declared to be of the essence of the Lease, or (ii) keep, observe or perform any other term, covenant or condition contained in the Lease to be kept or performed by the County for a period of 30 days after notice of the same has been given to the County by the Authority or the Trustee for such additional time as is reasonably required to correct the same, but not to exceed 60 days, or upon the happening of any of the events specified in the Lease (b) of the Lease (any such case above being an "Event of Default"), the County shall be deemed to be in default under the Lease and it shall be lawful for the Authority or the Trustee, as assignee of the Authority, to exercise any and all remedies available pursuant to law or granted pursuant to the Lease. Upon any such default, the Authority or the

Trustee, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate the Lease in the manner provided in the Lease on account of default by the County, notwithstanding any re-letting of the Leased Facilities as provided in the Lease. In the event of such termination, the County agrees to surrender immediately possession of the Leased Facilities, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the County, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any re-letting of the Leased Facilities. Neither notice to pay rent or to deliver up possession of the Leased Facilities given pursuant to law brought by the Authority for the purpose of effecting obtaining possession of the Leased Facilities nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Lease shall of itself operate to terminate the Lease, and no termination of the Lease on account of default by the County shall be or become effective by operation of law or acts of the parties to the Lease, or otherwise, unless and until the Authority shall have given written notice to the County of the election on the part of the Authority to terminate the Lease.

(2) Without terminating the Lease, (A) to collect each installment of Base Rental Payments as it becomes due and enforce any other terms or provision of the Lease to be kept or performed by the County, regardless of whether or not the County has abandoned the Leased Facilities, or (B) to exercise any and all rights of repossession of the Leased Facilities. In the event the Authority does not elect to terminate the Lease in the manner provided for in the Lease, the County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Lease to be kept or performed by the County and, if the Leased Facilities are not re-let, to pay the full amount of the Base Rental Payments to the end of the term of the Lease or, in the event that the Leased Facilities are re-let, to pay any deficiency in Base Rental Payments that results therefrom; and further agrees to pay said Base Rental Payments and/or Base Rental Payments deficiency punctually at the same time and in the same manner as provided for the payment of Base Rental Payments under the Lease (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the Base Rental Payments specified in the Lease, and notwithstanding any suit brought by the Authority for the purpose of obtaining possession of the Leased Facilities. Should the Authority elect to obtain possession of the Leased Facilities as provided in the Lease, the County irrevocably appoints the Authority as the agent and attorney-in-fact of the County to re-let the Leased Facilities, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable, and the County exempts under the Lease and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-letting of the Leased Facilities and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease. The County agrees that the terms of the Lease constitute full and sufficient notice of the right of the Authority to re-let the Leased Facilities and to do all other acts to maintain or preserve the Leased Facilities as the Authority deems necessary or desirable in the event of such repossession without effecting a surrender of the Lease, and further agrees that no acts of the Authority in effecting such repossession shall constitute a surrender or termination of the Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the County the right to terminate the Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in the Lease. The County further waives the right to any rental obtained by the Authority in excess of the rental specified in the Lease and under the Lease conveys and releases such excess to the Authority as compensation to the Authority for its services in re-letting the Leased Facilities or any part thereof.

Under the Lease, the County waives any and all claims for damages caused or which may be caused by the Authority in taking possession of the Leased Facilities as provided in the Lease and all claims for damages that may result from the destruction of the Leased Facilities and all claims for damages to or loss of any property belonging to the County.

If (i) the County's interest in the Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, as provided for in the Lease, or (ii) the County or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the County's debts or obligations, or offers to the County's creditors to effect a composition or extension of time to pay the County's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the County's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the County, or if a receiver of the business or of the property or assets of the County shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the County shall make a general or any assignment for the benefit of the County's creditors, or if (3) the County shall abandon the Leased Facilities, then the County shall be deemed to be in default under the Lease.

(c) The Authority shall in no event be in default in the performance of any of its obligations under the Lease or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligations within 30 days or such additional time as is reasonably required to correct any such default after notice by the County to the Authority properly specifying wherein the Authority has failed to perform any such obligation. In the event of default by the Authority, the County shall be entitled to pursue any remedy provided by law.

