MSRB
Municipal Securities Rulemaking Board

Submission ID:ES863051
02/22/2018 14:55:32

CONTINUING DISCLOSURE (SUBMISSION STATUS: PUBLISHED)

FINANCIAL/OPERATING FILING (CUSIP-9 BASED)

Rule 15c2-12 Disclosure

Annual Financial Information and Operating Data: 2017 Annual Report, for the year ended 06/30/2017

Documents

Financial Operating Filing
- SOCPFAS2018_FINAL.pdf posted 02/22/2018

The following issuers are associated with this continuing disclosure submission:

CUSIP-6	State	Issuer Name
839100	CA	SOUTH ORANGE CNTY CALIF PUB FING AUTH SPL TAX REV

The following 15 securities have been published with this continuing disclosure submission:

CUSIP-9	Maturity Date
839100JZ8	08/15/2018
839100KA1	08/15/2019
839100KB9	08/15/2020
839100KC7	08/15/2021
839100KD5	08/15/2022
839100KE3	08/15/2023
839100KF0	08/15/2024
839100KG8	08/15/2025
839100KH6	08/15/2026
839100KJ2	08/15/2027
839100KK9	08/15/2028
839100KL7	08/15/2029
839100KM5	08/15/2030
839100KN3	08/15/2031
839100KP8	08/15/2032

Issuer's Contact Information

Company:
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City, State Zip: Santa Ana, CA 92701

Obligor's Contact Information

Phone Number: 714-834-3662
Email: Susana.Ortiz@ocgov.com

SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(LADERA RANCH) 2018 SERIES A
ANNUAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2017

Dated February 22, 2018

2018 Series A CUSIP Numbers

839100JZ8	839100KE3	839100KK9
839100KA1	839100KF0	839100KL7
839100KB9	839100KG8	839100KM5
839100KC7	839100KH6	839100KN3
839100KD5	839100KJ2	839100KP8

Prepared at the direction of and on behalf of:

County of Orange
333 West Santa Ana Boulevard, 3rd Floor
Santa Ana, CA 92701-4062

Prepared by:

David Taussig & Associates, Inc.
5000 Birch Street, Suite 6000
Newport Beach, CA 92660

South Orange County Public Financing Authority
Special Tax Revenue Refunding Bonds
(Ladera Ranch) 2018 Series A
Annual Report
For Fiscal Year Ended June 30, 2017

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INTRODUCTION

The South Orange County Public Financing Authority (the "Authority" or the "Issuer") hereby provides its annual report (the "Annual Report") for the fiscal year ended June 30, 2017 in connection with the following Bonds, which are secured and repaid by special tax revenues collected in Community Facilities District Nos. 99-1, 2000-1 and 2001-1 of the County of Orange (each a "District" and together the "Districts").

Bond Issue:

1. South Orange County Public Financing Authority Special Tax Revenue Refunding Bonds (Ladera Ranch) 2018 Series A

Annual Report:

The Authority's Annual Report required by the Continuing Disclosure Certificate (the "Disclosure Certificate") dated February 1, 2018 with respect to the Bonds for the Fiscal Year ended June 30, 2017 is attached hereto.

Other Matters:

This Annual Report is provided solely for purposes of the Disclosure Certificate. The filing of this Annual Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the County, the Authority or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the Authority's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the Authority.

While the financial statements of the County (which includes the Authority) for Fiscal Year ended June 30, 2017 have been incorporated herein by reference in order to comply with SEC Rule 15c2-12, the Bonds are a limited obligation of the Authority and neither the faith and credit nor the taxing power of the County is pledged to the payment of the Bonds. No income, receipts, funds (including the County general fund) or moneys of the County are pledged to the repayment of the Bonds.

SECTION A

1. Audited Financial Statements for Fiscal Year Ended June 30, 2017.

   The County of Orange's Audited Financial Statements for Fiscal Year 2016-2017 were filed with the Municipal Securities Rulemaking Board Electronic Municipal Market Access on January 30, 2018 (Submission ID: ES855070) and are included herein as Exhibit A.

   While the financial statements of the County (which includes CFD Nos. 99-1, 2000-1, and 2001-1) for Fiscal Year ended June 30, 2017 have been incorporated herein by reference in order to comply with SEC Rule 15c2-12, the Bonds are a limited obligation of CFD Nos. 99-1, 2000-1, and 2001-1 and neither the faith and credit nor the taxing power of the County is pledged to the payment of the Bonds. No income, receipts, funds (including the County general fund) or moneys of the County are pledged to the repayment of the Bonds.

2. The Official Statement for Special Tax Revenue Refunding Bonds (Ladera Ranch) 2018 Series A

   See Exhibit B attached.

CERTAIN DISCLAIMERS

The information contained in this Annual Report expresses only the views of the applicable party. An explanation of the significance of any such information may be obtained from the applicable party; provided, however, that no information provided by any party is incorporated in this Annual Report. The County and the South Orange County Public Financing Authority ("SOCPFA") undertake no responsibility to oppose any revision or withdrawal of such information contained in this Annual Report.

To the extent the County or the SOCPFA provides information in this Annual Report, the County and the SOCPFA are not obligated to present or update information in future Annual Reports. Investors are advised to refer to the Official Statement for the Bonds for information concerning the initial delivery of and security for the Bonds.

By providing the information in this Annual Report, the County and the SOCPFA do not imply or represent (a) that all information provided in this Annual Report is material to investors' decisions regarding investment in the Bonds, (b) the completeness or accuracy of any financial, operational or other information not included herein or in the Official Statement, (c) that no changes, circumstances or events have occurred since the date of this Annual Report (other than as contained herein), or (d) that no other information exists which may have a bearing on the County's financial condition, the security for the Bonds or an investor's decision to buy, sell or hold the Bonds.

The information set forth in this Annual Report or incorporated in this Annual Report has been furnished by the County and the SOCPFA and is believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in or incorporated by this Annual Report which involves estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained in this Annual Report or incorporated in this Annual Report are subject to change without notice and the delivery of this Annual Report will not, under any circumstances, create any implication that there has been no change in the affairs of the County and the SOCPFA.

No statement contained in this Annual Report should be construed as a prediction or representation about future financial performance of the County and the SOCPFA. Historical results presented herein may not be indicative of future operating results.

The information set forth herein, including information provided by others or incorporated by reference, is believed by the County and the SOCPFA to be reliable but has not been independently verified by the County and the SOCPFA and is not guaranteed as to accuracy by the County and the SOCPFA.

EXHIBIT A

COMPREHENSIVE ANNUAL FINANCIAL REPORT

ORANGE COUNTY, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

ERIC H. WOOLERY, CPA ORANGE COUNTY AUDITOR-CONTROLLER

County of Orange

State of California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2017

Eric H. Woolery, CPA
Auditor-Controller

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OC AUDITOR-CONTROLLER

TAXPAYER WATCHDOG

ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

AUDITOR-CONTROLLER
COUNTY OF ORANGE

HALL OF FINANCE AND RECORDS
12 CIVIC CENTER PLAZA, ROOM 200
POST OFFICE BOX 567
SANTA ANA, CALIFORNIA 92701-0567

(714) 834-2450 FAX: (714) 834-2569

www.ac.ocgov.com

COUNTY EXECUTIVE OFFICE
COUNTY OF ORANGE

ROBERT E. THOMAS HALL OF
ADMINISTRATION
333 W. SANTA ANA BLVD.
SANTA ANA, CALIFORNIA 92701

(714) 834-2345 FAX: (714) 834-3018

www.ocgov.com

December 14, 2017

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, 2017, 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, 2017, 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, 2017. The independent auditor's report is located at the front of the financial section of this report.

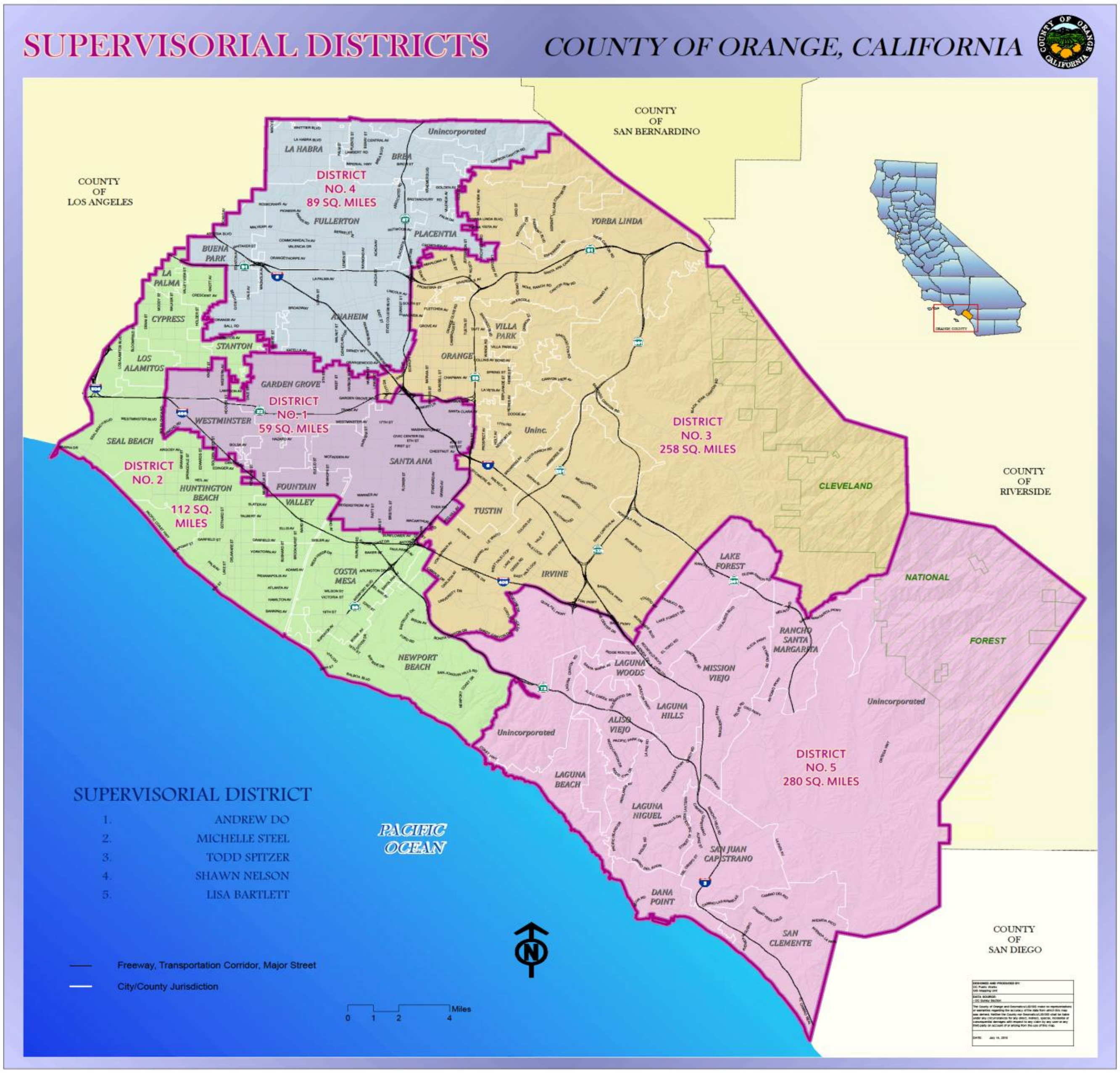
This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report. MD&A provides a narrative introduction, overview, and analysis of the basic financial statements.

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 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 June 2016, voters approved Measure B, which requires the County Auditor-Controller to review any Countywide measure placed on the ballot and prepare a fiscal impact statement.

The County is like a general law county and 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 16 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 services for 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 Assessment, Apportionment & Collection

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

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

Sources: County departments

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 discretely presented 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, County of Orange Redevelopment Successor Agency (Successor Agency), 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, 2017: the Orange County Flood Control District, Orange County Housing Authority, Orange County Public Financing Authority, Capital Facilities Development Corporation, 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 section.

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 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. 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 section.

(Dollar Amounts in Thousands)

The County's eGovernment website portal at www.ocgov.com provides online services and extensive information about the County government to Orange County residents, businesses, partners, and visitors. 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 and pay property taxes, request and track services provided by OC Public Works such as pothole repair and sidewalk maintenance, and subscribe to receive emergency alerts. The County continuously strives to improve our constituent's ability to conduct business online.

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.

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 the California Department of Finance, inflation, as measured by the increase of the Consumer Price Index (CPI) in 2017, is expected to be 2.8% for Orange County, lower than the State of California at 3.0%, but higher than the U.S. at 2.3% (see Table 2).

Table 1: Unemployment Rate Comparison

Primary Government Entity	August 2017 Unemployment Rate
United States	4.5%
California	5.4%
Riverside County	6.5%
San Bernardino County	5.8%
Los Angeles County	5.4%
San Diego County	4.7%
Orange County	**4.2%**

Unemployment Rate

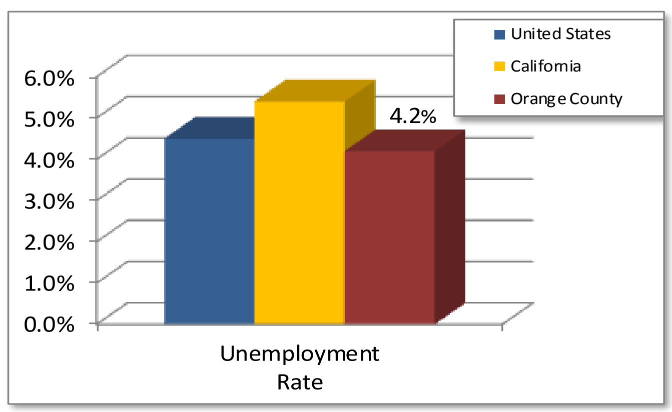


Table 2: 2017 – Projected Increase of the CPI

United States	California	Orange County
2.3%	3.0%	2.8%

Sources: State of California, Employment Development Department
California Department of Finance, April 2017
Note: Unemployment rates are for the month of August 2017

(Dollar Amounts in Thousands)

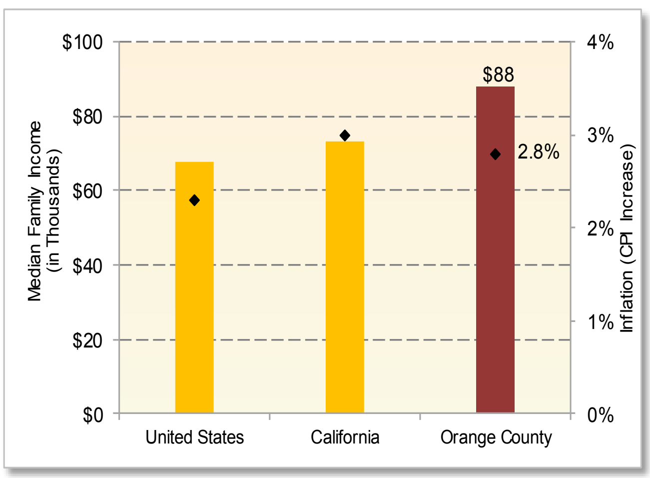
According to the Department of Housing and Urban Development, Orange County's median family income is expected to be $88,000 (absolute dollars) in 2017, compared to $85,000 (absolute dollars) in 2016. Median family incomes in Orange County continue to exceed all surrounding Southern California counties, the State of California, and the nation (see Table 3).

Table 3: Median Family Income Comparison

Primary Government Entity	Median Family Income (absolute dollars)
United States	$68,000
California	$73,300
Orange County	**$88,000**
San Diego County	$79,300
Los Angeles County	$64,300
Riverside County	$63,200

Sources: U.S. Department of Housing and Urban Development, 2017

Comparisons of Inflation and Median Family Income



Sources: California Department of Finance, April 2017
U.S. Department of Housing and Urban Development, 2017

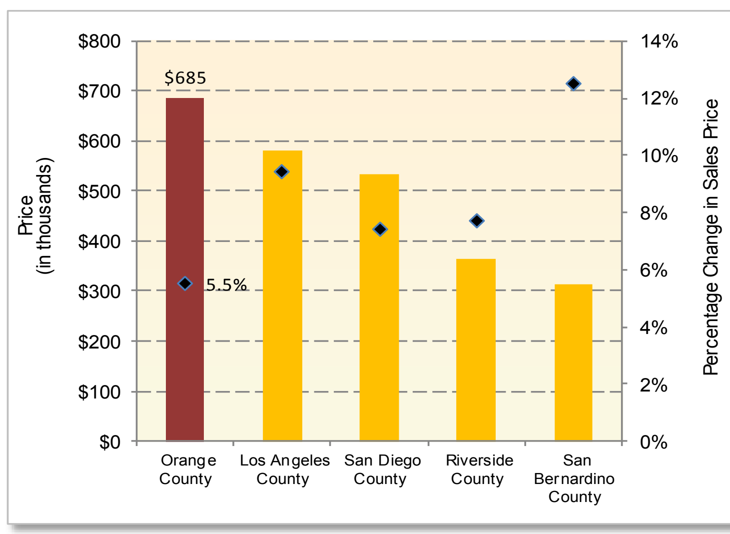
According to CoreLogic Information Systems, the median home sales price for new and existing homes in Orange County was $685,000 (absolute dollars) in August 2017, representing a 5.5% increase relative to August 2016. The median sales price in Orange County continues to exceed all surrounding counties (see Table 4).

In terms of internal trends, current and projected indicators suggest that the Orange County economy will continue to gradually improve with job growth expected to be 1.5% in 2017.

Table 4: Median Home Sales Price Comparison-Southern California Counties – August 2017

Primary Government Entity	Median Home Sales Price Change increase	Median Home Sales Price (absolute dollars)
Orange County	**5.5%**	**$685,000**
Los Angeles County	9.4%	$580,000
San Diego County	7.4%	$535,000
Riverside County	7.7%	$365,000
San Bernardino County	12.5%	$315,000

Table 4: Comparison of Median Home Sales Price and Price Changes Among Counties



Sources: CoreLogic Information System, August 2017

(Dollar Amounts in Thousands)

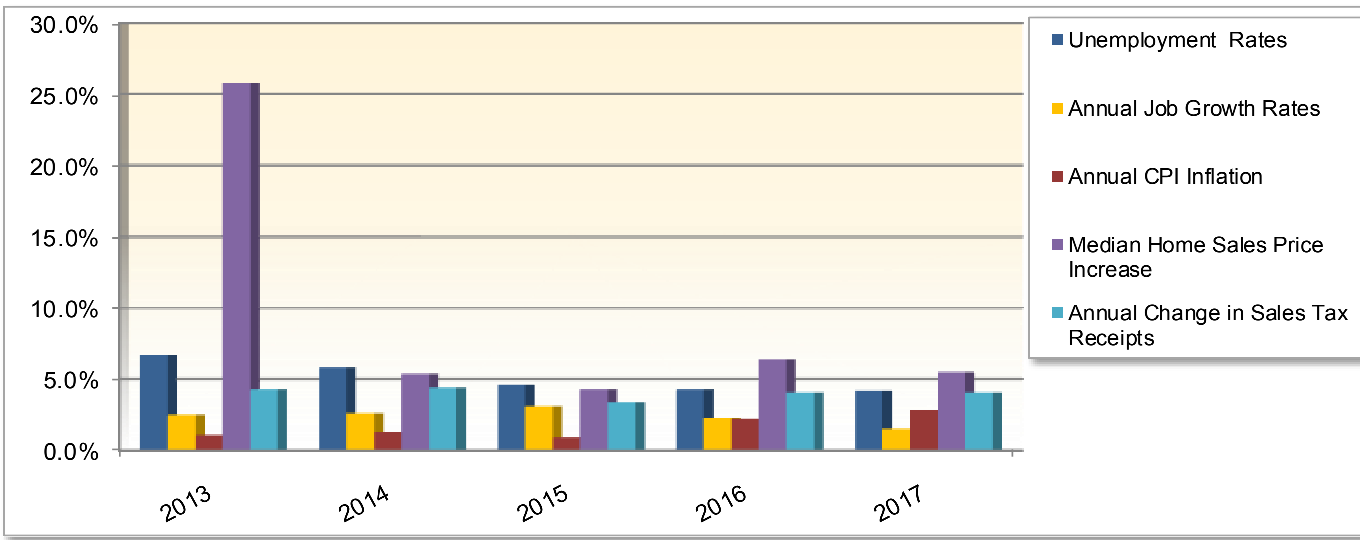
Table 5 shows various internal indicators reflecting steady growth of Orange County's economy. The unemployment rate decreased to 4.2% for the month of August 2017 relative to 4.3% for the month of August 2016. Job growth is expected to decrease to 1.5% in 2017. Median home prices increased by 5.5% in August 2017, relative to 6.4% in August 2016. Annual change in sales tax receipts is forecasted to be 4.1% in 2017.