(d) In addition to the other remedies set forth in the Lease, upon the occurrence of an event of default as described in the Lease, the Authority or the Trustee, shall be entitled to proceed to protect and enforce the rights vested in the Authority by the Lease or by law. The provisions of the Lease and the duties of the County and of its officers or employees shall be enforceable by the Authority or the Trustee, as the case may be, by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority or the Trustee shall have the right to bring the following actions:

> (1) Accounting. By action or suit in equity to require the County and its trustees, officers and employees and its assigns to account as the trustee of an express trust.
>
> (2) Injunction. By action or suit in equity to enjoin any acts or things that may be unlawful or in violation of the rights of the Authority.
>
> (3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the County (and its board, officers and employees) and to compel the County to perform and carry out its duties and obligations under the law and its covenants and agreements with the County as provided in the Lease.

Each and all of the remedies given to the Authority under the Lease or by any law now or thereafter enacted are cumulative and the single or partial exercise of any right, power or privilege under the Lease shall not impair the right of the Authority to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in the Lease shall include, but not be limited to, re-letting by means of the operation by the Authority of the Leased Facilities. If any statute or rule of law validly shall limit the remedies given to the Authority under the Lease, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of the Lease, the County agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Lease, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

Notwithstanding any provision of the Lease to the contrary, no Event of Default by the County shall result in the acceleration of any Base Rental Payment or Additional Rental Payment under the Lease.

EMINENT DOMAIN; PREPAYMENT

Eminent Domain

If the whole of the Leased Facilities or so much thereof as to render the remainder unusable for the purposes for which it was used by the County shall be taken under the power or threat of eminent domain, the term of the Lease shall cease as of the day that possession shall be so taken. If less than the whole of the Leased Facilities shall be taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the County at the time of such taking, then the Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due under the Lease in an amount equivalent to the amount by which the annual payments of Base Rental Payments due under the Lease will be reduced by the application of the award in eminent domain to the prepayment of Base Rental Payments. So long as Base Rental Payments are due under the Lease, any award made in eminent domain proceedings for taking the Leased Facilities or any portion thereof shall be paid to the Authority and applied to the prepayment of the Base Rental Payments as provided below. Any such award made after all of the Base Rental Payments have been fully paid, or provision therefor made, shall be paid to the County.

Prepayment

(a) The County shall prepay on any date from insurance and eminent domain proceeds, to the extent provided under the caption "Fire and Extended Coverage Insurance; Insurance Proceeds"; "Title Insurance" and "Eminent Domain" above (provided, however, that in the event of partial damage to or destruction of the Leased Facilities caused by perils covered by insurance, if in the judgment of the County the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities, such proceeds shall be held by the County and used to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities, pursuant to the procedure set forth in the Lease for proceeds of insurance), all or any part (in an integral multiple of $5,000) of Base Rental Payments then unpaid so that the aggregate Base Rental Payments that shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal and interest of the Base Rental Payments to the date of prepayment. Before making any such prepayment, the County shall, within five days following the event creating such obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than 45 days from the date such notice is given unless a shorter notice period is consented to by the Authority and the Trustee.

(b) The County may prepay on any date, from any source of available funds, all or any portion of Base Rental Payments by (i) depositing with the Trustee moneys or securities as provided in the Indenture sufficient to retire or redeem Bonds corresponding to such Base Rental Payments when due or redeemable, and (ii) satisfying the other requirements of the Indenture. The County agrees that if following such prepayment, the Leased Facilities are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and shall not be entitled to any reimbursement of such Base Rental Payments. The County shall, not less than 45 days prior to such prepayment (or at such later time as is consented to by the Authority and the Trustee), give written notice to the Authority and the Trustee of its election to prepay Base Rental Payments and specifying the date of such prepayment.