Table 5: Orange County Historical Data

Historical Indicators	2013	2014	2015	2016	2017
Unemployment Rates	6.7%	5.4%	4.6%	4.3%	4.2%
Annual Job Growth Rates	2.5%	2.6 %	3.1%	2.3%	1.5%
Annual CPI Inflation	1.1%	1.3%	0.9%	2.2%	2.8%
Median Home Sales Price Increase	25.8%	5.4%	4.3%	6.4%	5.5%
Annual Change in Sales Tax Receipts	4.3%	4.4%	3.4%	4.1%	4.1%

Data in Table 5 for prior years may be different from previous years CAFR due to the timing of obtaining data.
Data for 2017 is based on forecasted data

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 2017
Corelogic Information Systems, August 2017
California Board of Equalization

In summary, the economy in Orange County continues to show signs of moderate but 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, capital and information technology 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 assessed to ensure the ability to pay for long-term operational costs.

The 2017 Strategic Financial Plan (SFP) was presented to the Board on December 12, 2017. The 2017 SFP is the foundation in planning for continued financial stability and will be augmented by the monitoring and establishment of budgetary control 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 4.5% for the first year of the plan with growth rates averaging 3.1% 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 growth.

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 SFP reflects a 0% increase in Net County Cost allocations to departments for the fiscal year 2018-19, and 1% for each of the following fiscal years, 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
- Position Policy: delete aged 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 and implementing several other projects. Financial plans are in place for the upgrade of the 800 MHz Countywide Coordinated Communications System, replacement of the Central Utility Facility infrastructure, new OC Animal Care Center, Bridges at Kraemer Place and other homelessness initiatives, and the first phase of the Civic Center Facilities Master Plan. Development of the County property at the former Marine Corps Air Station El Toro in Irvine and other various County-owned properties such as the Greenspot and Prado Dam 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 Army 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 2029.

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. To learn more about the SARMP, visit the Orange County Flood Control Division's website at www.ocflood.com.

OC Dana Point Harbor Revitalization Plan: The OC Dana Point Harbor Revitalization Plan (Plan) includes revitalization of Dana Point Harbor's commercial core, marinas, and hotel. The Plan is a multi-phased and long-term public-private partnership project, where total development costs have been estimated in excess of $150,000 pending final project design approvals. The Plan is a phased and systematic long-term rehabilitation and/or replacement of the commercial core, hotel, and waterside elements. County Executive Office Real Estate staff managed the process for selection of a potential private partner for the project and are working with OC Parks staff to finalize the financial strategy for the complete Plan that will meet the long-term needs and expectations of the community and the County. On October 17, 2017, the County selected Dana Point Harbor Partners, LLC (DPHP) as the primary developer and Dana Point Partners, LLC as the alternate developer for the lease, development, and management of certain portions of Dana Point Harbor. The Board authorized the Chief Real Estate Officer (or Designee) to negotiate option and lease agreements with DPHP as primary developer and return to the Board for approval.

James A. Musick Facility Expansion: On March 8, 2012, the County received a conditional award from the State for $100,000 in funds for expansion of the James A. Musick Facility Assembly Bill 900 (AB900). On March 8, 2013, the State approved the funding to complete design and construction for the project, of which establishment allows the

County to commit funding to design and construction that is reimbursed from the AB900 Phase II $100,000 award. This project is estimated for completion in FY 2020-21. The County must front costs initially until the notice to proceed for construction is approved by the State. At that time, all past eligible 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 2018-19.

On March 13, 2014, the State approved $80,000 in funds for the County for further expansion of the James A. Musick Facility (Senate Bill 1022). This project will be completed in parallel with the AB900 project. Because of schedule compaction during design, the State approved executing both project phases into a single construction project. The financial requirements for this second phase are consistent with those described above.

La Pata Avenue Gap Closure and Camino Del Rio Extension Project: The County is nearing completion of the construction of the La Pata Avenue Gap Closure Project (Project) that widens La Pata Avenue and implements 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 Proposition 1B, Orange County Measure M1 and M2, gas tax, La Pata Fee Program, OC Waste & Recycling, developer agreement, and community facility district revenues. A construction contract for $72,741 was awarded by the Board on December 10, 2013 and a construction management contract for $7,706 was awarded on February 4, 2014.

The groundbreaking ceremony was held on April 4, 2014. The ribbon cutting ceremony for the roadway gap closure was held on August 13, 2016 and the roadway was open to the public on August 14, 2016. Construction of the Camino Del Rio Extension Phase was completed in April 2017. Completion of the final phase of the La Pata Widening is anticipated in July 2018.

Bridges at Kraemer Place Year-Round Emergency Shelter (Bridges): On November 17, 2015, the Board approved the acquisition of 1000 N. Kraemer Place for $4,250 as the site of a new 200-bed Year-Round Emergency Shelter and Multi Service Center to serve the homeless with $1,250 in funding support from the cities of Anaheim, Fullerton, Brea, and La Habra. Bridges currently has a 100 person capacity, with a second phase to be completed in 2018 bringing the total capacity to 200 occupants.

OC Animal Care Center: In December 2015, the Board approved negotiated terms for a land swap between the County, the South Orange County Community College District, and the city of Tustin regarding ten acres of land for the construction of a new state-of-the-art OC Animal Care Center to replace the existing shelter in the city of Orange. Construction on the new center began in July 2016, and completion is expected in January 2018. The expected opening date of the new center is March 2018.

Central Utility Facility (CUF) Infrastructure Upgrade Project: The County is approximately 75% complete with construction of the CUF Project (Project) in the city of Santa Ana. The Project replaces the cooling tower, chillers and pumps and has added a boiler and related equipment at the CUF. The final Project will replace most of the original 1968 CUF components which are beyond useful life and required upgrades and replacement to be reliable and energy efficient. The Project also includes expansion of the present thermal utility distribution system to new thermal utility clients and improving the cogeneration system efficiency and performance by using the full capacity of the cogeneration components. The primary component of the thermal expansion is the replacement of chilled water lines which are now approximately 90% complete with construction. The total Project is on budget at an estimated $68,000 and is funded from CUF Lease Revenue Bonds, Series 2016 issued in June 2016. A Guaranteed Maximum Price Contract of $59,165 to provide construction manager at risk construction phase services for the Project was awarded by the Board on January 26, 2016. The Project Architect-Engineer (A&E) Agreement was amended on April 26, 2016 for a new total not-to-exceed amount of $7,063. The A&E contract includes engineering and design for the Project, construction observation, commissioning, and support services. The completion of the Project is anticipated in April 2018.

Orange County Civic Center Facilities Master Plan: On April 23, 2013, the Board adopted an ordinance approving a public-private partnership to develop the Civic Center Facilities Strategic Plan. On February 24, 2016, the Board approved a Program Management and Design Agreement for Phase I planning and design of the Orange County Civic Center Facilities.

Included in Phase I is a six-story, approximately 254,000 square foot building located at 601 N. Ross Street. Building 16 is to be occupied by several County departments and includes a one-stop shop public counter where the public will access services from multiple departments. There will be a 6,600-square-foot event/conference center which is planned to be used by the County and the public. There will be 350 underground parking spaces. The expected completion date is January 2020.

The project's financing was facilitated through a Board adopted ordinance on May 9, 2017, identifying the legal authority for the issuance of bonds, approving a Ground Lease, a Facility Lease, and forming the Capital Facilities Development Corporation (Corporation). On June 22, 2017, the California Municipal Finance Authority (Authority) issued $152,400 Lease Revenue Bonds, Series 2017A. The Authority loaned a total of $175,340 to the Corporation, pursuant to a loan agreement, for the construction. Upon filing the certificate of substantial completion, the County will commence base rental payments, under the Facility Lease, to repay the loan to the Authority, which pays debt service to the bondholders.

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 promote 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 previously mentioned 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 fiscal year (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 2017-18 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:

(Dollar Amounts in Thousands)

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.
Information Technology Projects	The five-year Information Technology Plan (ITP) is a compilation of significant IT projects including upgrades or replacements of existing systems, greater or equal to $150 and less than $1,000 in any one fiscal year of the five years in the plan. Costs for ongoing system support and maintenance are included. The ITP is a tool used by the County to assess IT projects, leverage overlap, and prioritize the use of County General Funds available to IT projects.
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.
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 $113,356. This compares to the GFOA guidelines for funding contingencies at 15% or higher. The November 30, 2017 balance is $65,000, approximately $48,356 below the 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 debt 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.

Relevant Financial Policies (Continued)	
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 Policy is intended to maintain long-term financial stability by ensuring that its long-term financing commitments are affordable and do not create undue risk or burden, achieve and maintain high credit ratings, minimize debt service interest expense and issuance costs, provide accurate and timely financial disclosure and reporting, and comply with applicable State and Federal laws and financing covenants.
Public Financing Advisory Committee	The Public Financing Advisory Committee (PFAC) is responsible for the review, approval, and modification or denial of debt financing proposals. No County 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 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 discusses the adequacy of the County's internal control structure. The AOC membership includes the Chair and Vice-Chair of the Board, the County Executive Officer, and five private sector members appointed by the Board. The private sector members shall be appointed by the Board for a term of four years and may be reappointed or removed by the Board.
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 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. Therefore, the answer to assuring funding equity for Orange County 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. The 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: With the passage of Assembly Bill 109 in 2011, California 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. The County accounts for 8.1% of the state's population and 6.4% of the total prison population. In FY 2016-17, the County spent $77,876 and carried over $0 surplus to FY 2017-18.

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 one of 17 bargaining units, which are separated into eight labor organizations. The principal organization is the Orange County Employees Association (OCEA), which represents six bargaining units totaling about 9,765 permanent filled employee positions. The next largest unions are the Association of County Deputy Sheriffs, which represents three bargaining units totaling about 2,795 members and the American Federation of State and Municipal Employees at about 1,433 members. All 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 for its CAFR for the year ended June 30, 2016; this represents the County's 22nd 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 14th consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2016. 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://www.ac.ocgov.com

Distinguished Budget Presentation Award: The GFOA awarded a Distinguished Budget Presentation Award to the County for its FY 2016-17 Annual Budget; this is the County's first such award. The award is the highest form of recognition in governmental budgeting. In order to receive the award, the entity had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to acknowledge how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communications device.

Counties Financial Transactions Reporting Award: The County received the Financial Transactions Reporting Award from the State Controller's Office for its Year-End Financial Transaction Report for the fiscal year ended June 30, 2016. The award is in recognition of the professionalism demonstrated by Counties in preparing accurate and timely financial reports and for those counties that meet the review criteria of the award program.

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 activities of the County of Orange.

Respectfully submitted,

Eric H. Woolery

Eric H. Woolery, CPA
Auditor-Controller

MAguirre

Michelle Aguirre
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Orange

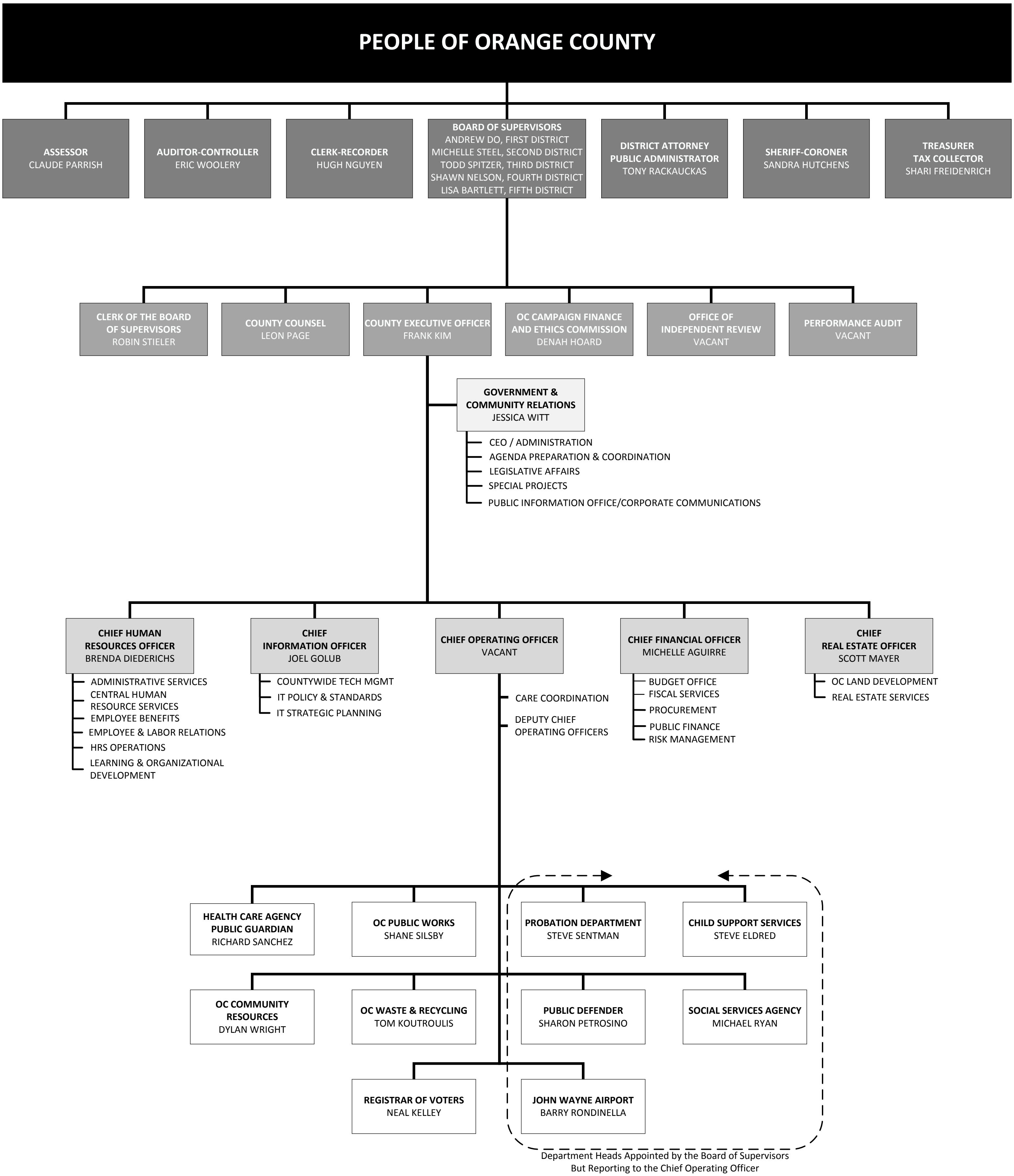
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

County of Orange Organizational Chart



ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

OC AUDITOR-CONTROLLER

TAXPAYER WATCHDOG

ORANGE COUNTY AUDITOR-CONTROLLER

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Flood Control District Fund, Other Public Protection Fund, and Mental Health Services Act 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 17 to the basic financial statements, the total net pension liability of the County as of June 30, 2017, which was measured as of December 31, 2016, was $4.04 billion for the Orange County Employees Retirement System (OCERS). The fiduciary net position as a percentage of the total pension liability as of December 31, 2016, was 69.56% for OCERS. The actuarial valuation is very sensitive to the underlying actuarial assumptions, including a discount rate of 7.25%, which represents the long-term expected rate of return for OCERS. 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 OCERS, schedules related to the Orange County Extra-Help Defined Benefit Plan, 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 14, 2017

OC AUDITOR-CONTROLLER

TAXPAYER WATCHDOG

ORANGE COUNTY AUDITOR-CONTROLLER
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, 2017. 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), was $319,442 for the fiscal year, and it increased net position by 15% from prior year.
- Long-term debt obligations decreased by $98,581 or 21% during the current fiscal year.
- The County's governmental funds reported combined ending fund balances of $2,578,469, an increase of $220,943, or 9% in comparison with the prior year.
- General Fund revenues and other financing sources ended the year 4% 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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<tr><td rowspan="2">Statement of Revenues, Expenditures, and Changes in Fund Balances</td><td rowspan="2">Statement of Revenues, Expenses, and Changes in Fund Net Position</td></tr>
<tr><td rowspan="2">Statement of Activities</td><td rowspan="2">Statement of Changes in Fiduciary Net Position</td></tr>
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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 Budgetary Comparison Statements	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 inflows of resources both financial and capital, short-term and long-term	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources held in a trustee or agency capacity for others
Type of Inflows and Outflows 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 for 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 John Wayne Airport (Airport), Orange County Waste Management and Recycling (Waste Management), and Compressed Natural Gas (CNG).

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; therefore, data from these component units are combined with data of the primary government. Financial information for the CFCOC and CalOptima, discretely presented component units, are reported separately from the financial information presented for the primary government itself. Separate stand-alone annual financial reports can be obtained by accessing the County's website at the following address: www.ac.ocgov.com. A separate stand-alone CalOptima annual financial report can be obtained by accessing the website at http://wpso.dmhc.ca.gov/fe/search/.

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 and amounts owed for compensated absences, capital lease obligations, and net pension liability, 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 which may change each year depending on if they meet the major funds criteria. Information for nonmajor funds is presented in the aggregate as "Other Governmental Funds" in these statements. Individual fund data for each of the nonmajor governmental funds is presented in the Supplemental Information Section of this CAFR. 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 and are presented in the Basic Financial Statements and Supplemental Information Section of this CAFR, respectively.

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 CNG activities. **Internal Service funds** are used to accumulate and allocate costs internally among the County's various functions such as insurance, transportation, publishing services, and information technology. Because these services predominantly benefit governmental rather than business-type functions, Internal Service funds have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund 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 fund financial statements with the individual fund data provided in the combining statements, which can be found in the Supplemental Information Section of this CAFR.

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 in the Supplemental Information Section of this CAFR.

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, 2017, the County's combined net position (governmental and business-type activities) totaled $2,505,151, an increase of 15% from FY 2015-16.

COMPONENTS OF NET POSITION

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The largest component of the County's net position, which totals $3,521,582, 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.

(Dollar Amounts in Thousands)

The County's **restricted** net position of $1,595,032 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 **unrestricted** net position is the final component of 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, 2017, the County's unrestricted net position totals a deficit of $2,611,463. Among governmental activities, the deficit was $3,074,958 in unrestricted net position compared to the deficit of $2,979,945 at June 30, 2016. The main contributor of the deficit continues to be the reporting of the County's proportionate share of net pension liability on the financial statements.