Option to Purchase; Sale of Personal Property

The County shall have the option to purchase the Authority's interest in any part of the Leased Facilities upon payment of an option price consisting of moneys or securities satisfying the requirements of the Indenture in an amount sufficient (together with the earnings and interest an such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Lease or the part of the total Base Rental Payments thereunder attributable to such part of the Leased Facilities (determined by reference to the proportion that the acquisition cost of such part of the Leased Facilities bears to the acquisition cost of all of the Leased Facilities). Any such payment shall be made to the Authority on a Business Day and shall be treated as a prepayment of Base Rental Payments. Upon the making of such payment to the Authority, (a) the Base Rental Payments thereafter payable under the Lease shall be reduced by the amount thereof attributable to such part of the Leased Facilities and theretofore paid pursuant to the Lease, (b) Provisions of the Lease under the section heading "Rental Abatement" and this Section of the Lease shall not thereafter be applicable to such part of the Leased Facilities, (c) the insurance required by the Lease need not be maintained as to such part of the Leased Facilities, and (d) title to such part of the Leased Facilities shall vest in the County and the term of the Lease shall end as to such part of the Leased Facilities.

In addition to substitution under the Lease, the County, in its discretion, may request the Authority to sell or exchange any personal property that may constitute a part of the Leased Facilities, and to release said personal property from the Lease, if (a) in the opinion of the County the property so sold or exchanged is no longer required or useful in connection with the operation of the Leased Facilities, (b) the consideration to be received from the property is of a value substantially equal to the value of the property to be released, and (c) if the value of any such property shall, in the opinion of the Authority, exceed the amount of $500,000, the Authority shall have been furnished with a Written Certificate of the County certifying the value thereof and that such property is no longer required or useful in connection with the operation of the Leased Facilities. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released shall be paid to the Authority. Any money so paid to the Authority may, so long as the County is not in default under any of the provisions of the Lease, be used upon the Written Request of the County to purchase personal property, which property shall become a part of the Leased Facilities leased thereunder, or to prepay Base Rental Payments pursuant to the Indenture. The Authority may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of personal property subject to the Lease or before releasing for the purchase of new personal property money received by it for personal property so sold.

COVENANTS

Right of Entry and Inspection

The Authority and any assignee will have the right (but not the duty) to enter upon and to examine and inspect the Leased Facilities during normal business hours following reasonable notice (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the Authority's or the County's rights or obligations under the Lease, and (c) for all other lawful purposes.

Liens

In the event the County shall at any time during the term of the Lease cause any changes, alterations, additions or other work to be done or performed or materials to be supplied with respect to the Leased Facilities, the County will pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon or about the Leased Facilities and will keep the Leased Facilities free of any and all mechanics' or materialmen's liens or other liens against the Leased Facilities or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Facilities or the Authority's interest therein, the County will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the County desires to contest any such lien it may do so in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the County will forthwith pay and discharge said judgment. The County agrees to and will, to the maximum extent permitted by law, indemnify and hold the Authority and its respective members, directors, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including reasonable attorney's fees) as a result of any such lien or claim of lien against the Leased Facilities or the Authority's interest therein.

Quiet Enjoyment

The parties to the Lease mutually covenant that the County, by keeping and performing the covenants and agreements contained in the Lease and if not in default under the Lease, will at all times during the term of the Lease peaceably and quietly have, hold and enjoy the Leased Facilities without suit, trouble or hindrance from the Authority.

Authority Not Liable

The Authority and its members, directors, officers, agents, employees and assignees will not be liable to the County or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever about the Leased Facilities. The County, to the extent permitted by law, will indemnify and hold the Authority and its members, directors, officers, agents, employees and assignees, harmless from, and defend each of them against, any and all claims, liens and judgments arising from the operation of the Leased Facilities, including, without limitation, death of or injury to any person or damage to property whatsoever occurring about the Leased Facilities regardless of responsibility for negligence, but excepting the active negligence of the person or entity seeking indemnity.