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

NET POSITION – Primary Government
June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and Other Assets	$ 3,635,467	$ 3,451,250	$ 895,588	$ 878,991	$ 4,531,055	$ 4,330,241
Capital Assets	2,933,640	2,808,923	897,739	848,929	3,831,379	3,657,852
Total Assets	**6,569,107**	**6,260,173**	**1,793,327**	**1,727,920**	**8,362,434**	**7,988,093**
DEFERRED OUTFLOWS OF RESOURCES	822,809	1,097,039	17,251	22,951	840,060	1,119,990
Total Deferred Outflows of Resources	**822,809**	**1,097,039**	**17,251**	**22,951**	**840,060**	**1,119,990**
LIABILITIES						
Long-term Liabilities	4,893,118	5,197,639	454,141	466,575	5,347,259	5,664,214
Other Liabilities	696,941	724,748	94,819	78,920	791,760	803,668
Total Liabilities	**5,590,059**	**5,922,387**	**548,960**	**545,495**	**6,139,019**	**6,467,882**
DEFERRED INFLOWS OF RESOURCES	546,666	444,828	11,658	9,664	558,324	454,492
Total Deferred Inflows of Resources	**546,666**	**444,828**	**11,658**	**9,664**	**558,324**	**454,492**
NET POSITION						
Net Investment in Capital Assets	2,813,296	2,707,493	708,286	663,280	3,521,582	3,370,773
Restricted	1,516,853	1,262,449	78,179	67,429	1,595,032	1,329,878
Unrestricted	(3,074,958)	(2,979,945)	463,495	465,003	(2,611,463)	(2,514,942)
Total Net Position	**$ 1,255,191**	**$ 989,997**	**$ 1,249,960**	**$ 1,195,712**	**$ 2,505,151**	**$ 2,185,709**

As of June 30, 2017, the County's total assets and deferred outflows of resources increased by 1% or $94,411 during the current fiscal year. Capital assets increased by $173,527 primarily due to construction projects for Airport Terminal Improvements, Central Utility Facilities Upgrade, OC Animal Care Center, and various other projects completed for road infrastructure. In addition, there was an increase of $200,814 in current and other assets primarily due to an increase in restricted cash and cash equivalents for a loan provided by the California Municipal Finance Authority for the Civic Center Facilities Master Plan construction. Offsetting these increases was a decrease for deferred outflows of resources of $279,930 primarily due to a decrease in deferred outflows related to pension which reflects the changes in net pension liability measurements as required by GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*," (GASB Statement No. 68).

Total liabilities and deferred inflows of resources for FY 2016-17 decreased by 3% or $225,031. Long-term liabilities decreased by 6% or $316,955, primarily due to a decrease in the County's proportionate share of the net pension liability and decrease in bonds payable. Offsetting this decrease was an increase in long-term liabilities due to the loan for the Civic Center Facilities Master Plan construction project. Deferred inflows of resources related to pension increased by 23% or $103,832, calculated 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, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues:						
Charges for Services	$ 624,210	$ 557,450	$ 304,350	$ 297,293	$ 928,560	$ 854,743
Operating Grants and Contributions	2,067,777	2,037,311	69	171	2,067,846	2,037,482
Capital Grants and Contributions	113,481	105,776	1,828	2,174	115,309	107,950
General Revenues:						
Property Taxes	510,072	500,507	--	--	510,072	500,507
Property Taxes in Lieu of Motor Vehicle License Fees	351,011	333,595	--	--	351,011	333,595
Other Taxes	98,216	78,184	78	72	98,294	78,256
Grants and Contributions not Restricted to Specific Programs	8,434	4,583	--	--	8,434	4,583
State Allocation of Motor Vehicle License Fees	1,234	1,100	--	--	1,234	1,100
Other General Revenues	99,989	80,857	4,883	8,696	104,872	89,553
Total Revenues	**3,874,424**	**3,699,363**	**311,208**	**308,406**	**4,185,632**	**4,007,769**
EXPENSES						
General Government	186,340	203,394	--	--	186,340	203,394
Public Protection	1,485,137	1,433,421	--	--	1,485,137	1,433,421
Public Ways and Facilities	97,928	142,071	--	--	97,928	142,071
Health and Sanitation	593,617	554,872	--	--	593,617	554,872
Public Assistance	1,097,327	1,097,129	--	--	1,097,327	1,097,129
Education	44,510	46,170	--	--	44,510	46,170
Recreation and Cultural Services	112,749	115,136	--	--	112,749	115,136
Interest on Long-Term Debt	17,544	20,112	--	--	17,544	20,112
Airport	--	--	125,522	120,921	125,522	120,921
Waste Management	--	--	105,149	96,301	105,149	96,301
Compressed Natural Gas	--	--	367	283	367	283
Total Expenses	**3,635,152**	**3,612,305**	**231,038**	**217,505**	**3,866,190**	**3,829,810**
Excess before Transfers	239,272	87,058	80,170	90,901	319,442	177,959
Transfers	25,922	21,518	(25,922)	(21,518)	--	--
Change in Net Position	**265,194**	**108,576**	**54,248**	**69,383**	**319,442**	**177,959**
Net Position - Beginning of the Year	989,997	881,421	1,195,712	1,126,329	2,185,709	2,007,750
Net Position - End of the Year	**$ 1,255,191**	**$ 989,997**	**$ 1,249,960**	**$ 1,195,712**	**$ 2,505,151**	**$ 2,185,709**

The County's net position increased by $319,442 during the current fiscal year. Revenues for the year totaled $4,185,632, an increase of $177,863 from the prior year's total revenues. Expenses totaled $3,866,190, an increase of $36,380 from the previous year's total expenses.

Governmental Activities

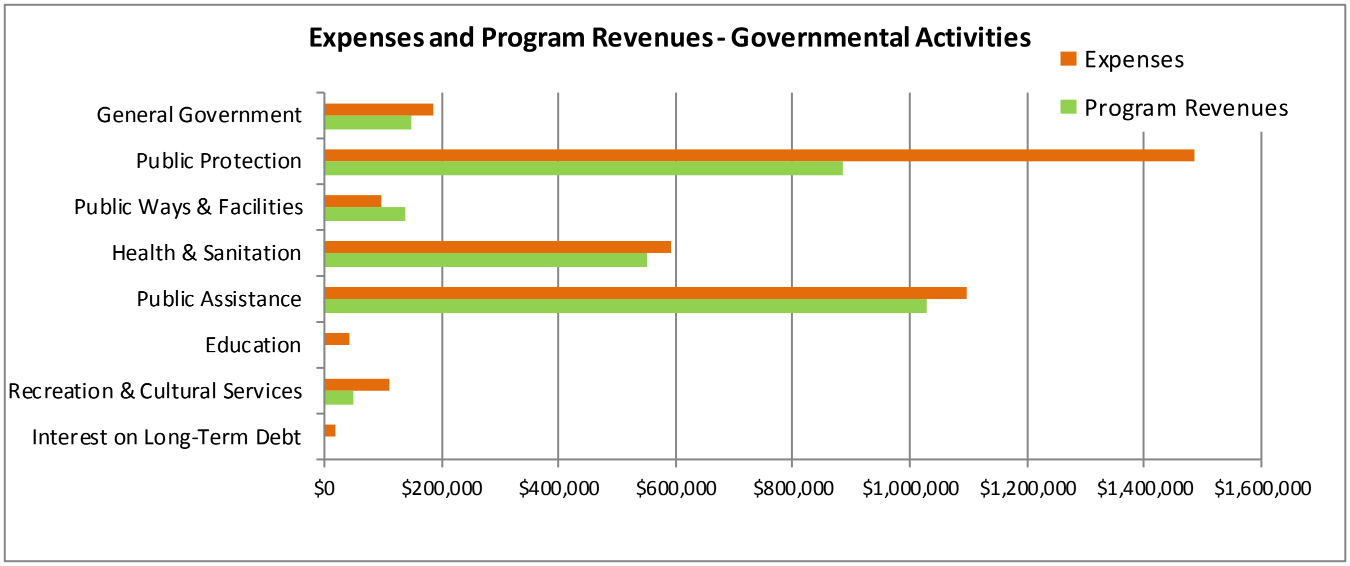
The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating grants and contributions comprised the largest revenue source for the County, followed by charges for services. Operating grants and contributions are monies received from parties outside 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 2016-17, total revenues for governmental activities including transfers from the business-type activities were $3,900,346 an increase of $179,465 from the previous year. Expenses totaled $3,635,152, an increase of $22,847 from the prior year. During the current fiscal year, net position for governmental activities increased by $265,194 from the prior fiscal year for an ending balance of $1,255,191. Key elements of the increase are as follows:

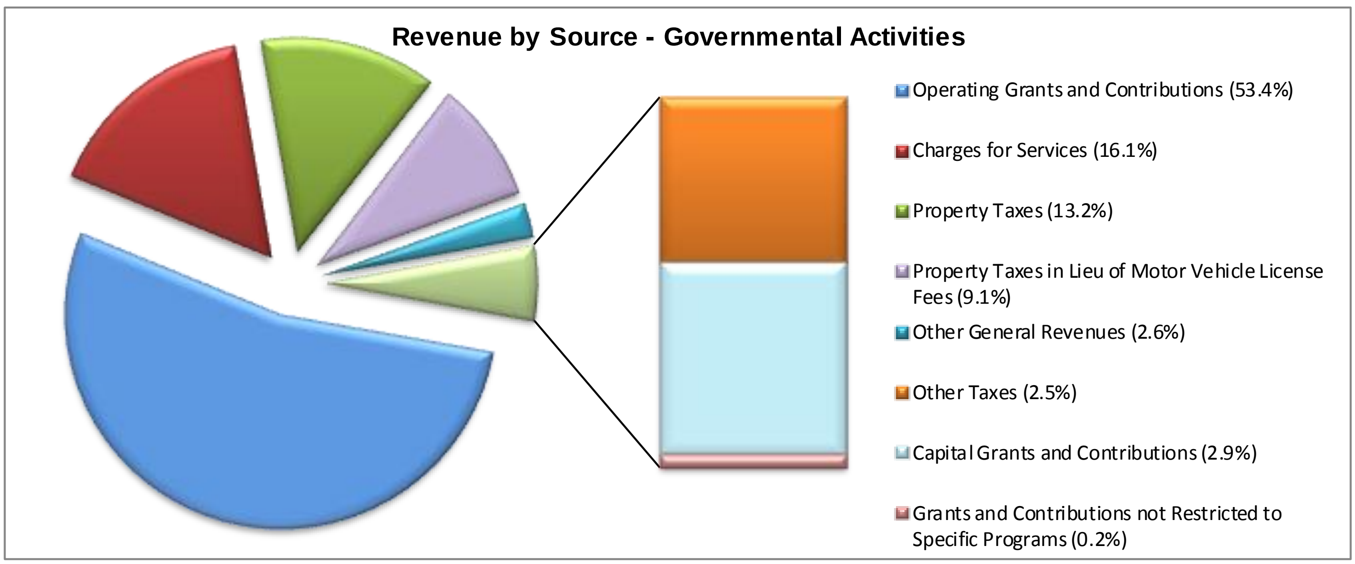
Revenues
- Charges for services increased by $66,760, primarily from revenue received for Mental Health Services Act (MHSA) programs, law enforcement contracts, and increased South County Roadway Improvement Program (SCRIP) Fee Credits relinquished to the County for building permits.
- Operating grants and contributions increased by $30,466, primarily due to increased allocations from the State for Mental Health Services.
- Other taxes increased by $20,032, primarily due to transfer of excess Teeter Tax Loss Reserves to the Teeter Series A debt service fund, increased pass-through revenues from dissolved Redevelopment Agencies (RDA), and increased property taxes from real estate market transactions.
- Property taxes in lieu of VLF increased by $17,416, primarily due to growth in secured property tax roll values.

Expenses
- Expenses in public protection increased by $51,716, due to increases in salaries and employee benefits (S&EB) primarily in the Sheriff-Coroner's Department and increases for professional services provided for various flood control projects such as dredging, levee repairs, facility inspections, vegetation removal, and a one-time settlement payment to a contractor for the Santa Ana River Interceptor Mainline (SARI Line) project.
- Expenses in public ways and facilities decreased by $44,143, primarily for less SCRIP fee credits paid to the developer for the I-5/Ortega Highway Interchange project and La Pata Avenue Improvements and higher disposition of assets for the Road fund.
- Expenses in health and sanitation increased by $38,745, primarily due to increases in S&EB and program expenses for MHSA, Correctional Medical Services, Medical Safety Net, and Children and Youth Services.
- Expenses in general government decreased by $17,054, primarily due to a decrease in bankruptcy related payments from litigation reserves, lower cash disbursements of bankruptcy claims and fewer reimbursement payments made to Santa Margarita Water District for work on the CFD 2015-1 Village of Esencia construction project. Offsetting these decreases was an increase for the Civic Center Facilities Master Plan project.
- Expenses in interest on long-term debt decreased by $2,568, primarily due to a lower interest expense on Capital Appreciation Bonds.
- Expenses in recreation and cultural services decreased by $2,387, primarily due to higher capital asset dispositions. Offsetting this decrease was an increase for communications equipment, office equipment, S&EB for OC Parks, and major alterations and improvements primarily at Irvine Regional Park, Mile Square Regional Park, Yorba Regional Park, and Aliso Creek Trail.
- Expenses in education decreased by $1,660, primarily due to less extra-help staff and pension expenses for OC Public Libraries and fewer purchases of library materials.

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

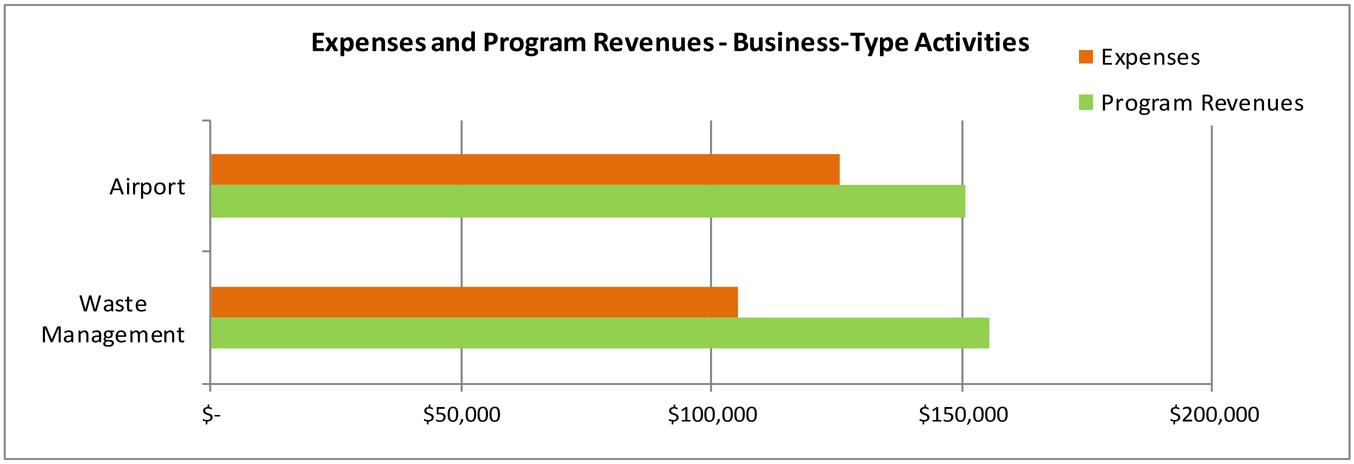


The chart below presents the percentage of total revenues by source for governmental activities:



Business-Type Activities

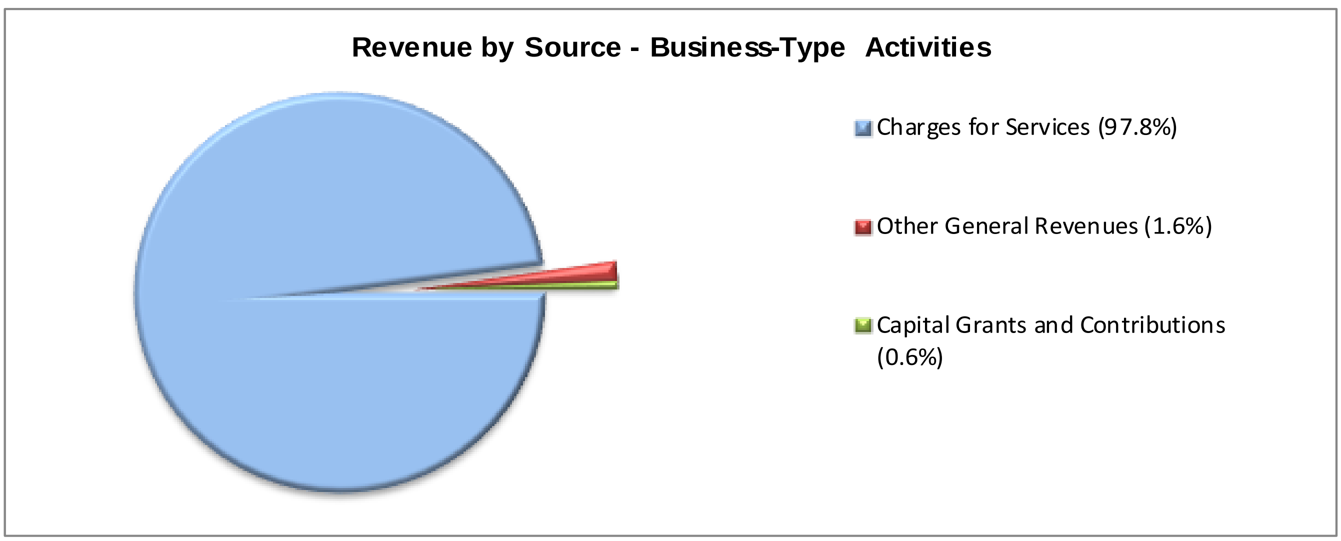
The County has three business-type activities: Airport, Waste Management, and CNG. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported charges for services as their largest source of revenues.



At the end of FY 2016-17, the business-type activities' total revenues exceeded expenses and transfers resulting in an increase of $54,248 in net position compared to the prior year's increase in net position of $69,383. Revenues totaled $311,208, an increase of $2,802 from the previous fiscal year, primarily attributable to increases from Waste Management's importation revenue and a gain on Coyote Flare Station capital asset disposal. Offsetting this increase was a decrease in the Airport's capital grant contributions from the Transportation Security Authority (TSA) for the Terminal A & B Baggage Screening project and a decrease in Waste Management's interest revenue and available cash distributions from the County.

Expenses, including transfers to governmental activities, totaled $256,960, representing an increase of $17,937 from the previous year. This increase is primarily due to Waste Management's pollution remediation expenses, taxes and other fees, and contributions to other agencies, as well as increases for the Airport's professional and specialized services and other services and supplies (S&S). 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 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, current liabilities, and deferred inflows of resources related to unavailable revenue 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 Board in order to achieve the established function of the respective funds.

At June 30, 2017, the County's governmental funds reported total fund balances of $2,578,469, which is an increase of $220,943 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, 2017 and 2016

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2017	2016	2017	2016	2017	2016
General Fund	$ 3,167,897	$ 3,038,491	$ 3,144,843	$ 2,975,161	$ 23,054	$ 63,330
Flood Control District	151,353	128,929	144,469	116,206	6,884	12,723
Other Public Protection	79,074	63,506	81,587	63,656	(2,513)	(150)
Mental Health Services Act	153,076	116,978	138,075	115,244	15,001	1,734
Other Governmental Funds	1,193,132	904,098	1,014,615	810,900	178,517	93,198
Total	**$ 4,744,532**	**$ 4,252,002**	**$ 4,523,589**	**$ 4,081,167**	**$ 220,943**	**$ 170,835**

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

General Fund
The General Fund is the chief operating fund of the County. At the end of FY 2016-17, revenues and other financing sources exceeded expenditures and other financing uses resulting in an increase in fund balance of $23,054 compared to last year's increase in fund balances of $63,330. Revenues and other financing sources increased by $129,406, and expenditures and other financing uses increased by $169,682. 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 2016-17:

Revenues
- Transfers to the General Fund increased by $64,307, primarily for multi-year capital projects, such as the Year-Round Emergency Shelter and Multi Service Center, Civic Center Facilities Master Plan, and replacement of air handlers at the Health Care Agency's (HCA) Health Clinic. There was also an increase in Proposition 63 drawdowns from the MHSA, increases in transfers of excess Proposition 172 Public Safety Sales Tax for Sheriff-Coroner projects, and computer replacements, and increases for Social Services Agency (SSA) Wraparound program claims.