Assignment and Subleasing

Neither the Lease nor any interest of the County under the Lease will be mortgaged, pledged, assigned, sublet or transferred by the County by voluntary act or by operation of law or otherwise, except with the prior written consent of the Authority. No such mortgage, pledge, assignment, sublease or transfer will in any event affect or reduce the obligation of the County to make the Base Rental Payments required under the Lease.

The Authority may assign all of its rights, title and interest in and to the Lease and the Leased Facilities, and/or may grant or assign a security interest in the Lease and the Leased Facilities to the Trustee for the benefit of the Bondholders.

Title to Leased Facilities

During the term of the Lease, the Authority shall have a leasehold interest in the Leased Facilities pursuant to the Site Lease and shall, therefore, hold title to the Leased Facilities and any and all additions that comprise repairs, replacements or modifications thereof, except for those repairs, replacements or modifications which are added thereto by the County and which may be removed without damaging the Leased Facilities. This provision shall not operate to the benefit of any insurance company if there is a rental interruption covered by insurance pursuant to the Lease. Upon the termination of the Lease (other than as provided in the Lease), title to the Leased Facilities shall vest in the County pursuant to the Site Lease. Upon any such termination, the Authority shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Purpose of Lease

The County covenants that during the term of the Lease, except as provided in the Lease, (a) it will use, or cause the use of, the Leased Facilities for public purposes, (b) it will not vacate or abandon the Leased Facilities or any part thereof; and (c) it will not make any use of the Leased Facilities which would jeopardize in any way the insurance coverage required to be maintained pursuant to the Lease.

Tax Covenants

The County and the Authority will not make any use of the Bond proceeds or any other moneys of the County or the Authority in a manner that will cause the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code. The County and the Authority will not make any use of the Bond proceeds or any other moneys of the County or the Authority that will cause such obligations to be “federally guaranteed” and subject to inclusion in gross income for federal income tax purposes by reason of Section 149(b) of the Code. To that end, so long as any Base Rental Payments are unpaid, the County and the Authority, with respect to such proceeds and such other moneys, will comply with all requirements of such Sections 148 and 149(b) and all regulations of the United States Department of the Treasury issued thereunder to the extent that such requirements are, at the time, applicable and in effect.

The County further covenants that it will not use or permit the use of the Project by any person not an “exempt person” within the meaning of Section 141(a) of the Code or by an “exempt person” (including the County) in an “unrelated trade or business”, in such manner or to such extent as would result in the inclusion of interest received on the Bonds in gross income for federal income tax purposes under Section 103 of the Code.

If at any time the County is of the opinion that for purposes of this Section it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee or the County or the Authority under the Lease or the Indenture, the County shall so instruct the Trustee or the appropriate officials of the Authority in writing, and the Trustee or the appropriate officials of the Authority, as the case may be, shall take such actions as may be necessary in accordance with such instructions.

In furtherance of the covenants of the County set forth above, the County will comply with the Tax Certificate and will instruct the Trustee in writing as necessary to comply with the Tax Certificate. The Trustee and the Authority may conclusively rely on any such written instructions, and the County agrees to hold harmless the Trustee and the Authority for any loss, claim, damage, liability or expense incurred by the Authority or the Trustee for any actions taken by the Trustee in accordance with such instructions.

The County and the Authority shall at all times do and perform all acts and things required by applicable law that are necessary or desirable in order to assure that the interest on the Bonds will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes.

Continuing Disclosure

The County agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default under the Lease, however, the Trustee or any Bondholder or Beneficial Owner (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the County to comply with its obligations under the Continuing Disclosure Certificate.

Taxes

The County shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or affecting the Leased Facilities or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the term of the Lease as and when the same become due.

The County shall also pay directly such amounts, if any, in each year as shall be required by the Authority for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value-added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines or interest arising out of any delay or failure by the County to pay any of the foregoing or failure to file or furnish to the Authority for filing in a timely manner any returns, hereinafter levied or imposed against the Authority or the Leased Facilities, the rentals and other payments required under the Lease or any parts thereof or interests of the County or the Authority therein by any governmental authority.

The County may, at the County's expense and as agent or attorney-in-fact for the Authority, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the County that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Leased Facilities will be materially endangered or the Leased Facilities, or any part thereof; will be subject to loss or forfeiture, in which event the County shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in foil satisfactory to the Authority and the Trustee.

MISCELLANEOUS

Law Governing

The Lease shall be governed exclusively by the provisions thereof and by the laws of the State, excluding conflict of law provisions.

Net-Net-Net Lease

The Lease shall be deemed and construed to be a "net-net-net lease" and the County agrees that the rentals provided for therein shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

Amendment

The Authority and the County may at any time amend the Lease by written amendment thereof; provided, however, that any such amendment shall only be made or effected in accordance with and subject to the terms of the Indenture.

SITE LEASE

Under the Site Lease, the Authority will use the Leased Facilities solely for the purpose of leasing the Leased Facilities to the County pursuant to the Lease and for related purposes; provided, that in the event of default by the County under the Lease, the Authority may exercise any remedies provided in the Lease.

Leased Facilities

The County agrees to lease to the Authority and the Authority agrees to lease from the County, on the terms and conditions set forth in the Site Lease, the real property described in the Site Lease, subject to Permitted Encumbrances (as defined below), together with the buildings, improvements, fixtures, furnishings, equipment and appurtenant and related facilities thereon, or any real property, buildings, improvements, fixtures and equipment substituted for all or any portion of such property in accordance with the Site Lease (collectively, the "Leased Facilities"). Permitted Encumbrances means (1) liens for general ad valorem taxes and assessments, if any, not then delinquent; (2) easements; encumbrances, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions or restrictions that exist of record as of the date of recordation of the Site Lease in the office of the County Recorder; (3) the Site Lease and the Lease, as they may be amended from time to time; (4) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (5) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions that will not materially impair the use of the Leased Facilities; and (6) all matters that would be revealed by an accurate survey of the real property described in the Site Lease.

Term

The term of the Site Lease will commence upon the issuance of the Bonds and will end on April 1, 2036, unless such term is sooner terminated as provided in the Site Lease. If on the Termination Date the Bonds and all other amounts due under the Indenture and under the Site Lease have not been fully paid, or if the rental or other amounts payable under the Lease have been abated at any time and for any reason or have not been fully paid, then the term of the Site Lease will be extended until ten days after the Bonds and all other amounts due under the Indenture and the Lease have been fully paid, except that the term of the Site Lease will in no event be extended beyond April 1, 2046. If prior to April 1, 2036, the Bonds have been fully paid, the term of the Site Lease will end ten (10) days thereafter or ten (10) days after written notice by the County to the Authority of such event, whichever is earlier.

Owner in Fee

The County covenants that it is the owner in fee of the Leased Facilities, and the Leased Facilities are free of any leases and encumbrances that would materially interfere with the use of the Leased Facilities for the purposes intended by the parties to the Site Lease. The County further covenants and agrees that if for any reason this covenant proves to be incorrect, the County shall either institute eminent domain proceedings to condemn the property or institute a quiet title action to clarify the County's title, and will diligently pursue such action to completion. The County further covenants and agrees that it will hold the Authority harmless from any loss, cost or damages resulting from any breach by the County of the covenants contained in the Site Lease.

Assignments and Subleases

Unless the County shall be in default under the Lease, the Authority may not assign its rights under the Site Lease or sublease the Leased Facilities, except pursuant to the Indenture and the Lease, without the written consent of the County.

Default

In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the County may exercise any and all remedies granted by law; except that no merger of the Site Lease and of the Lease shall be deemed to occur as a result thereof; provided, however, that the County shall have no power to terminate the Site Lease by reason of any default on the part of the Authority if such termination would affect or impair any assignment or sublease of all or any part of the Leased Facilities then in effect between the Authority and any assignee or subtenant of the Authority (other than the County under the Lease). So long as any such assignee or subtenant of the Authority shall duly perform the terms and conditions of the Site Lease and of its then existing sublease (if any), such assignee or subtenant shall be deemed to be and shall become the tenant of the County thereunder and shall be entitled to all of the rights and privileges granted under any such assignment; provided, further, that so long as any Bonds are outstanding and unpaid in accordance with the terms thereof, the rentals or any part thereof payable to the Trustee shall continue to be paid to the Trustee.