- Charges for Services increased by $56,474, primarily due to increases in revenue for the Proposition 63 MHSA program for Children & Youth and Outpatient Adult Mental Health Services. There was also an increase in law enforcement revenue from contract cities such as San Clemente, Mission Viejo, and Rancho Santa Margarita.

Expenditures

- Expenditures in public protection increased by $77,610. Factors contributing to this increase were the ongoing operational cost increases in the Sheriff-Coroner's Department for S&EB, Workers' Compensation Insurance, Property & Liability Insurance, and S&S. There were also S&EB increases for the District Attorney (DA) due to additional positions added to support current increases in administrative and legal workload demands and further projected increases resulting from growing evidentiary and discovery requirements.
- Expenditures for health and sanitation increased by $50,834, mainly in programs such as MHSA, Correctional Medical Services, and Medical Safety Net. There were also increases in S&EB for HCA due to additional positions added to support various health programs and outreach and engagement services.
- Expenditures for the general government increased by $19,248, primarily due to the higher third of five payments per the Vehicle License Fee Adjustment Amount (VLFAA) settlement agreement and the Civic Center Facilities Master Plan project that began construction in FY 2016-17.

Flood Control District

This group of funds is used to account 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 2016-17, there was an increase in fund balance of $6,884 compared to last year's increase of $12,723. Revenues and other financing sources increased by $22,424 mainly due to an increase in secured property tax collections and intergovernmental revenues related to Santa Ana River (SAR) Subvention claims. Offsetting these increases was a decrease in intergovernmental revenues from the Department of Water Resources and State Water Resources Control Board, higher unrealized investment loss, decrease in interest from investments, and a decrease in bankruptcy available cash distributions. Expenditures and other financing uses increased by $28,263, primarily due to an increase in expenditures related to the Santa Ana River Dredging project, a settlement paid to contractor for the SARI Line project, and various maintenance improvement projects such as Peters Canyon Wash Sediment & Vegetation Removal, San Diego Creek Pilot Channel Emergency Interim Sand Management, and Santa Ana River Levee System Repair. Offsetting this increase was a decrease in loan repayments for the SARI Line project to OC Sanitation District (OCSD) and Santa Ana Watershed Project Authority (SAWPA).

Other Public Protection

This group of funds is used to account for safety and law enforcement activities. At the end of FY 2016-17, there was a decrease in fund balance of $2,513 compared to last year's decrease in fund balance of $150. Revenues and other financing sources increased by $15,568, which was primarily attributable to an increase in intergovernmental revenue of $8,800 from the U.S. Marshals Service Asset Forfeiture Division as part of the equitable sharing disbursement and transfers in of $6,692 from the General Fund for the 800 MHz backbone costs and next generation radios. Expenditures and other financing uses increased by $17,931, primarily due to the replacement of obsolete radio equipment for the 800 MHz Countywide Coordinated Communications System and higher expenditures for DA Consumer Protection. Offsetting these increases in expenditures were decreases in equipment costs for mobile digital video recorders and related equipment and also lower maintenance and building improvement costs.

Mental Health Services Act (MHSA)

This fund accounts for purpose restricted MHSA revenues. At the end of FY 2016-17, fund balance increased by $15,001 compared to last year's increase in fund balance of $1,734. Revenues and other financing sources increased by a total, net amount of $36,098, primarily due to higher allocation from the State. Expenditures increased by $22,831, primarily due to an increase in transfers out to the General Fund for eligible reimbursement of MHSA related services.

(Dollar Amounts in Thousands)

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 2016-17, fund balances increased by $178,517 in comparison to prior year's increase in fund balances of $93,198. Revenues and other financing sources increased by $289,034 primarily due to loan proceeds from the California Municipal Finance Authority to construct part of the Civic Center Facilities Master Plan. Expenditures and other financing uses increased by $203,715, primarily due to an increase in transfers out for projects such as the Civic Center Facilities Master Plan construction, Central Utilities Facility (CUF) Infrastructure Upgrade, OC Animal Care Center, and Year-Round Emergency Shelter and Multi Service Center, as well as an increase in debt service costs for lease revenue bonds. Offsetting these increases were decreases in debt service costs for the Teeter Plan Obligation Notes, Series B and a decrease in construction costs for the Cow Camp Road and La Pata Avenue Gap Closure projects. There were also decreases in public ways and facilities expenditures for lower SCRIP fee credits paid to developers and lower bankruptcy related expenditures.

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, 2017 and 2016

	2017	2016	Increase/(Decrease) %
General Fund	$ 750,892	$ 727,838	3 %
Flood Control District	438,552	431,668	2 %
Other Public Protection	143,297	145,810	(2)%
Mental Health Services Act	256,959	241,958	6 %
Other Governmental Funds	988,769	810,252	22 %
Total	**$ 2,578,469**	**$ 2,357,526**	**9 %**

Proprietary Funds

The proprietary fund 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' 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, 2017 and 2016

	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Position	
	2017	2016	2017	2016	2017	2016
Airport	$ 152,880	$ 155,495	$ 126,052	$ 121,023	$ 26,828	$ 34,472
Waste Management	158,045	152,630	131,430	117,667	26,615	34,963
Compressed Natural Gas	326	345	517	534	(191)	(189)
Total	**$ 311,251**	**$ 308,470**	**$ 257,999**	**$ 239,224**	**$ 53,252**	**$ 69,246**

Airport
This fund accounts for major construction and self-supporting aviation related activities rendered at the Airport. At the end of FY 2016-17, there was an increase of $26,828 in fund net position compared to the prior year increase of $34,472. Revenues, contributions, and transfers decreased by $2,615, primarily due to a decrease in capital grant contributions from the TSA for Terminal A & B Baggage Screening project. Expenses increased by $5,029, primarily due to increased professional and specialized services and other S&S for projects such as terminal improvements.

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 2016-17, there was an increase of $26,615 in fund net position compared to the prior year increase of $34,963. Revenues, contributions, and transfers increased by $5,415, primarily due to increased sanitation and landfill disposal tonnage and fees collected for waste, recycling and importation. Expenses and transfers increased by $13,763, primarily due to increased pollution remediation expenses, taxes and other fees, and contributions to other agencies.

Compressed Natural Gas (CNG)
This fund is used to account for the operation and maintenance of the CNG facility. Revenues consist primarily of compressed natural gas sales to both the County and the public. At the end of FY 2016-17, there was a decrease of $191 in fund net position compared to the prior year decrease of $189. Revenues decreased by $19 due to a decrease in CNG fuel sales and CNG/Propane tax refunds and credits received. Expenses decreased by $17 due to a decrease in transfers out to reimburse the OC Flood Control District fund for the annual payment for the construction of the compressed natural gas station and a decrease in merchant fees charged for credit card purchases made by CNG. This decrease was offset by an increase in maintenance and repairs and higher federal excise taxes paid.

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 Budget; and 2) the Final Budget and the budgetary based 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 General Fund Budgetary Comparison Statement for a full budgetary comparison.

Original Revenue Budget vs. Final Revenue Budget

The following provides a summary of the primary factors attributable to the increase in the General Fund final budget revenues and other financing sources compared to the original budget revenues and other financing sources:

Fines, Forfeitures, and Penalties
- An increase of $26,000 for a one-time litigation settlement over a failed replacement to the County's automated Property Tax Management System.

Intergovernmental
- An increase of $5,932 in the Social Services Agency (SSA) due to the anticipation of more State and Federal allocations for various programs, such as Medi-Cal, CalFresh, In-Home Supportive Services Non-Medical Out-of-Home Care, and Work Incentive Nutrition Supplement.
- An increase of $2,024 in the Trial Courts due to the anticipation of more State allocations for the Community Service Provider and Orange County Victim Services Grant.
- An increase of $1,503 mainly due to the Community Corrections Partnership approval for disposition of unspent State allocations to partially reimburse the General Fund for the prior years for which 2011 Public Safety Realignment (AB 109) funding was insufficient and partially for anticipated reimbursement to the Local Law Enforcement agencies in the current fiscal year.

Transfers In

- An increase of $11,584 primarily due to the anticipation of higher importation revenue which will be transferred from Waste Management Bankruptcy Recovery Plan to the 2005 Lease Revenue Refunding Bonds fund.
- An increase of $6,000 in SSA from the SSA Wraparound fund to ensure sufficient appropriations are available to pay for eligible expenditures (the "Wraparound" label refers to the fact that services are intended to wrap around the child in a way that supports the child in all aspects of the child's life).
- An increase of $3,883 in the Miscellaneous fund for the transfer of residual balances as a result of the 1996 Recovery Certificates of Participation Series A fund closure.
- An increase of $2,891 in HCA for operations to cover anticipated increased eligible program costs for the OC Tobacco Settlement and Bioterrorism Center for Disease.
- An increase of $2,067 to the Sheriff-Coroner to cover unanticipated costs for salaries, IT projects and S&S.

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 and other financing sources compared to the final revenue and other financing sources budget:

Transfers In

- A $96,998 less than budgeted amount was primarily comprised of the following:
  - $42,121 less revenue transferred to HCA due to lower claims in OC Tobacco Settlement Revenue and lower than expected drawdowns in the MHSA for reimbursements of eligible costs.
  - $12,222 less revenue transferred to SSA due to less than anticipated Wraparound expenditures and less utility cost reimbursements for the Tustin Family Campus Program.
  - $11,000 less revenue transferred from the Teeter Tax Loss Reserve fund as a result of redistributing the annual calculation of the excess Tax Loss Reserve requirement to the Teeter Debt Service fund.
  - $7,185 less transfers of surplus from the Debt Service funds after principal, interest, and fund reserve requirements were met.
  - $6,442 less revenue transferred to Sheriff-Coroner due to the deferral of the Automated Jail System and Field Based Reporting projects.
  - $4,300 less revenue transferred to Property Tax System Centralized Operations and Maintenance Support due to delay in the Property Tax System re-platforming project to the next fiscal year.

Charges for Services

- A $27,166 less than budgeted amount was primarily comprised of the following:
  - $8,821 less received in Sheriff-Coroner from law enforcement service contracts with the Harbor Patrol, the Airport security, Mission Viejo, San Clemente, Lake Forest and other contract cities. This was offset with $1,935 higher than budgeted revenues received from a service agreement with U.S. Immigration and Customs Enforcement.
  - $7,241 less received in reimbursements from various County departments for charges for services provided by OC Public Works.
  - $4,704 less received in revenue for HCA primarily related to an anticipated transfer in for Public Health Services which will not be completed until FY 2017-18, offset by an increase of $3,674 in Federal Medi-Cal revenue.
  - $4,610 less received in revenue for OC Community Resources primarily as a result of less contracts and less corresponding reimbursement revenues received by Homeless Prevention for the Year-Round Shelter and the Community Investment Division.
  - $3,137 less received primarily due to less revenue from Traffic School and Bail.

Intergovernmental

- A $22,521 less than budgeted amount was primarily comprised of the following:
  - $40,707 less received in SSA primarily due to lower eligible expenditures for program claims as a result of higher than anticipated staffing vacancies, lower contract services expenditures, and delayed IT and facility projects.

- $11,628 more received by the Sheriff-Coroner for AB 109 to recognize the full allocation of jail operation costs the County incurred.
- $10,337 more received in HCA primarily related to the Federal Whole Person Care pilot program, State Realignment, and a one-time release of State mental health funds from a prior year liability account.

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 budget expenditures and other financing uses compared to the original budget expenditures and other financing uses:

Miscellaneous

- An increase of $27,729 primarily due to the anticipation of an increase in transfers out for the 800 MHz Countywide Coordinated Communications System, the Property Tax System re-platforming project, and the Teeter Series A Debt Service to properly align excess Tax Loss Reserves recorded at the end of FY 2016-17.

Sheriff-Coroner

- An increase of $19,814 primarily due to unanticipated higher costs associated with providing law enforcement services to cities, traffic safety, forensic science, and homeland security. Also higher appropriations for equipment purchases were expected for a patrol ready helicopter, transportation vehicles to carry out law enforcement activities, and transfers to construction and facility development for parking lot, quartermaster, and James A. Musick security fence projects.

Social Services Agency

- An increase of $16,752 for the anticipated higher costs for Medi-Cal, CalWORKs, In-Home Supportive Services, and various other State programs to fund mandated support services, as well as added positions to support new federal overtime regulations per the provisions of the Fair Labor Standards Act.

2005 Lease Revenue Refunding Bonds

- An increase of $11,719 to transfer the anticipated increase in trash importation revenues that will be used to pay remaining bankruptcy related losses to County Administered Accounts in accordance with the Bankruptcy Second Amended Modified Plan of Adjustment.

Capital Projects

- A net increase of $5,752 primarily due to the anticipation of an increase in transfers out to the Countywide Capital Projects fund for the re-budget of multi-year projects and various other projects, such as parking facilities for enhanced safety and security services in the Civic Center area, Coroner Biological Evidence Freezer, and Theo Lacy Kitchen Floor project.

Final Expenditure Budget vs. Actual Expenditure Amounts

In anticipation of the State's termination of the Coordinated Care Initiative (CCI) in FY 2017-18, which would result in an estimated $38 million increase in County costs associated with the In-Home Supportive Services (IHSS) program, the County implemented a countywide hiring freeze and restricted discretionary expenditures in FY 2016-17. This measure has the impact of lowering actual S&EB within the General Fund. Other items provide a summary of the primary factors that caused significant variances.

Social Services Agency

- A $64,942 lower than budgeted amount primarily due to 6.60% lower than budgeted caseloads for Foster Care Non-Federal Wraparound cases, savings in health insurance costs, and a hold on spending related to pending IHSS, as well as lower S&S costs due to less contracts, IT expenditures, and facility projects.

Health Care Agency

- A $58,238 lower than budgeted amount primarily due to lower contract professional services expenditures in Behavioral Health Services, savings in contracted pharmaceutical expenditures related to the Affordable Care Act implementation, and decreased patient care costs in California Children's Services.

Sheriff-Coroner
- A total of $14,216 lower than budgeted amount was primarily the result of lower than expected utility costs and lower expenditures for equipment.

Capital Projects
- A total of $11,355 lower than budgeted amount was primarily the result of lower expenditures for various structure and improvement projects, such as the replacement of deteriorated ductwork and variable-air-volume boxes throughout the Gates Building, replacement of chilled-water cooling coils located on the roof of the Gates Building, and the Year-Round Emergency Shelter and Multi Service Center.

Miscellaneous
- A total of $10,493 lower than budgeted primarily due to annual leave payouts for small departments that were budgeted but not used, potential union negotiation impacts that were budgeted but not utilized, and contingency appropriations that were budgeted but not fully utilized in FY 2016-17.

OC Community Resources
- A total of $10,470 lower than budgeted amount primarily due to lower contract and administrative expenditures combined for programs with the Community Investment, Office on Aging, and Veterans Services programs, less operating costs spent for the Year-Round Emergency Shelter and Multi Service Center, Santa Ana Courtyard Transitional Homeless Center initiatives, and for training, meetings, and tuition reimbursement.

OC Public Works
- A total of $9,069 lower than budgeted amount primarily due to lower expenditures in areas such as janitorial services and supplies, maintenance and improvements, OCIT services support, and garage expenditures for parking.

Property Tax System and Centralized Operations & Maintenance Support
- A total of $4,684 lower than budgeted amount due to the postponement of the Property Tax System re-platforming project to the next fiscal year.

District Attorney
- A total of $4,539 lower than budgeted amount was primarily the result of cost containment efforts by the department which reduced expenditures for S&S and IT equipment purchases.

OC Watersheds
- A total of $4,269 lower than budgeted amount was primarily due to the result of a reduction in contract services for environmental monitoring and water quality compliance.

Capital Assets

At June 30, 2017, the County’s capital assets for both the governmental and business-type activities amounted to $3,831,379, net of accumulated depreciation. The investment in capital assets includes land, structures and improvements, land improvements, equipment, software, infrastructure, 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 5%.

(Dollar Amounts in Thousands)

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

CAPITAL ASSETS
(Net of Depreciation)
June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2017	2016	2017	2016	2017	2016	% Change
Land	$ 839,273	$ 834,406	$ 37,842	$ 37,842	$ 877,115	$ 872,248	1 %
Structures and Improvements	552,210	572,331	481,227	499,151	1,033,437	1,071,482	(4)%
Land Improvements	3,811	2,436	--	--	3,811	2,436	56 %
Equipment	139,846	109,997	25,589	23,898	165,435	133,895	24 %
Software	44,208	38,713	2,891	1,126	47,099	39,839	18 %
Infrastructure	1,165,681	1,121,121	246,003	244,289	1,411,684	1,365,410	3 %
Intangible in Progress	5,562	3,453	255	2,068	5,817	5,521	5 %
Land Use Rights	7,602	7,602	--	--	7,602	7,602	--
Construction in Progress	175,447	118,864	103,932	40,555	279,379	159,419	75 %
Total	**$ 2,933,640**	**$ 2,808,923**	**$ 897,739**	**$ 848,929**	**$ 3,831,379**	**$ 3,657,852**	**5 %**

The following lists the significant capital asset expenditures in FY 2016-17:

General Fund

- $3,821 for the purchase of an office building for Probation
- $3,026 for Sheriff-Coroner upgrade of video management system and services, purchase of portable devices, and integrated control systems for patrol vehicles
- $1,635 for the purchase of an Airbus helicopter for Sheriff-Coroner
- $1,376 for the construction costs associated with the Year-Round Emergency Shelter and Multi Service Center

Flood Control District

- $5,152 for the Greenville-Banning Channel Improvements project
- $4,676 for the Santa Ana Dredging project
- $2,016 for the Edinger Storm Channel Improvements project
- $1,568 for the purchase of vehicles such as trailers, ten wheel haul trucks, and street sweepers
- $1,542 for the Glassell Yard Campus Stormwater Low Impact Development Retrofit project
- $1,465 for the Fullerton Creek Channel Project

Other Public Protection

- $11,500 for the purchase of communications equipment
- $9,729 for the replacement of obsolete radio equipment

Other Governmental Funds

- $36,304 for the CUF Infrastructure Upgrade project
- $19,212 for the new OC Animal Care Center construction
- $14,449 for the La Pata Avenue Gap Closure/Camino Del Rio Extension construction
- $3,436 for the Dana Point Harbor Revitalization
- $2,641 for the Riley Wilderness Park Wagon Wheel creek restoration
- $3,693 for the James A. Musick Facility Jail Expansion project

Airport
- $51,630 for the Terminal Improvements project
- $2,895 for the Common Use Passenger Processing System Upgrade project
- $1,339 for the lighting systems upgrade project

Waste Management
- $11,736 for the Frank R. Bowerman Landfill Soil Buttress and Composite Liner Construction project
- $11,308 for the Olinda Alpha Landfill Front Slope Improvement project
- $4,009 for the purchase of heavy equipment at the north regional landfill
- $2,106 for the purchase of heavy equipment at the central regional landfill

Internal Service Funds
- $12,270 for the purchase of vehicles for OC Fleet Services

Additional information on the County's capital assets can be found in Note 4, Changes in Capital Assets.

Commitments for Capital Expenditures
At the end of FY 2016-17, significant commitments for capital expenditures included the following:

- $154,618 for the Civic Center Facilities Master Plan project
- $42,128 for the Airport's Terminal Improvements project
- $19,015 for the Frank R. Bowerman Landfill Soil Buttress and Liner Construction project
- $17,391 for the Edinger Avenue Bridge Replacement Over Bolsa Chica Channel project
- $13,159 for the Olinda Front Face Improvement project
- $12,339 for the La Pata Avenue Gap Closure/Widening, Phase I & II project
- $12,002 for the San Juan Creek Channel Phase IV-3700' to 6100' U/S Stonehill Dr project
- $9,923 for the Fullerton Creek Channel, D/S Western Ave to U/S Beach Blvd project
- $7,945 for the purchase of Law enforcement and other vehicles
- $6,426 for the CUF Infrastructure Upgrade project
- $5,925 for the Santa Ana River Interceptor Line Construction
- $4,915 for the purchase of an Airbus helicopter
- $3,483 for the Dana Point Harbor Revitalization project
- $3,454 for the Airport's Paularino Gate Improvements project

Additional information on the County's commitments for capital expenditures can be found in Note 14, Construction and Other Significant Commitments.

Long-Term Debt

At June 30, 2017, the County had total debt obligations outstanding of $362,210 excluding long-term liabilities such as compensated employee absences payable, Civic Center Facilities Master Plan financing, and capital lease obligations payable. During the year, the County's outstanding debt obligations decreased by 21%, which is primarily attributable to the retirement of $136,187 of bond obligations, offset by $31,536 in additional Teeter Plan Notes and $6,070 in additional interest accretion on capital appreciation bonds (CABs).

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 bonds, certificates of participation (COPs), notes, and other forms of debt not covered by the general obligation bonded debt limitation.

(Dollar Amounts in Thousands)

The following table summarizes the County's long-term debt obligations at June 30, 2017:

LONG-TERM DEBT OBLIGATIONS
June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total		(Decrease)
	2017	2016	2017	2016	2017	2016	% Change
Revenue Bonds	$ 74,300	$ 122,870	$ 189,539	$ 197,069	$ 263,839	$ 319,939	(18)%
Certificates of Participation	811	1,262	--	--	811	1,262	(36)%
Pension Obligation Bonds	11,220	19,140	--	--	11,220	19,140	(41)%
Teeter Plan Notes	27,868	30,191	--	--	27,868	30,191	(8)%
Add: Premium/(Discount) on Bonds Payable	14,052	18,275	(2,221)	(1,942)	11,831	16,333	(28)%
Add: Interest Accretion on CABs	46,641	73,926	--	--	46,641	73,926	(37)%
Total	**$ 174,892**	**$ 265,664**	**$ 187,318**	**$ 195,127**	**$ 362,210**	**$ 460,791**	**(21)%**

The following summarizes the County's long-term debt issuance during FY 2016-17:

Teeter Plan Notes On July 13, 2016, the County issued an additional $31,536 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of $61,727. 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 29, 2016 and June 27, 2017, the County used all of the accumulated base taxes to redeem $24,364 and $9,495, respectively, of the Teeter Plan Notes. As of June 30, 2017, the outstanding principal amount of the Teeter Plan Notes was $27,868.

Additional information on the County's long-term debt activity can be found in Note 10, Long-Term Obligations, and Note 20, Subsequent Events.

Bond Ratings

The County maintained its Issuer Credit Rating (ICR) of Aa1 from Moody's Investors Service (Moody's), AA+ from Standard & Poor's Global Ratings (S&P), and AA+ Issuer Default Rating (IDR) from Fitch Ratings. The IDR was previously referred to as an implied General Obligation (GO) Bond rating. The implied rating was not reported because the County does not have any general obligation bonds outstanding. In FY 2016-17, the following changes occurred in the County's underlying debt:

On October 4, 2016, Moody's upgraded the ratings on the County's 2005 Lease Revenue Bonds, 2006 Lease Revenue Bonds, 2012 Lease Revenue Bonds, and 1991 Parking COPs to Aa2 from Aa3.

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

LONG-TERM DEBT RATINGS
June 30, 2017

	Standard & Poor's	Moody's	Fitch
2005 Lease Revenue Bonds	AA	Aa2	AA
2006 Lease Revenue Bonds	AA	Aa2	AA
2012 Lease Revenue Bonds	AA	Aa2	NR
2016 Lease Revenue Bonds	AA	NR	NR
1991 Parking COPs	NR	Aa2	NR
Teeter Plan Notes	NR	NR	NR
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

In-Home Supportive Services (IHSS)
On June 28, 2017, the State budget was enacted and included State General Fund to mitigate increases to counties for the IHSS program associated with the end of the Coordinated Care Initiative. The increased cost may constrain the ability to fully fund current and future operations; however, actual impacts to programs and services is still being evaluated. The County's CEO is participating in a state-wide working group developing options for reform to enhance program sustainability and address long-term impacts to counties.

Orange County Vehicle License Fees (VLF)
On June 30, 2011, the Governor signed SB 89, which redirected the 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, the 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 Auditor-Controller to calculate the 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. As of June 30, 2017, the remaining obligation to the State is $105,000.

Long-Term Financial Planning

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 (valuation 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 then dropped to 62.52% in 2012. As of December 31, 2016, the funded ratio has increased to 73.06%. Despite the increase in funding ratio resulting from 2016 actual market returns greater than expected, the System's Unfunded Actuarial Accrued Liability (UAAL) has increased primarily due to the following factors: (1) higher than expected salary increases, (2) unfavorable investment returns (after smoothing), and (3) actual contributions less than expected, offset somewhat by (4) lower than expected cost of living adjustment (COLA) increases, and (5) additional UAAL payments made by certain employers.

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% effective July 2015. On October 16, 2017, the OCERS Board adopted a reduction in the assumed investment rate of return to 7.00% effective July 1, 2019. The assumed rate of return reduction had the impact of increasing contribution rates of members and plan sponsors.

OCERS Actuarial Funding Policy (Amortization)

On November 18, 2013, the OCERS Board adopted the actuarial funding policy to reduce the amortization period for future UAAL from 30 years to 20 years, which included combining and re-amortizing the entire outstanding UAAL balance as of December 31, 2012, over a single 20-year period. 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.

OCERS Actuarial Assumptions

The 2014 through 2016 valuations were impacted by economic assumption changes, which flowed from the 2014 Triennial Study of Actuarial Assumptions. These changes, adopted by the OCERS Board on September 23, 2014, included a decrease in the inflation assumption from 3.25% to 3.00% per annum. As a result of the 2017 Triennial Study of Actuarial Assumptions, the OCERS Board, on October 16, 2017, adopted a further decrease in the inflation assumption to 2.75%, which will be effective with the 2017 valuation.

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 92701 or you can access our website at www.ac.ocgov.com.

OC AUDITOR-CONTROLLER

TAXPAYER WATCHDOG

ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

(Dollar Amounts in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
ASSETS					
Cash and Cash Equivalents	$ 2,367,012	$ 615,734	$ 2,982,746	$ 47,449	$ 527,773
Restricted Cash and Cash Equivalents	355,760	156,941	512,701	--	300
Investments	67,557	39,300	106,857	--	1,599,854
Deposits In-Lieu of Cash	25	46,903	46,928	--	--
Internal Balances	(9,295)	9,295	--	--	--
Due from Component Unit	339	--	339	--	--
Due from Primary Government	--	--	--	1	--
Prepaid Costs	322,327	4,355	326,682	151	26,385
Inventory of Materials and Supplies	1,910	--	1,910	--	--
Receivables, Net of Allowances					
Accounts	8,566	17,937	26,503	2	522,793
Taxes	27,458	--	27,458	2,425	--
Interest/Dividends	5,688	1,665	7,353	42	--
Deposits	4,821	100	4,921	5,231	--
Advances	40	--	40	--	--
Due from Other Governmental Agencies, Net	410,849	3,358	414,207	1,048	--
Notes Receivable, Net	27,572	--	27,572	--	--
Net Other Postemployment Benefits	44,838	--	44,838	--	--
Capital Assets					
Not Depreciable/Amortizable	1,027,884	142,029	1,169,913	--	6,579
Depreciable/Amortizable, Net	1,905,756	755,710	2,661,466	--	47,722
Total Capital Assets	2,933,640	897,739	3,831,379	--	54,301
Total Assets	6,569,107	1,793,327	8,362,434	56,349	2,731,406
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	1,516	--	1,516	--	--
Deferred Outflows of Resources Related to Pension	821,293	17,251	838,544	567	11,577
Total Deferred Outflows of Resources	822,809	17,251	840,060	567	11,577

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

(Dollar Amounts in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
LIABILITIES					
Accounts Payable	$ 117,575	$ 31,665	$ 149,240	$ 2,818	$ 9,824
Salaries and Employee Benefits Payable	46,825	1,020	47,845	27	10,101
Retainage Payable	5,720	1,102	6,822	1,261	--
Interest Payable	3,269	4,910	8,179	--	--
Deposits from Others	50,569	48,405	98,974	--	--
Due to Primary Government	--	--	--	339	--
Due to Component Unit	1	--	1	--	--
Due to Other Governmental Agencies	31,536	3,597	35,133	3,818	198,205
Unearned Revenue	65,906	4,120	70,026	--	102,298
Short-Term Bonds Payable	375,540	--	375,540	--	--
Long-Term Liabilities					
Due Within One Year					
SARI Line Loans	912	--	912	--	--
Estimated Liability - Litigation and Claims	57,400	--	57,400	--	--
Interest Accretion on Capital Appreciation Bonds Payable	14,176	--	14,176	--	--
Insurance Claims Payable	54,026	--	54,026	--	--
Medical Claims Payable	--	--	--	--	1,080,027
Capitation and Withholds	--	--	--	--	580,840
Compensated Employee Absences Payable	99,957	2,362	102,319	38	--
Capital Lease Obligations Payable	12,697	--	12,697	--	--
Bonds Payable	21,826	35,090	56,916	--	--
Pollution Remediation Obligation	--	570	570	--	--
Intangible Assets Obligations Payable	194	110	304	--	--
Landfill Site Closure/Postclosure Liability	--	2,613	2,613	--	--
Due in More than One Year					
SARI Line Loans	22,988	--	22,988	--	--
Civic Center Facilities Master Plan Loan	175,340	--	175,340	--	--
Estimated Liability - Litigation and Claims	55,000	--	55,000	--	--
Interest Accretion on Capital Appreciation Bonds Payable	32,465	--	32,465	--	--
Insurance Claims Payable	148,145	--	148,145	--	--
Compensated Employee Absences Payable	86,649	2,299	88,948	9	--
Arbitrage Rebate Payable	365	--	365	--	--
Capital Lease Obligations Payable	43,134	--	43,134	--	--
Notes Payable	27,868	--	27,868	--	--
Bonds Payable	78,557	152,228	230,785	--	--
Pollution Remediation Obligation	--	16,114	16,114	--	--
Intangible Assets Obligations Payable	1,629	44	1,673	--	--
Landfill Site Closure/Postclosure Liability	--	155,868	155,868	--	--
Net Pension Liability	--	--	--	--	15,431
Orange County Employees Retirement System	3,957,838	86,800	4,044,638	3,158	--
Extra-Help Defined Benefit Plan	1,952	43	1,995	--	--
Net Other Postemployment Benefit Obligation	--	--	--	--	28,586
Total Liabilities	5,590,059	548,960	6,139,019	11,468	2,025,312
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	546,666	11,658	558,324	1,413	1,340
Total Deferred Inflows of Resources	546,666	11,658	558,324	1,413	1,340
NET POSITION					
Net Investment in Capital Assets	2,813,296	708,286	3,521,582	--	54,104
Restricted for:					
Expendable					
Pension Benefits	125,876	--	125,876	--	--
Capital Projects	164,400	--	164,400	--	--
Debt Service	33,409	36,181	69,590	--	--
Legally Segregated for Grants and Other Purposes	1,192,827	--	1,192,827	--	--
Regional Park Endowment	145	--	145	--	--
CalOptima	--	--	--	--	98,445
Passenger Facility Charges Approved Capital Projects	--	2,775	2,775	--	--
Capital Projects - Replacements and Renewals	--	1,000	1,000	--	--
Landfill Closure/Postclosure	--	28,962	28,962	--	--
Landfill Corrective Action	--	8,278	8,278	--	--
Wetland	--	879	879	--	--
Prima Deshecha/La Pata Closure	--	104	104	--	--
Nonexpendable					
Regional Park Endowment	196	--	196	--	--
Unrestricted (Deficit)	(3,074,958)	463,495	(2,611,463)	44,035	563,782
Total Net Position	$ 1,255,191	$ 1,249,960	$ 2,505,151	$ 44,035	$ 716,331

(Dollar Amounts in Thousands)

	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	$ 239,113	$ (52,773)	$ 41,988	$ 12,874	$ 95,199
Public Protection	1,453,864	31,273	307,630	566,760	10,171
Public Ways and Facilities	100,505	(2,577)	67,796	64,603	7,292
Health and Sanitation	586,114	7,503	117,170	434,607	--
Public Assistance	1,085,768	11,559	40,589	987,695	618
Education	43,598	912	1,274	262	--
Recreation and Cultural Services	110,552	2,197	47,763	976	201
Interest on Long-Term Debt	17,544	--	--	--	--
Total Governmental Activities	3,637,058	(1,906)	624,210	2,067,777	113,481
Business-Type Activities					
Airport	124,610	912	150,260	51	270
Waste Management	104,170	979	153,842	18	1,558
Compressed Natural Gas	352	15	248	--	--
Total Business-Type Activities	229,132	1,906	304,350	69	1,828
Total Primary Government	$ 3,866,190	$ --	$ 928,560	$ 2,067,846	$ 115,309
Component Units					
Children and Families					
Commission of Orange County	$ 34,394	$ --	$ --	$ 26,233	$ --
CalOptima	3,513,349	--	3,551,420	15,766	--
Total Component Units	$ 3,547,743	$ --	$ 3,551,420	$ 41,999	$ --

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
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
$ (36,279)	$ --	$ (36,279)	$ --	$ --	General Government
(600,576)	--	(600,576)	--	--	Public Protection
41,763	--	41,763	--	--	Public Ways and Facilities
(41,840)	--	(41,840)	--	--	Health and Sanitation
(68,425)	--	(68,425)	--	--	Public Assistance
(42,974)	--	(42,974)	--	--	Education
(63,809)	--	(63,809)	--	--	Recreation and Cultural Services
(17,544)	--	(17,544)	--	--	Interest on Long-Term Debt
(829,684)	--	(829,684)	--	--	Total Governmental Activities
					Business-Type Activities
--	25,059	25,059	--	--	Airport
--	50,269	50,269	--	--	Waste Management
--	(119)	(119)	--	--	Compressed Natural Gas
--	75,209	75,209	--	--	Total Business-Type Activities
(829,684)	75,209	(754,475)	--	--	Total Primary Government
					Component Units
					Children and Families
			(8,161)	--	Commission or Orange County
			--	53,837	CalOptima
			(8,161)	53,837	Total Component Units
					General Revenues
					Taxes
287,212	--	287,212	--	--	Property Taxes, Levied for General Fund
98,563	--	98,563	--	--	Property Taxes, Levied for Flood Control District
76,493	--	76,493	--	--	Property Taxes, Levied for OC Parks
47,804	--	47,804	--	--	Property Taxes, Levied for OC Public Libraries
351,011	--	351,011	--	--	Property Taxes in-Lieu of Motor Vehicle License Fees
98,216	78	98,294	--	--	Other Taxes
8,434	--	8,434	--	--	Grants and Contributions Not Restricted to Specific Programs
1,234	--	1,234	--	--	State Allocation of Motor Vehicle License Fees
19,760	3,497	23,257	343	--	Unrestricted Investment Earnings
80,229	1,386	81,615	231	27	Miscellaneous
25,922	(25,922)	--	--	--	Transfers
1,094,878	(20,961)	1,073,917	574	27	Total General Revenues and Transfers
265,194	54,248	319,442	(7,587)	53,864	Change in Net Position
989,997	1,195,712	2,185,709	51,622	662,467	Net Position - Beginning of Year
$ 1,255,191	$ 1,249,960	$ 2,505,151	$ 44,035	$ 716,331	Net Position - End of Year

(Dollar Amounts in Thousands)

	General Fund	Flood Control District	Other Public Protection
ASSETS			
Pooled Cash/Investments	$ 531,226	$ 460,016	$ 179,285
Cash/Cash Equivalents	--	--	12,188
Imprest Cash Funds	1,834	--	--
Restricted Cash and Investments with Trustee	1	--	--
Investments	67,557	--	--
Deposits In-Lieu of Cash	--	--	--
Receivables			
Accounts	9,590	635	176
Taxes	5,701	1,460	--
Interest/Dividends	1,794	1,022	436
Deposits	524	2,149	--
Advances	40	--	--
Allowance for Uncollectible Receivables	(4,077)	(249)	--
Due from Other Funds	104,918	2,802	3,608
Due from Component Unit	339	--	--
Due from Other Governmental Agencies, Net	330,367	30,137	2,338
Inventory of Materials and Supplies	838	346	317
Prepaid Costs	367,934	4,877	1,228
Advances to Other Funds	3,800	--	--
Notes Receivable, Net	--	--	--
Total Assets	$ 1,422,386	$ 503,195	$ 199,576
LIABILITIES			
Accounts Payable	$ 47,903	$ 9,028	$ 12,913
Retainage Payable	1,750	1,172	1
Salaries and Employee Benefits Payable	43,688	603	149
Interest Payable	2,376	--	--
Deposits from Others	1,534	8,837	20,975
Due to Other Funds	43,725	10,431	15,307
Due to Component Unit	--	--	--
Due to Other Governmental Agencies	14,634	1	5,404
Estimated Litigation and Claims	--	7,400	--
Unearned Revenue	38,668	786	675
Bonds Payable	375,540	--	--
Advances from Other Funds	784	--	--
Total Liabilities	570,602	38,258	55,424
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Intergovernmental Revenues	58,651	25,118	855
Unavailable Revenue - Senate Bill 90 Mandated Claims, Net	24,637	--	--
Unavailable Revenue - Property Taxes	8,364	1,267	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--
Unavailable Revenue - Other	9,240	--	--
Total Deferred Inflows of Resources	100,892	26,385	855
FUND BALANCES			
Nonspendable	372,572	5,223	1,545
Restricted	39,581	433,329	140,238
Assigned	265,293	--	1,514
Unassigned	73,446	--	--
Total Fund Balances	750,892	438,552	143,297
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,422,386	$ 503,195	$ 199,576

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

(Dollar Amounts in Thousands)