Taxes

The County covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes; levied or assessed upon the Leased Facilities (including both-land and improvements).

Eminent Domain

In the event the whole or any part of the Leased Facilities (including all or any part of the improvements thereon) is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is determined to be the amount of the then unpaid or outstanding Bonds attributable to such part of the Leased Facilities and shall be paid to the Trustee, and the balance of the award, if any, shall be paid to the County.

Governing Law

The Site Lease is governed by the laws of the State of California, without reference to conflict of law provisions.

Amendments

The Authority and the County may at any time agree to the amendment of the Site Lease; provided, however, that any such amendment shall only be made or effected in accordance with and subject to the terms of the Indenture.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

South Orange County Public Financing Authority
Santa Ana, California

Re: $56,565,000 South Orange County Public Financing Authority Central Utility Facility Lease Revenue Bonds, Series 2016

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the South Orange County Public Financing Authority (the "Authority") of $56,565,000 aggregate principal amount of the Authority's Central Utility Facility Lease Revenue Bonds, Series 2016 (the "Bonds").

The Bonds are being issued pursuant to an indenture dated as of June 1, 2016 (the "Indenture") by and between the Authority and Zions Bank, a division of ZB, N.A., as trustee (the "Trustee"). The Bonds are payable, in part, from Base Rental payments made by the County of Orange (the "County") pursuant to the terms of a Lease, dated as of June 1, 2016 (the "Lease"), by and between County and the Authority.

Capitalized terms not defined herein shall have the meanings set forth in the Indenture.

The Bonds are dated their date of delivery, have been issued for the purposes set forth in the Indenture in fully registered form, bear interest from their dated date at the rates described in, and mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions as set forth in, the Indenture. The description of the Bonds and other statements concerning the terms and conditions of the issuance of the Bonds set forth herein do not purport to set forth all of the terms and conditions of the Bonds or of any other document relating to the issuance of the Bonds, but are intended only to identify the Bonds and to describe briefly certain features thereof. This opinion shall not be deemed or treated as an offering circular, prospectus or official statement, and is not intended in any way to be a disclosure document used in connection with the sale or delivery of the Bonds.

In rendering the opinions set forth below, we have examined certified copies of the proceedings of the Authority and the County, and other information submitted to us relative to the issuance and sale by the Authority of the Bonds. We have examined originals, or copies identified to our satisfaction as being true copies, of the Indenture, the Lease, the Site Lease, dated as of June 1, 2016 (the "Site Lease"), by and between the County and the Authority, the Tax Certificate relating to the Bonds (the "Tax Certificate"), the resolutions of the Authority and the County adopted on May 10, 2016 with respect to the Bonds, opinions of counsel to the County and the Authority, certificates of the County, the Authority and others, and such other documents, agreements, opinions and matters as we have considered necessary or appropriate under the circumstances to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the preceding paragraphs of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease, the Site Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Lease, the Site Lease and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Bonds, the Indenture the Lease or the Site Lease, nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Lease or the Site Lease, or the accuracy or sufficiency of the description of any such property contained therein.

Our opinion is limited to matters governed by the laws of the State of California and federal income tax law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Based on and subject to the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds issued thereunder, of the Revenues and any other amounts held by the Trustee in any of the funds and accounts established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Site Lease and the Lease have been duly authorized and executed by the Authority and the County and constitute valid and binding agreements of the parties thereto. The obligation of the County to pay Base Rental Payments during the term of the Lease constitutes a valid and binding obligation of the County and such Base Rental Payments are payable only from funds of the County legally available therefor.

4. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the pledge under the Indenture. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof, including the County, is pledged to the payment of the principal of, redemption premium, if any, or interest on the Bonds. The Bonds are not a debt of the Authority, the County, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction.

5. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income. The foregoing opinion is subject to the condition that the Authority and the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to

be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the County have covenanted to comply with all such requirements.

6. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues for the Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations (as described in paragraph 5 above) and is exempt from State of California personal income tax.

7. The amount by which a Bondholder's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bondholder's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondholder realizing a taxable gain when a Bond is sold by the holder for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the holder.

8. Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

Except as set forth in paragraphs 5 through 8 above, we express no opinion as to any tax consequences related to the Bonds. Other provisions of the Code may give rise to adverse federal income tax consequences to particular owners of the Bonds. The scope of this opinion is limited to matters addressed above and no opinion is expressed hereby regarding other federal tax consequences that may arise due to ownership of the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Lease, the Site Lease and the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion herein as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we disclaim any obligation to update this opinion. Our engagement as Bond Counsel terminates upon the issuance of the Bonds.

The scope of our engagement in relation to the issuance of the Bonds has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein. We have not been engaged or undertaken to review, confirm or verify, and therefore express no opinion herein as to, the accuracy, completeness, fairness or sufficiency of any of the statements in the Official Statement or any exhibits or appendices thereto or any other offering material relating to the Bonds. In addition, we have not been engaged to and therefore express no opinion as to the compliance by the Authority or the underwriter with any federal or state statute, regulation or ruling with respect to the sale or distribution of the Bonds.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the County of Orange, California (the "County") in connection with the issuance of $56,565,000 aggregate principal amount of the South Orange County Public Financing Authority Central Utility Facility Lease Revenue Bonds, Series 2016 (the "Bonds"). The Bonds are being issued pursuant to an Indenture dated as of June 1, 2016 (the "Indenture") by and between the South Orange County Public Financing Authority (the "Authority") and Zions Bank, a division of ZB, N.A., as trustee (the "Indenture"). Capitalized terms not defined herein shall have the meaning set forth in the Indenture. The County covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as the foregoing capitalized terms are hereinafter defined).

Section 2. Definitions. The following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County or any successor Dissemination Agent designated in writing by the County, which has filed with the County a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement for the Bonds dated May 24, 2016.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than February 25 after the end of the County's fiscal year (which currently ends on June 30), commencing with the report due for the fiscal year ending June 30, 2016, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The County's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The County will promptly notify the MSRB of a change in the fiscal year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the County shall provide the Annual Report to the Dissemination Agent (if the Dissemination Agent is not the County). If by fifteen (15) Business Days prior to the date specified in (a) for the Annual Report, the Dissemination Agent (if other than the County) has not received a copy of the Annual Report, the Dissemination Agent shall notify the County of such failure to receive the report. If the Dissemination Agent is other than the County, the County shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the County and shall have no duty or obligation to review such Annual Report.

(c) If the County fails to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice of such failure to file to the MSRB, in the form required by the MSRB.

Section 4. Content of Annual Report. The County's Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the County for the most recent fiscal year of the County then ended. If the County prepares audited financial statements and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the County in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the County shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements, if prepared by the County, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the County may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the County shall modify the basis upon which its financial statements are prepared, the County shall provide a notice of such modification to the MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Financial and Operating Data. The following information:

1. The Final Budget of the County for the current Fiscal Year in the form of Table A-6 in Appendix A to the Official Statement.

2. Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in Appendix A to the Official Statement, in the following charts and tables or under the following captions:

(a) "County Financial Information" — Tables A-3 through A-5, Tables A-8 through A-10 and Tables A-12 through A-20; and

(b) "Investment Policy Statement."

The County has not undertaken in this Disclosure Certificate to provide all information an investor may want to have in making decisions to hold, sell or buy Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) (the Bonds are being issued as taxable obligations under the Code);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds (the Bonds are being issued as taxable obligations under the Code);

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the County shall determine if such event would be material under applicable federal securities laws.

(d) If the County learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the County shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Indenture.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the County shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3, 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture or the Lease, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, if any, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _______, 2016

COUNTY OF ORANGE, CALIFORNIA

By: ________________________________
Public Finance Director