Mental Health Services Act	Other Governmental Funds	Total Governmental Funds	
			ASSETS
$ 260,491	$ 684,314	$ 2,115,332	Pooled Cash/Investments
--	--	12,188	Cash/Cash Equivalents
--	--	1,834	Imprest Cash Funds
--	355,754	355,755	Restricted Cash and Investments with Trustee
--	--	67,557	Investments
--	25	25	Deposits In-Lieu of Cash
			Receivables
--	2,502	12,903	Accounts
--	20,297	27,458	Taxes
613	1,335	5,200	Interest/Dividends
--	2,148	4,821	Deposits
--	--	40	Advances
--	(96)	(4,422)	Allowance for Uncollectible Receivables
--	37,963	149,291	Due from Other Funds
--	--	339	Due from Component Unit
15,854	31,101	409,797	Due from Other Governmental Agencies, Net
--	--	1,501	Inventory of Materials and Supplies
--	14,733	388,772	Prepaid Costs
--	--	3,800	Advances to Other Funds
--	27,572	27,572	Notes Receivable, Net
$ 276,958	$ 1,177,648	$ 3,579,763	Total Assets
			LIABILITIES
$ --	$ 26,475	$ 96,319	Accounts Payable
--	2,785	5,708	Retainage Payable
--	1,917	46,357	Salaries and Employee Benefits Payable
--	34	2,410	Interest Payable
--	19,223	50,569	Deposits from Others
15,288	60,321	145,072	Due to Other Funds
--	1	1	Due to Component Unit
248	11,236	31,523	Due to Other Governmental Agencies
--	--	7,400	Estimated Litigation and Claims
4,463	21,314	65,906	Unearned Revenue
--	--	375,540	Bonds Payable
--	32,640	33,424	Advances from Other Funds
19,999	175,946	860,229	Total Liabilities
			DEFERRED INFLOWS OF RESOURCES
--	11,015	95,639	Unavailable Revenue - Intergovernmental Revenues
--	--	24,637	Unavailable Revenue - Senate Bill 90 Mandated Claims, Net
--	1,390	11,021	Unavailable Revenue - Property Taxes
--	255	255	Unavailable Revenue - Long-Term Notes Receivables
--	273	9,513	Unavailable Revenue - Other
--	12,933	141,065	Total Deferred Inflows of Resources
			FUND BALANCES
--	14,929	394,269	Nonspendable
256,959	804,882	1,674,989	Restricted
--	168,958	435,765	Assigned
--	--	73,446	Unassigned
256,959	988,769	2,578,469	Total Fund Balances
$ 276,958	$ 1,177,648	$ 3,579,763	Total Liabilities, Deferred Inflows of Resources and Fund Balances

(Dollar Amounts in Thousands)

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 ($1,323,278) 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		$ 2,578,469
Capital assets used in the operations of the County are not reported in the governmental funds financial statements:		
Land	839,273	
Structures and Improvements	1,235,290	
Equipment	324,600	
Software	122,549	
Infrastructure	1,760,496	
Land Use Rights	7,602	
Land Improvements	4,246	
Construction in Progress	173,601	
Intangible in Progress	5,497	
Accumulated Depreciation/Amortization	(1,598,108)	2,875,046
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	125,876	
Prepaid Bond Insurance	71	125,947
The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.		47,444
Deferred outflows of resources are similar to assets, but they do not meet the definition of an asset at June 30, 2017. When all the recognition criteria are met, the deferred outflows of resources will become an expense. The counterpart to deferred outflows of resources are deferred inflows of resources, which are not technically liabilities at June 30, 2017. When all recognition criteria 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		1,516
Employer retirement contribution subsequent to measurement date and deferred recognition of changes to the net pension liability		618,654
Reclassification of prepaid pension contribution from prepaid costs to deferred outflows of resources for the portion to be recognized in the next measurement period. Refer to Note 17, Retirement Plans for further information.		
Prepaid Pension Contribution		(194,218)
Deferred Outflows of Resources		194,218

(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		141,065
Deferred Inflows of Resources Related to Pension		(541,059)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and COPs Payable, Net	(100,383)	
SARI Line Loans	(23,900)	
Civic Center Facilities Master Plan Loan	(175,340)	
Teeter Plan Notes Payable	(27,868)	
Compensated Employee Absences Payable	(184,344)	
Capital Lease Obligations Payable	(48,931)	
Intangible Assets Obligations Payable	(1,823)	
Arbitrage Rebate Payable	(365)	
Interest Payable on Bonds	(859)	
Interest Accretion on Capital Appreciation Bonds	(46,641)	
Estimated Liability - Litigation and Claims	(105,000)	
County's Net Pension Liability	(3,921,275)	(4,636,729)
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) asset for the difference between the annual required contribution (ARC) and the amounts actually contributed to the OPEB Plan.		44,838
Net Position of Governmental Activities		$ 1,255,191

(Dollar Amounts in Thousands)

	General Fund	Flood Control District	Other Public Protection
Revenues			
Taxes	$ 681,836	$ 108,050	$ --
Licenses, Permits, and Franchises	25,362	579	424
Fines, Forfeitures, and Penalties	67,648	13	4,010
Use of Money and Property	6,733	3,298	3,836
Intergovernmental	1,613,969	18,435	27,795
Charges for Services	442,591	14,771	17,880
Other	17,790	5,842	8,551
Total Revenues	2,855,929	150,988	62,496
Expenditures			
Current			
General Government	195,250	--	--
Public Protection	1,260,068	111,708	29,078
Public Ways and Facilities	30,633	--	--
Health and Sanitation	577,050	--	--
Public Assistance	891,309	--	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	23,532	24,643	22,683
Debt Service			
Principal Retirement	5,129	4,177	--
Interest	8,564	8	--
Total Expenditures	2,991,535	140,536	51,761
Excess (Deficit) of Revenues Over Expenditures	(135,606)	10,452	10,735
Other Financing Sources (Uses)			
Transfers In	311,968	365	16,578
Transfers Out	(153,308)	(3,933)	(29,826)
Debt Issued	--	--	--
Loan Proceeds	--	--	--
Total Other Financing Sources (Uses)	158,660	(3,568)	(13,248)
Net Change in Fund Balances	23,054	6,884	(2,513)
Fund Balances - Beginning of Year	727,838	431,668	145,810
Fund Balances - End of Year	$ 750,892	$ 438,552	$ 143,297

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

(Dollar Amounts in Thousands)

Mental Health Services Act	Other Governmental Funds	Total Governmental Funds	
			Revenues
$ --	$ 133,675	$ 923,561	Taxes
--	1,844	28,209	Licenses, Permits, and Franchises
--	25,279	96,950	Fines, Forfeitures, and Penalties
1,247	53,384	68,498	Use of Money and Property
151,829	359,985	2,172,013	Intergovernmental
--	55,641	530,883	Charges for Services
--	31,766	63,949	Other
153,076	661,574	3,884,063	Total Revenues
			Expenditures
			Current
--	72,413	267,663	General Government
--	840	1,401,694	Public Protection
--	66,536	97,169	Public Ways and Facilities
161	1,561	578,772	Health and Sanitation
--	182,655	1,073,964	Public Assistance
--	42,564	42,564	Education
--	106,356	106,356	Recreation and Cultural Services
--	105,450	176,308	Capital Outlay
			Debt Service
--	90,813	100,119	Principal Retirement
--	38,517	47,089	Interest
161	707,705	3,891,698	Total Expenditures
152,915	(46,131)	(7,635)	Excess (Deficit) of Revenues Over Expenditures
			Other Financing Sources (Uses)
--	324,682	653,593	Transfers In
(137,914)	(306,910)	(631,891)	Transfers Out
--	31,536	31,536	Debt Issued
--	175,340	175,340	Loan Proceeds
(137,914)	224,648	228,578	Total Other Financing Sources (Uses)
15,001	178,517	220,943	Net Change in Fund Balances
241,958	810,252	2,357,526	Fund Balances - Beginning of Year
$ 256,959	$ 988,769	$ 2,578,469	Fund Balances - End of Year

(Dollar Amounts in Thousands)

The Net Change in Fund Balances for governmental funds of $220,943 in the Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Position for governmental activities of $265,194 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		$ 220,943
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	2,599	
Construction in Progress	127,943	
Equipment	38,381	
Software	13,459	
Net of Gains/(Losses) on Capital Assets Dispositions	16,103	
Depreciation/Amortization Expense	(82,233)	
Capital Contributions	436	116,688
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	(31,536)	
Civic Center Facilities Master Plan Loan Proceeds	(175,340)	
Principal and Other Long-Term Liability Payments:		
Bonds Payable	56,941	
Teeter Plan Notes Payable	33,859	
SARI Line Loans Payable	4,122	
Capital Lease Obligations Payable	5,197	(106,757)

(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	(16,132)	
Property Tax Revenues	(3,058)	(19,190)
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	520	
Amortization of Deferred Charges	35,097	
Change in Compensated Employee Absences	(1,510)	
Change in Arbitrage Rebate	(132)	
OCERS Investment Gain	14,236	
Estimated Litigation and Claims Expense	25,000	
Interest Accretion on Capital Appreciation Bonds	(6,070)	67,141
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 operating income 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 Gain to Governmental Activities, net of Business-Type Activities	24,944	
Consolidation of Nonoperating Revenues, Expenses and Transfers to Governmental Activities	12,660	37,604
For FY 2016-17, the OPEB cost was $46,122, and the County contributed $47,853, which was deposited in the Retiree Medical Trust. The County contributed more than the required OPEB cost. Cumulatively, the County still has a net OPEB Asset.		1,731
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.		(52,966)
Change in Net Position of Governmental Activities		$ 265,194

(Dollar Amounts in Thousands)

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	$ 671,356	$ 671,487	$ 681,312	$ 9,825
Licenses, Permits, and Franchises	25,952	26,192	25,276	(916)
Fines, Forfeitures, and Penalties	33,713	63,426	67,275	3,849
Use of Money and Property	6,837	6,837	9,929	3,092
Intergovernmental	1,639,779	1,650,850	1,628,329	(22,521)
Charges for Services	476,842	478,732	451,566	(27,166)
Other	21,131	19,823	21,782	1,959
Transfers In	373,468	404,277	307,279	(96,998)
Bond Issuance Proceeds	--	100	--	(100)
Total Revenues and Other Financing Sources	3,249,078	3,321,724	3,192,748	(128,976)
Expenditures and Other Financing Uses				
General Government:				
Assessor	40,006	40,074	37,122	2,952
Auditor-Controller	21,094	21,162	19,137	2,025
Board of Supervisors - 1st District	1,243	1,243	1,172	71
Board of Supervisors - 2nd District	1,309	1,309	973	336
Board of Supervisors - 3rd District	1,218	1,218	949	269
Board of Supervisors - 4th District	1,203	1,203	1,051	152
Board of Supervisors - 5th District	1,186	1,186	1,097	89
Capital Acquisition Financing	5,856	5,856	5,843	13
Capital Projects	57,726	63,478	52,123	11,355
CAPS Program	15,127	15,962	14,091	1,871
Clerk of the Board	4,725	4,861	4,394	467
County Counsel	13,712	11,780	8,790	2,990
County Executive Office	22,208	23,779	21,374	2,405
Data Systems Development Project	9,391	10,658	8,207	2,451
Employee Benefits	1,657	2,157	1,391	766
Human Resources	6,886	6,950	5,177	1,773
IBM Mainframe	3,171	3,171	3,171	--
IT Support Services	772	1,925	1,887	38
Miscellaneous	55,352	83,081	72,588	10,493
OC Campaign Finance and Ethics Commission	549	549	128	421
Prepaid Pension Obligation	--	100	1	99
Property Tax System Centralized O & M Support	7,762	7,762	3,078	4,684
Registrar of Voters	15,755	16,223	15,672	551
The Office of the Performance Audit	807	606	73	533
Treasurer - Tax Collector	14,526	14,594	12,119	2,475
Utilities	14,886	15,580	13,297	2,283
2005 Lease Revenue Refunding Bonds	11,245	22,964	22,964	--
Public Protection:				
Alternate Defense	7,190	7,140	5,166	1,974
Building & Safety	14,535	15,672	15,588	84
Child Support Services	59,118	59,118	55,499	3,619
Clerk-Recorder	14,613	15,012	13,586	1,426
Detention Release	2,014	2,064	1,469	595
District Attorney	141,726	142,356	137,817	4,539
District Attorney - Public Administrator	3,216	3,216	2,604	612
Emergency Management Division	4,370	3,820	3,409	411
Grand Jury	584	985	914	71
HCA Public Guardian	5,616	5,817	4,932	885
Juvenile Justice Commission	178	178	134	44
Office of Independent Review	455	455	21	434
Probation	183,558	184,278	178,284	5,994
Public Defender	74,443	74,514	71,863	2,651
Sheriff - Coroner	652,049	671,863	657,647	14,216
Sheriff - Coroner Communications	12,963	13,141	10,248	2,893
Sheriff Court Operations	59,866	63,431	63,182	249
Trial Courts	65,069	67,093	65,331	1,762
Public Ways and Facilities:				
OC Public Works	51,622	53,809	44,740	9,069
Health and Sanitation:				
Health Care Agency	631,240	634,131	575,893	58,238
OC Watersheds	16,510	16,510	12,241	4,269
Public Assistance:				
OC Community Resources	66,174	67,581	57,111	10,470
Social Services Agency	901,649	918,401	853,459	64,942
Total Expenditures and Other Financing Uses	3,298,130	3,400,016	3,159,007	241,009
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(49,052)	(78,292)	33,741	$ 112,033
Fund Balances - Beginning of Year	688,657	688,657	688,657	
Fund Balances - End of Year	$ 639,605	$ 610,365	$ 722,398	

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

(Dollar Amounts in Thousands)

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	$ 95,371	$ 95,371	$ 107,845	$ 12,474
Licenses, Permits, and Franchises	135	135	579	444
Fines, Forfeitures, and Penalties	12	12	13	1
Use of Money and Property	2,611	2,611	5,354	2,743
Intergovernmental	30,541	30,541	3,790	(26,751)
Charges for Services	13,570	14,559	15,211	652
Other	961	961	5,857	4,896
Transfers In	365	365	365	--
Total Revenues and Other Financing Sources	143,566	144,555	139,014	(5,541)
Expenditures and Other Financing Uses				
Public Protection:				
OC Flood	195,019	198,707	122,450	76,257
OC Santa Ana River	80	80	--	80
OC Flood - Capital	65,998	65,998	14,857	51,141
Total Expenditures and Other Financing Uses	261,097	264,785	137,307	127,478
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(117,531)	(120,230)	1,707	$ 121,937
Fund Balances - Beginning of Year	445,843	445,843	445,843	
Fund Balances - End of Year	$ 328,312	$ 325,613	$ 447,550	

(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	$ 363	$ 363	$ 424	$ 61
Fines, Forfeitures, and Penalties	2,517	2,517	4,010	1,493
Use of Money and Property	826	838	4,464	3,626
Intergovernmental	15,727	20,723	27,795	7,072
Charges for Services	20,136	20,585	17,876	(2,709)
Other	11,191	10,469	8,542	(1,927)
Transfers In	5,308	21,881	20,541	(1,340)
Total Revenues and Other Financing Sources	56,068	77,376	83,652	6,276
Expenditures and Other Financing Uses				
Public Protection:				
Orange County Methamphetamine Lab Investigation Team	437	530	339	191
County Automated Fingerprint Identification	1,498	1,424	1,228	196
Building and Safety - Operating Reserve	1,556	4,856	1,975	2,881
Narcotic Forfeiture and Seizure	455	455	410	45
Sheriff-Regional Narcotics Suppression Program	6,205	9,667	5,407	4,260
Motor Vehicle Theft Task Force	3,245	3,491	3,330	161
Regional Narcotic Suppression Program-Dept of Treasury	459	463	248	215
Regional Narcotic Suppression Program-Other	2,851	2,387	1,126	1,261
Clerk Recorder Special Revenue	8,209	8,209	5,090	3,119
Clerk Recorder Operating Reserve	2,005	2,005	1	2,004
Real Estate Prosecution	1,653	1,679	1,678	1
Proposition 64 - Consumer Protection	3,654	3,654	2,882	772
Proposition 69 - DNA Identification	1,401	1,984	931	1,053
Traffic Violator	1,161	1,161	218	943
Sheriff Narcotics Program - Dept of Treasury	--	1	--	1
Sheriff Narcotics Program - Dept of Justice	3,976	3,906	2,628	1,278
Sheriff Narcotics Program - Other	520	802	49	753
Orange County Jail	1,848	1,819	501	1,318
Sheriff Narcotics Program - CALMMET - Treasury	1,160	1,797	639	1,158
Sheriff's State Criminal Alien Assistance Program	1,765	1,765	1,418	347
California Automated Fingerprint Identification Operational Costs	1,246	1,213	1,014	199
California Automated Fingerprint Identification Systems Costs	28,622	28,622	624	27,998
Sheriff's Supplemental Law Enforcement Services	3,115	3,115	1,256	1,859
District Attorney's Supplemental Law Enforcement Services	1,027	1,034	1,034	--
Excess Public Safety Sales Tax	6,259	6,259	6,056	203
Sheriff - Coroner Replacement and Maintenance	12,433	12,433	1,661	10,772
Ward Welfare	164	164	131	33
Sheriff's Substations Fee Program	3,343	3,343	44	3,299
Jail Commissary	11,063	11,092	8,451	2,641
Inmate Welfare	9,044	9,044	3,896	5,148
Child Support Program Development	3,524	3,524	1,028	2,496
800 MHz Countywide Coordinated Communications System	18,165	27,534	24,892	2,642
Delta Special Revenue	28	28	4	24
Total Expenditures and Other Financing Uses	142,091	159,460	80,189	79,271
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(86,023)	(82,084)	3,463	$ 85,547
Fund Balances - Beginning of Year	129,132	129,132	129,132	
Fund Balances - End of Year	$ 43,109	$ 47,048	$ 132,595	

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

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - MENTAL HEALTH SERVICES ACT

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Use of Money and Property	$ 800	$ 800	$ 2,385	$ 1,585
Intergovernmental	146,403	146,403	151,829	5,426
Total Revenues and Other Financing Sources	147,203	147,203	154,214	7,011
Expenditures and Other Financing Uses				
General Government:				
Mental Health Services Act	167,066	167,066	138,075	28,991
Total Expenditures and Other Financing Uses	167,066	167,066	138,075	28,991
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(19,863)	(19,863)	16,139	$ 36,002
Fund Balances - Beginning of Year	241,257	241,257	241,257	
Fund Balances - End of Year	$ 221,394	$ 221,394	$ 257,396	

(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
ASSETS					
Current Assets					
Pooled Cash/Investments	$ 204,655	$ 392,373	$ 100	$ 597,128	$ 237,275
Cash Equivalents/Specific Investments	11,195	--	--	11,195	--
Cash/Cash Equivalents	7,362	--	--	7,362	375
Imprest Cash Funds	14	35	--	49	8
Restricted Cash and Investments with Trustee	41,091	--	--	41,091	5
Restricted Pooled Cash/Investments	1,613	647	--	2,260	--
Deposits In - Lieu of Cash	29,969	16,934	--	46,903	--
Receivables					
Accounts	4,170	10,737	--	14,907	137
Passenger Facility Charges	2,775	--	--	2,775	--
Interest/Dividends	576	1,089	--	1,665	488
Deposits	--	100	--	100	--
Pollution Remediation Obligation Recoveries	256	--	--	256	--
Allowance for Uncollectible Receivables	--	(1)	--	(1)	(52)
Due from Other Funds	52	86	5	143	4,717
Due from Other Governmental Agencies	649	2,709	--	3,358	1,052
Inventory of Materials and Supplies	--	--	--	--	409
Prepaid Costs	2,149	2,206	--	4,355	1,826
Total Current Assets	306,526	426,915	105	733,546	246,240
Noncurrent Assets					
Restricted Cash and Investments with Trustee	12,824	--	--	12,824	--
Restricted Pooled Cash/Investments	--	9,482	--	9,482	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	91,284	--	91,284	--
Specific Investments	39,300	--	--	39,300	--
Advances to Other Funds	--	29,624	--	29,624	--
Capital Assets:					
Land	15,678	22,164	--	37,842	--
Construction in Progress	76,247	27,685	--	103,932	1,846
Intangible Assets in Progress	--	255	--	255	65
Structures and Improvements	764,854	24,409	--	789,263	11,788
Accumulated Depreciation	(295,672)	(12,364)	--	(308,036)	(6,412)
Equipment	12,812	71,151	--	83,963	129,026
Accumulated Depreciation	(10,003)	(48,371)	--	(58,374)	(77,719)
Infrastructure	229,348	391,820	--	621,168	--
Accumulated Depreciation	(183,006)	(192,159)	--	(375,165)	--
Intangible Assets - Amortizable	3,015	626	--	3,641	--
Accumulated Amortization	(528)	(222)	--	(750)	--
Total Capital Assets	612,745	284,994	--	897,739	58,594
Total Noncurrent Assets	664,869	415,384	--	1,080,253	58,594
Total Assets	971,395	842,299	105	1,813,799	304,834
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to Pension	7,672	9,579	--	17,251	8,421
Total Deferred Outflows of Resources	7,672	9,579	--	17,251	8,421

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	$ 21,242	$ 10,421	$ 2	$ 31,665	$ 21,256
Retainage Payable	52	1,050	--	1,102	12
Salaries and Employee Benefits Payable	433	587	--	1,020	468
Unearned Revenue	3,984	136	--	4,120	--
Due to Other Funds	2,605	3,934	19	6,558	2,521
Due to Other Governmental Agencies	154	3,443	--	3,597	13
Insurance Claims Payable	--	--	--	--	54,026
Compensated Employee Absences Payable	1,057	1,305	--	2,362	1,068
Pollution Remediation Obligation	--	570	--	570	--
Intangible Assets Obligations Payable	103	7	--	110	--
Landfill Site Closure/Postclosure Liability	--	2,613	--	2,613	--
Bonds Payable	35,090	--	--	35,090	--
Capital Lease Obligations Payable	--	--	--	--	6,900
Interest Payable	4,910	--	--	4,910	--
Deposits from Others	30,582	17,823	--	48,405	--
Total Current Liabilities	100,212	41,889	21	142,122	86,264
Noncurrent Liabilities					
Insurance Claims Payable	--	--	--	--	148,145
Compensated Employee Absences Payable	951	1,348	--	2,299	1,194
Pollution Remediation Obligation	994	15,120	--	16,114	--
Intangible Assets Obligations Payable	37	7	--	44	--
Landfill Site Closure/Postclosure Liability	--	155,868	--	155,868	--
Bonds Payable	152,228	--	--	152,228	--
Net Pension Liability	38,570	48,273	--	86,843	38,515
Total Noncurrent Liabilities	192,780	220,616	--	413,396	187,854
Total Liabilities	292,992	262,505	21	555,518	274,118
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	5,157	6,501	--	11,658	5,607
Total Deferred Inflows of Resources	5,157	6,501	--	11,658	5,607
NET POSITION					
Net Investment in Capital Assets	423,306	284,980	--	708,286	51,694
Restricted for:					
Debt Service	36,181	--	--	36,181	--
Passenger Facility Charges Approved Capital Projects	2,775	--	--	2,775	--
Capital Projects - Replacements and Renewals	1,000	--	--	1,000	--
Landfill Closure/Postclosure	--	28,962	--	28,962	--
Landfill Corrective Action	--	8,278	--	8,278	--
Wetland	--	879	--	879	--
Prima Deshecha/La Pata Closure	--	104	--	104	--
Unrestricted	217,656	259,669	84	477,409	(18,164)
Total Net Position	$ 680,918	$ 582,872	$ 84	1,263,874	$ 33,530
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				996	
Cumulative Effect of Prior Years' Internal Service Funds Allocation				(14,910)	
Net Position of Business-Type Activities				$ 1,249,960	

(Dollar Amounts in Thousands)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
Operating Revenues					
Use of Money and Property	$ 111,401	$ 4,443	$ --	$ 115,844	$ 1,889
Licenses, Permits, and Franchises	--	56	--	56	--
Charges for Services	18,760	149,302	248	168,310	94,841
Insurance Premiums	--	--	--	--	324,975
Total Operating Revenues	130,161	153,801	248	284,210	421,705
Operating Expenses					
Salaries and Employee Benefits	19,497	26,271	--	45,768	21,815
Services and Supplies	28,186	19,339	313	47,838	25,816
Professional Services	40,963	14,478	53	55,494	58,366
Operating Leases	293	702	1	996	1,630
Insurance Claims and Premiums	--	--	--	--	279,586
Pollution Remediation Expense	--	5,178	--	5,178	--
Other Charges	--	--	--	--	455
Taxes and Other Fees	166	21,800	--	21,966	11
Landfill Site Closure/Postclosure Costs	--	418	--	418	--
Depreciation/Amortization	29,820	17,439	--	47,259	8,086
Total Operating Expenses	118,925	105,625	367	224,917	395,765
Operating Income (Loss)	11,236	48,176	(119)	59,293	25,940
Nonoperating Revenues (Expenses)					
Fines, Forfeitures, and Penalties	198	41	--	239	--
Intergovernmental Revenues	51	18	--	69	1,147
Interest and Investment Income	1,436	2,061	--	3,497	791
Interest Expense	(7,104)	--	--	(7,104)	--
Gain (Loss) on Disposition of Capital Assets	(23)	11	--	(12)	248
Passenger Facility Charges Revenue	19,901	--	--	19,901	--
Other Taxes	--	--	78	78	11
Other Revenue, Net	863	522	--	1,385	5,789
Total Nonoperating Revenues	15,322	2,653	78	18,053	7,986
Income (Loss) Before Contributions and Transfers	26,558	50,829	(41)	77,346	33,926
Capital Grant Contributions	270	--	--	270	--
Capital Contributions	--	1,558	--	1,558	454
Transfers In	--	33	--	33	8,321
Transfers Out	--	(25,805)	(150)	(25,955)	(4,101)
Change in Net Position	26,828	26,615	(191)	53,252	38,600
Net Position - Beginning of Year	654,090	556,257	275		(5,070)
Net Position - End of Year	$ 680,918	$ 582,872	$ 84		$ 33,530
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				996	
Increase in Net Position of Business-Type Activities				$ 54,248	

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

ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	$ 131,375	$ 153,921	$ 248	$ 285,544	$ 28,870
Cash Received for Premiums within the County's Entity	--	--	--	--	324,975
Payments to Suppliers for Goods and Services	(67,613)	(31,893)	(367)	(99,873)	(381,042)
Payments to Employees for Services	(19,903)	(27,165)	--	(47,068)	(22,101)
Payments for Interfund Services	(95)	--	(254)	(349)	(3,242)
Receipts for Interfund Services Used	--	4,901	--	4,901	70,395
Landfill Site Closure/Postclosure Care Costs	--	(2,613)	--	(2,613)	--
Payment for Taxes and Other Fees	(166)	(21,800)	--	(21,966)	(11)
Other Operating Receipts	967	5,504	--	6,471	5,789
Other Operating Payments	--	(5,880)	--	(5,880)	(2,404)
Net Cash Provided (Used) by Operating Activities	44,565	74,975	(373)	119,167	21,229
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	--	33	--	33	8,321
Transfers Out	--	(25,805)	(150)	(25,955)	(4,101)
Intergovernmental Revenues	152	18	--	170	1,147
Other Taxes	--	--	78	78	11
Advances to Other Funds	--	(24,057)	--	(24,057)	--
Net Cash Provided (Used) by Noncapital Financing Activities	152	(49,811)	(72)	(49,731)	5,378
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(46,159)	(31,917)	--	(78,076)	(13,658)
Principal Paid on Bonds	(7,530)	--	--	(7,530)	--
Interest Paid on Long - Term Debt	(9,999)	--	--	(9,999)	--
Capital Grant Contributions	1,915	--	--	1,915	--
Passenger Facility Charges Received	19,267	--	--	19,267	--
Principal Paid on Capital Lease Obligations	--	--	--	--	(6,900)
Proceeds from Sale of Capital Assets	9	11	--	20	--
Net Cash Used by Capital and Related Financing Activities	(42,497)	(31,906)	--	(74,403)	(20,558)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	1,424	1,778	2	3,204	685
Purchase of Investments	(13,851)	--	--	(13,851)	--
Net Cash Provided (Used) by Investing Activities	(12,427)	1,778	2	(10,647)	685
Net Increase (Decrease) in Cash and Cash Equivalents	(10,207)	(4,964)	(443)	(15,614)	6,734
Cash and Cash Equivalents - Beginning of Year	276,137	498,785	543	775,465	230,929
Cash and Cash Equivalents - End of Year	$ 265,930	$ 493,821	$ 100	$ 759,851	$ 237,663

(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 (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	$ 11,236	$ 48,176	$ (119)	$ 59,293	$ 25,940
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation/Amortization	29,820	17,439	--	47,259	8,086
Fines, Forfeitures and Penalties	198	41	--	239	--
Other Revenue	863	522	--	1,385	5,789
(Increases) Decreases In:					
Deposits In-Lieu of Cash	1,460	(363)	--	1,097	--
Accounts Receivable, Net of Allowances	801	(262)	--	539	(29)
Due from Other Funds	(52)	3,302	(3)	3,247	(2,134)
Due from Other Governmental Agencies	(81)	188	--	107	(397)
Inventory of Materials and Supplies	--	--	--	--	3
Prepaid Costs	(222)	(169)	--	(391)	(213)
Deferred Outflows of Resources Related to Pension	2,454	3,246	--	5,700	3,063
Increases (Decreases) In:					
Accounts Payable	1,882	1,549	2	3,433	245
Retainage Payable	3	--	--	3	10
Salaries and Employee Benefits Payable	(614)	(796)	--	(1,410)	(686)
Unearned Revenue	521	16	--	537	--
Due to Other Funds	(43)	1,599	(253)	1,303	1,532
Due to Other Governmental Agencies	(24)	375	--	351	8
Insurance Claims Payable	--	--	--	--	(17,325)
Compensated Employee Absences Payable	(34)	(98)	--	(132)	148
Pollution Remediation Obligation	--	4,500	--	4,500	--
Deposits from Others	(1,557)	557	--	(1,000)	--
Net Pension Liability	(2,916)	(3,776)	--	(6,692)	(4,008)
Landfill Site Closure/ Postclosure Liability	--	(2,194)	--	(2,194)	--
Deferred Inflows of Resources Related to Pension	870	1,123	--	1,993	1,197
Total Adjustments	33,329	26,799	(254)	59,874	(4,711)
Net Cash Provided (Used) by Operating Activities	$ 44,565	$ 74,975	$ (373)	$ 119,167	$ 21,229
Reconciliation of Cash and Cash Equivalents to Statement of Net Position Accounts					
Pooled Cash/Investments	$ 204,655	$ 392,373	$ 100	$ 597,128	$ 237,275
Cash Equivalents/Specific Investments	11,195	--	--	11,195	--
Cash/Cash Equivalents	7,362	--	--	7,362	375
Imprest Cash Funds	14	35	--	49	8
Restricted Cash and Investments with Trustee	41,091 (1)	--	--	41,091	5
Restricted Pooled Cash/Investments	1,613	10,129	--	11,742	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	91,284	--	91,284	--
Total Cash and Cash Equivalents	$ 265,930	$ 493,821	$ 100	$ 759,851	$ 237,663

Schedule of Noncash Investing, Capital, and Financing Activities:
- The Internal Service Funds gained $248 on disposition of capital assets.
- Airport had a $23 loss on disposition of capital assets.
- Waste Management gained $11 on disposition of capital assets.
- The Internal Service Funds' acquisition of capital assets with accounts payable is $1,532.
- Airport's acquisition of capital assets with accounts payable is $14,759.
- Airport's acquisition of capital assets with retainage payable is $45.
- Waste Management's acquisition of capital assets with accounts payable is $2,414.

(1) Does not include $12,824 from Airport's nonliquid Restricted Cash and Investments with Trustee.

(Dollar Amounts in Thousands)

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	$ 62,928	$ 5,241,317	$ 297	$ 352,816
Cash/Cash Equivalents	--	--	--	206
Restricted Cash and Investments				
Restricted Investments with Trustee				
Money Market Mutual Funds	4,653	--	109,503	38,313
Mutual Bond Funds	--	--	6,377	--
Stable Value Fund	--	--	15,499	--
Restricted Cash with OCERS	--	--	268,394	--
Total Restricted Cash and Investments	4,653	--	399,773	38,313
Investments	--	--	--	1,082
Deposits In-Lieu of Cash	--	--	--	54,565
Receivables				
Accounts	--	--	--	475
Taxes	--	--	--	302,964
Interest/Dividends	155	15,706	14	12,145
Allowance for Uncollectible Receivables	--	--	--	(179,589)
Due from Other Governmental Agencies	1	--	1,477	3,181
Land and Improvements Held for Resale	133	--	--	--
Notes Receivable	--	--	--	29,431
Total Assets	67,870	5,257,023	401,561	615,589
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	333	--	--	--
Total Deferred Outflows of Resources	333	--	--	--
LIABILITIES				
Bonds Payable	26,238	--	--	--
Interest Payable	339	--	--	9,907
Deposits from Others	--	--	--	18,457
Monies Held for Others	--	--	--	203,981
Due to Other Governmental Agencies	7	115	2	66,011
Unapportioned Taxes	--	--	--	317,233
Total Liabilities	26,584	115	2	615,589
DEFERRED INFLOWS OF RESOURCES				
Deferred Charge on Refunding	114	--	--	--
Total Deferred Inflows of Resources	114	--	--	--
NET POSITION				
Restricted for Pension Benefits and Other Purposes	41,505	5,256,908	401,559	--
Total Net Position	$ 41,505	$ 5,256,908	$ 401,559	$ --

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, 2017

	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	$ --	$ --	$ 64,006
Employee	--	--	3,687
Contributions to Pooled Investments	--	9,048,148	--
Contributions to Private-Purpose Trust	72,203	--	--
Intergovernmental Revenues	5,137	--	--
Other Revenues	628	--	--
Interest and Investment Income	609	23,135	40,148
Less: Investment Expense	(5)	(2,814)	(603)
Total Additions	78,572	9,068,469	107,238
Deductions:			
Benefits Paid to Participants	--	--	37,722
Distributions from Pooled Investments	--	8,384,013	--
Distributions from Private-Purpose Trust	65,213	--	--
Professional Services	112	--	47
Tax Pass-Throughs	23	--	--
Interest Expense	931	--	--
Total Deductions	66,279	8,384,013	37,769
Change in Net Position:			
Private-Purpose Trust	12,293	--	--
External Investment Pool	--	684,456	--
Employees' Pension and Other Post-Employment Benefits	--	--	69,469
Net Position, Beginning of Year	29,212	4,572,452	332,090
Net Position, End of Year	$ 41,505	$ 5,256,908	$ 401,559

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

ORANGE COUNTY AUDITOR-CONTROLLER
CALIFORNIA

OC AUDITOR-CONTROLLER

TAXPAYER WATCHDOG

ORANGE COUNTY AUDITOR-CONTROLLER

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 financial information for both 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*," Statement No. 61*, "The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34,"* and Statement No. 80, *"Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14,"* 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.

Capital Facilities Development Corporation The Corporation has its own three member governing body appointed by the County's governing body. The purpose of the Corporation is to facilitate financings,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Capital Facilities Development Corporation (Continued)

acquisitions of property, and other financial and property related transactions, by or for the benefit of the County, including but not limited to purchasing property from or for the benefit of, borrowing or loaning money and selling or leasing property to, and otherwise participating in financial and leasing transactions with the County.

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 purchases, 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 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 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

County of Orange Redevelopment Successor Agency (Successor Agency) The Successor Agency was established when the Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with ABX1 26 and Health and Safety Code 34172. 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: www.ac.ocgov.com.

Discretely Presented Component Units

Children and Families Commission of Orange County (CFCOC) The CFCOC 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. It is funded by additional State taxes on tobacco products and approved by California voters via Proposition 10 in November 1998. The CFCOC 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 CFCOC, the appointed CFCOC 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: www.ac.ocgov.com.

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 (CalOptima) The Board established CalOptima in 1993. The governing board of CalOptima is comprised of nine voting 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 include Medi-Cal, OneCare (HMO SNP), OneCare Connect Cal MediConnect Plan, 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 or can be accessed via the website http://wpso.dmhc.ca.gov/fe/search/.

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, CFCOC 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, 2017, the County's governmental activities reported restricted net position of $1,516,853 and is restricted for pension benefits related to the Orange County Retirement System (OCERS) Investment Account, capital projects, debt service, legally segregated funds restricted for grants and other purposes, and regional park endowment. Restricted Net Position for business-type activities amounted to $78,179 and is restricted for the use of Airport and Waste Management activities, including debt service, passenger facility charges (PFC), capital projects replacements and renewals, landfill closure/postclosure, and landfill corrective action. At June 30, 2017, the County reported $2,775 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 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*" (GASB Statement No. 65), sets forth minimum criteria (specified minimum percentages of the assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, 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.

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, charges for services revenue, 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, use of money and property, and charges for services.

Mental Health Services Act This fund accounts for the County's mental health programs for children, transition age youth, adults, older adults and families pursuant to the State of California Mental Health Services Act. Revenues consist primarily from a one percent income tax on personal income in excess of one million dollars.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

Internal Service Funds The County reports nine Internal Service Fund types. These proprietary funds are used to report activities that provide goods or services to other funds of the County. These funds account for fleet services, publishing services, and risk management services (including claims for workers' compensation, property damage, Information & Technology, Insurance and various health programs) provided to other County departments or agencies, or other governmental entities. The Internal Service Funds receive revenues on a cost-reimbursement basis.

Fiduciary Fund Types The County has a total of 366 individual trust and agency funds for FY 2016-17. 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, pension trust or Other Post-Employment Benefits (OPEB) 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. Also included are the County accounts for the former redevelopment agency as a fiduciary component unit for the 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, and includes debt reserves for school and community college districts.

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 OPEB 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 post-employment benefit plans.

Agency Funds These funds are custodial in nature and do not report operating results. These funds are used to account for assets held by the County as an agent for various local governments and individuals, such as unapportioned taxes for other local government agencies, monies collected for the Redevelopment Property Tax Trust funds, civil filing fees, and special assessment districts debt service funds. Accordingly, assets reported in the statements 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Government-Wide Financial Statements (Continued)

and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources and all liabilities, deferred inflows of resources, 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 (e.g., 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.

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 received. As of June 30, 2017,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

the County reported $141,065 of deferred inflows of resources and $65,906 of unearned revenue received 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

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) and will not include the carried forward prior year encumbrances. However, the original and final budget amounts presented in the financial statements may differ due to the inclusion of the carried forward prior year encumbrances.

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, Capital Facilities Development Corporation, 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:

- *Flood Control District*
- *Other Public Protection*
- *Mental Health Services Act*

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 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"* (GASB Statement No. 31), all investment income, including changes in fair value (gains/losses) of investments, are recognized as investment income.
- 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 normally recorded when earned. For GAAP basis, in accordance with GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" (GASB Statement No. 33), and GASB Statement No. 65, all nonexchange transactions,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

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. 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 do not 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 intrafund 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.
- The General Fund revenue adjustment was recorded due to the overbilling to Waste Management for the Republic Services and LA Sanitation District importation proceeds.
- The OC Animal Care Center uses cash basis to record money it receives from invoicing due to the low collection rate. Per GAAP, the receivables and the amount of the allowance for the doubtful accounts should be recorded.

(Dollar Amounts in Thousands)

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:

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act
Actual Revenues and Other Financing Sources from the Budgetary Comparison Statements	$ 3,192,748	$ 139,014	$ 83,652	$ 154,214
Differences-budget to GAAP:				
Change in unrealized loss on investment	(2,558)	(2,057)	(750)	(1,138)
Adjustment to report redirected investment income as transfers	--	--	13	--
Adjustment of revenue accruals for 60 day recognition period	(3,122)	14,752	3	--
Adjustment to record Public-Purpose Trust Fund monies as revenue in benefitting fund	(4,433)	84	--	--
Adjustment to eliminate intrafund transfers	(3,877)	--	(3,964)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(13,937)	(440)	--	--
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	16	--	--	--
Revenues and Other Financing sources for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	120	--
Recognition of outstanding invoices for OC Animal Care Center	84	--	--	--
Adjustment of imported waste revenues overpaid to the General Fund	2,976	--	--	--
Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	$ 3,167,897	$ 151,353	$ 79,074	$ 153,076
Actual Expenditures and Other Financing Uses from the Budgetary Comparison Statements	$ 3,159,007	$ 137,307	$ 80,189	$ 138,075
Differences-budget to GAAP:				
Adjustment to report redirected investment	--	--	13	--
Adjustment of expenditure accruals for timing differences	555	7,602	(173)	--
Adjustment to eliminate intrafund transfers	(3,877)	--	(3,964)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(13,937)	(440)	--	--
Expenditures and Other Financing Uses for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	5,522	--
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	3,879	--	--	--
Reclassification of loan repayment from General Fund to Waste Management	(784)	--	--	--
Total Expenditures and Other Financing Uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$ 3,144,843	$ 144,469	$ 81,587	$ 138,075

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 or approved by the Board for appropriation in FY 2016-17, 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:

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	$ 838	$ 346	$ 317	$ --	$ --	$ 1,501
Prepaid costs	367,934	4,877	1,228	--	14,733	388,772
Endowment	--	--	--	--	196	196
Long-Term Advances to Other Funds	3,800	--	--	--	--	3,800
Total Nonspendable Fund Balance	372,572	5,223	1,545	--	14,929	394,269
Restricted for:						
Court Operations	5,874	--	--	--	--	5,874
Tobacco and CHIP Programs	152	--	--	--	--	152
Public Safety Realignment	32,367	--	--	--	--	32,367
Registrar of Voters	1,188	--	--	--	--	1,188
Flood Control District	--	209,629	--	--	--	209,629
Flood Control District - Construction & Maintenance	--	22,651	--	--	--	22,651
Flood Control District - Project Management	--	26,182	--	--	--	26,182
Flood Control District Capital Projects	--	141,638	--	--	--	141,638
Flood Control District Capital Projects Management	--	33,145	--	--	--	33,145
Santa Ana River Projects	--	84	--	--	--	84
Building & Safety Operating Reserve	--	--	14,645	--	--	14,645
Child Support Program Development	--	--	13,407	--	--	13,407
Clerk Recorder Special Revenue	--	--	16,559	--	--	16,559
Sheriff-Coroner Replacement & Maintenance	--	--	12,523	--	--	12,523
CAL-ID System Costs	--	--	29,131	--	--	29,131
Jail Commissary	--	--	4,663	--	--	4,663
Inmate Welfare	--	--	8,421	--	--	8,421
Prop 64 - Consumer Protection	--	--	6,662	--	--	6,662
Regional Narcotics Suppression Program	--	--	10,198	--	--	10,198
Other Public Safety Programs	--	--	24,029	--	--	24,029
Mental Health Services Adults/Children	--	--	--	19,863	--	19,863
Mental Health Services General	--	--	--	237,096	--	237,096
OC Dana Point Harbor Projects	--	--	--	--	67,355	67,355
Community and Welfare Services	--	--	--	--	56,318	56,318
Low and Moderate Income Housing Program	--	--	--	--	31,541	31,541
Health Care Programs	--	--	--	--	21,867	21,867
Civic Center Parking/Maintenance	--	--	--	--	4,545	4,545
Roads	--	--	--	--	70,759	70,759
Public Libraries	--	--	--	--	38,480	38,480
Bankruptcy Recovery	--	--	--	--	17,130	17,130
OC Parks	--	--	--	--	49,012	49,012
OC Parks - Capital Projects	--	--	--	--	32,388	32,388
County Tidelands - Newport Bay	--	--	--	--	5,715	5,715
Service Areas, Lighting, Maintenance and Assessment Districts	--	--	--	--	78,087	78,087
Other Environmental Management	--	--	--	--	2,732	2,732
Tobacco Settlement Programs	--	--	--	--	11,437	11,437
Housing Programs	--	--	--	--	16,805	16,805
Technological and Capital Acquisitions/Improvements	--	--	--	--	1,368	1,368
Endowment	--	--	--	--	145	145
OC Public Facilities Corporation Bonds, Master Lease	--	--	--	--	2,943	2,943
Pension Obligation Bonds	--	--	--	--	61,460	61,460
South OC Public Financing Authority	--	--	--	--	23,287	23,287
Orange County Public Financing Authority	--	--	--	--	7,465	7,465
Teeter Note	--	--	--	--	18,471	18,471
Capital Projects:						
Criminal Justice Facilities Improvement	--	--	--	--	12,563	12,563
Capital Facilities Development Corporation Construction	--	--	--	--	151,471	151,471
Capital Facilities Development Corporation	--	--	--	--	21,538	21,538
Total Restricted Fund Balance	$ 39,581	$ 433,329	$ 140,238	$ 256,959	$ 804,882	$ 1,674,989

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
Assigned to:						
General Services:						
General Services - Operations	$ 127,959	$ --	$ --	$ --	$ --	$ 127,959
Maintenance and Construction	11,600	--	--	--	--	11,600
Imprest Cash	1,834	--	--	--	--	1,834
Public Safety	18,804	--	--	--	--	18,804
Public Works	2,266	--	--	--	--	2,266
Watershed Programs	1,243	--	--	--	--	1,243
Social Services Programs	5,660	--	--	--	--	5,660
Tax Loss Reserve	46,653	--	--	--	--	46,653
Health Care Programs	1,314	--	--	--	12,083	13,397
Teeter Note	--	--	--	--	53,316	53,316
Capital Projects:						
Property Tax Software Development	5,076	--	--	--	--	5,076
Criminal Justice Facilities	6,645	--	--	--	--	6,645
Central Utilities Facility Replacement	1,239	--	--	--	--	1,239
Election System Upgrade	20,000	--	--	--	--	20,000
Sheriff Closed Circuit TV	2,000	--	--	--	--	2,000
Miscellaneous Capital Projects	13,000	--	--	--	--	13,000
800MHz County-Wide Coordinated Communications System	--	--	1,514	--	--	1,514
Countywide Projects	--	--	--	--	46,566	46,566
Parking Facilities	--	--	--	--	746	746
OC Parks	--	--	--	--	12,083	12,083
Air Quality Improvement	--	--	--	--	3,827	3,827
Community and Welfare Services	--	--	--	--	26,015	26,015
Orange County Public Financing Authority	--	--	--	--	14,322	14,322
Total Assigned Fund Balance	265,293	--	1,514	--	168,958	435,765
Unassigned	73,446	--	--	--	--	73,446
Total Unassigned Fund Balance	73,446	--	--	--	--	73,446
Total Fund Balances	$ 750,892	$ 438,552	$ 143,297	$ 256,959	$ 988,769	$ 2,578,469

Annually, the Board adopts a five-year Strategic Financial Plan (SFP). The County of Orange 2017 SFP 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 2016-17, the proceeds of $375,540 was for short-term Taxable Pension Obligation Bonds to prepay its FY 2017-18 pension contribution at a discount. Of this amount $367,590 is the prepaid costs for General Fund and is Nonspendable. Refer to Note 9, Short-Term Obligations, and Note 17, 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 benefitting from economies of scale through pooled investment activities. In addition, the County maintains the Airport Investment Fund and other non-pooled specific investments.

The County has stated required investments at fair value in the accompanying financial statements, using the fair value measurement within the fair value hierarchy established by GAAP.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Deposits and Investments (Continued)

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 money market mutual funds, investment agreements, repurchase agreements, and U.S. Government securities. Short-term 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.

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) actual administrative cost of such investing, depositing or handling of funds. 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. Refer to Note 3, Deposits and Investments for additional information.

The investments in the Retiree Medical Defined Benefit Trust are managed by OCERS and are reported at fair value. Refer to Note 17, Retirement Plans, to obtain OCERS stand-alone annual financial statements.

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 $388,772, which primarily consist of $388,427 for the County's FY 2017-18 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 and GASB Statement No. 71. Refer to Note 17, Retirement Plans for additional information.

I. Land and Improvements Held for Resale

These assets, held by the 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 acquisition value at the date of the donation. Capital assets with an

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets (Continued)

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:	
Software	$5
All Other	$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, intangibles, and infrastructure are as follows:

Land Improvements	10 to 20 years
Structures and Improvements	10 to 60 years
Equipment	2 to 20 years
Intangibles:	
Computer Software	2 to 15 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 government-wide Statement of Net Position reports a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period(s) and

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

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 outflows of resources related to pension. 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 deferral 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 pension also include employer contributions made after the measurement date and a portion of the County's prepaid retirement contribution.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, which 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. They are the deferred inflows of resources related to unavailable revenues and deferred inflows of resources related to pension. 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 amounts become available. The SB90 deferred inflows of resources amount of $24,637 is net of an allowance for the estimated uncollectible of $10,236.

The table below details out all deferred outflows/inflows of resources related to pension. Please refer to Note 17, 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	$ 324,534	$ 3,278	$ 4,079	$ 331,891
Changes of Assumptions	69,889	712	881	71,482
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	16,265	144	183	16,592
Deferred Outflows of Resources Related to Pension - Employer Contributions after Measurement Date	214,565	1,784	2,328	218,677
Deferred Outflows of Resources Related to Prepaid Contribution	196,040	1,754	2,108	199,902
Total Deferred Outflows of Resources Related to Pension	**$ 821,293**	**$ 7,672**	**$ 9,579**	**$ 838,544**
Deferred Inflows of Resources Related to Pension per Actuarial Studies				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 17	$ --	$ --	$ 17
Difference Between Expected and Actual Experience	432,439	3,993	5,062	441,494
Changes of Assumptions	114,088	1,163	1,438	116,689
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	122	1	1	124
Total Deferred Inflows of Resources Related to Pension	**$ 546,666**	**$ 5,157**	**$ 6,501**	**$ 558,324**

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 15, Self-Insurance.

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 County collects property taxes on behalf of all property tax-receiving agencies in Orange County. Property tax-receiving agencies include the school districts, cities, independently governed special districts not governed by the Board, special districts governed by the Board, redevelopment successor agencies, and the County General Fund.

Property taxes receivables are recorded as of the date levied in property tax unapportioned funds, which are 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 tax-receiving 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, 2017 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 records an allowance 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, 2017, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.87% 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 31.	2922

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Property Taxes (Continued)

	California Revenue & Taxation Code Section
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
Declaration of default for unpaid taxes occurs July 1.	3436
Power to sell is effective five years after tax default.	3691

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 for the retirement plans through OCERS is based on the December 31, 2016 measurement date for the County reporting as of June 30, 2017. The actuarial valuation for the Extra-Help Defined Benefit Plan is based on the June 30, 2017 measurement date for the County reporting as of June 30, 2017.

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 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, 2017, the County's net pension liability from OCERS was measured as of December 31, 2016, and the total pension liability (TPL) used to calculate the net pension liability was determined by rolling forward the December 31, 2015 valuation to December 31, 2016. The County's net pension liability from Extra-Help Defined Benefit Plan was measured as of June 30, 2017; the plan's TPL was calculated using the data and assets as of July 1, 2015, rolled forward to June 30, 2017 using actual benefit payments for FY 2015-16 and FY 2016-17.

P. Statement of Cash Flows

A Statement of Cash Flows is presented for proprietary fund types. The County's cash and cash equivalents for cash flow reporting purposes are considered to be cash on hand, demand deposits, unrestricted and restricted investments held in the County Treasury's investment pooled funds and outside trustees.

Q. Indirect Costs

County indirect costs are allocated to benefitting departments in the "Indirect Expenses Allocation" column of the government-wide Statement of Activities. Allocated costs are from the County's FY 2016-17 County-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Indirect Costs (Continued)

Wide Cost Allocation Plan (CWCAP), which was prepared in accordance with the Code of Federal Regulation, Title 2, Part 200. For Financial Statement purposes, the County has elected to allocate indirect costs to budget controls within the General Fund in order to match the reimbursement of indirect costs recorded as program revenues to the same function where the related expense is recorded.

R. Effects of New Pronouncements

The following lists recent GASB pronouncements implemented or are effective in FY 2016-17:

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 reporting periods beginning after December 15, 2015, which requires the County to implement this statement in FY 2016-17. The statement was implemented. The effect was immaterial to the County's financial statements. Therefore, no note disclosures are presented as a result of this GASB statement.

In December 2015, GASB issued Statement No. 78, "*Pensions Provided through Certain Multiple- Employer Defined Benefit Pension Plans*." This statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this statement are effective for reporting periods beginning after December 15, 2015, which requires the County to implement this statement in FY 2016-17.The statement was implemented without an impact to the County.

In January 2016, GASB issued Statement No. 80, "*Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14.*" This statement amends the blending requirements established in paragraph 53 of Statement No. 14, "*The Financial Reporting Entity*," as amended. This statement amends the blending requirements for the financial statement presentation of component units of all state and local government. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, which requires the County to implement this statement in FY 2016-17. The statement was implemented without an impact to the County.

In March 2016, GASB issued Statement No. 82, "*Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.*" This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, which requires the County to implement this statement in FY 2016-17. The statement was implemented with an impact to the County. Refer to the Required Supplementary Information for additional information.

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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Effects of New Pronouncements (Continued)

In June 2015, GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*" 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 Plans*." 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 No. 43, and Statement No. 50, "*Pension Disclosures*." The provisions of this statement are effective for reporting periods beginning after June 15, 2016. The County's OPEB plans are calendar year based; therefore, it requires the County to implement this statement in FY 2017-18. 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 June 2015, GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". 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 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 reporting periods beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18.

In March 2016, GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements*." This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this statement are effective for reporting periods beginning after December 15, 2016, which requires the County to implement this statement in FY 2017-18.

In November 2016, GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*." This statement requires the recognition of a liability and a corresponding deferred outflows of resources associated with an asset retirement obligation based on the criteria and the measurement established in the statement. This statement also requires disclosure of required information about the asset retirement obligations. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, which requires the County to implement this statement in FY 2018-19.

In January 2017, GASB issued Statement No. 84, "*Fiduciary Activities*." This statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement also describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this statement are effective for reporting periods beginning after December 15, 2018, which requires the County to implement this statement in FY 2019-20.

In March 2017, GASB issued Statement No. 85, "*Omnibus 2017*." This statement addresses issues that have been identified during implementation and application of certain GASB Statements. The topics include issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits and more. The requirements of this statement are effective for reporting periods

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Effects of New Pronouncements (Continued)

beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18.

In May 2017, GASB issued Statement No. 86, "*Certain Debt Extinguishment Issues*." This statement establishes disclosure requirements of in-substance defeasance of debt using only existing resources and prepaid insurance related to extinguished debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18.

In June 2017, GASB issued Statement No. 87, "*Leases*." This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflows of resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which requires the County to implement this statement in FY 2020-21.

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 Funds 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; Land Use Rights; Construction in Progress; and Intangible in Progress
Capital Assets – Depreciable/Amortizable (Net)	Structures and Improvements and Accumulated Depreciation; Equipment and Accumulated Depreciation; Infrastructure and Accumulated Depreciation; and Intangible Software and Accumulated Amortization; Land Improvements and Accumulated Depreciation

2. DEFICIT FUND EQUITY

The Workers' Compensation Internal Service Fund (ISF) reported a deficit net position balance of $76,699. The deficit results 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

2. DEFICIT FUND EQUITY (Continued)

expenses, and a discount for anticipated investment income. The deficit decreased by $16,752 from the previous fiscal year primarily due to a decrease in case reserves. Charges to County departments have not provided sufficient cash flows to entirely fund the deficit in the Workers' Compensation ISF. The County will continue to review charges to departments and manage the funding status of the Workers' Compensation 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 Successor Agency private-purpose trust fund reported a deficit net position of $12,467. The deficit for the Successor Agency decreased by $4,771 from the previous fiscal year primarily due to an increase in intergovernmental revenues as a result of the termination of the Bankruptcy Recovery Contribution transfer to the General Fund.

3. 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 OCIP and an 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 Fund (JWA Fund) and other separately managed investments. The County's Investment Pools are not registered with the Securities and Exchange Commission (SEC) as an investment company, and therefore are exempt from SEC rules.

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 March 6, 2017, Standard & Poor's (S&P) reaffirmed its highest rating of AAAm Principal Stability Fund Rating (AAAm) on the OCMMF and the OCEMMF. The Treasurer will act on a "best efforts" basis to stabilize the Net Asset Value (NAV) of OCMMF and OCEMMF within a range of $0.995 (in absolute dollar amounts) and $1.005 (in absolute dollar amounts). The pooled funds do not have any legally binding guarantees of share values.

The maximum maturity of investments for the two short-term pools is 13 months with a maximum weighted average maturity (WAM) of 60 days. The maximum maturity of the long-term pool is five years per CGC. The IPS provides that all pools, except short-term pools, shall have an effective 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.

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits and investments with the Treasurer totaled $9,043,263 as of June 30, 2017, consisting of $4,022,195 for the OCIP, $4,867,136 for the OCEIP, and $153,932 for Specific Investments.

Total County deposits and investments at fair value as of June 30, 2017, are reported as follows:

Deposits:		
Imprest Cash	$	1,901
Deposits for OCIP with Treasurer		16,344
Deposits for OCEIP with Treasurer		47,522
Deposits with Trustees		47,511
All other Deposits and Timing Differences		(141,839)
Total Deposits and Timing Differences		(28,561)
Investments:		
Investments for OCIP with Treasurer		4,005,851
Investments for OCEIP with Treasurer		4,819,614
Specific Investments with Treasurer		153,932
Restricted Investments With Trustees		531,908
With External OCERS		268,394
Total Investments		9,779,699
Total Deposits and Investments	$	9,751,138

Total County deposits and investments are reported in the following funds:

Governmental Funds	$	2,552,666
Proprietary Funds		1,049,638
Fiduciary Funds		6,101,385
Component Unit - CFCOC		47,449
Total Deposits and Investments	$	9,751,138

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 Corporation (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 separately 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.

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The CGC Sections 53601 and 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, 2017, the Treasurer was in full compliance with the more restrictive IPS for the OCIP, OCEIP, and JWA Fund.

The following table provides a summary listing of the authorized investments as of June 30, 2017.

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Funds)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% total, no more than 50% in one issuer excluding securities with final maturities of 30 days or less	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	3 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	3 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

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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 and all related entities, including parent and subsidiaries, 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; 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 (in absolute dollar amounts) or greater than $1.005 (in absolute dollar amounts), portfolio holdings may be sold as necessary to maintain the ratio between $0.995 (in absolute dollar amounts) and $1.005 (in absolute dollar amounts).

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 County Treasurer. The OCEIP consists entirely of public school and community college districts’ funds and therefore includes 100% involuntary participants. At June 30, 2017, the OCIP includes approximately 10.8% of involuntary participant deposits including funds for the Superior Court, certain assessment districts, and certain bond related funds for public school districts.

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures

The following table presents a summary of the County's investments, the credit quality distribution, and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2017.

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	$ 38,142	$ 38,154	0.77 - 0.85%	07/03/17 - 08/02/17	0.040	P-1	0.95%
FNMA Bonds	400,868	402,667	0.88 - 1.52%	08/28/17 - 02/28/20	1.550	AA	10.01%
FFCB Discount Notes	92,392	93,000	0.60 - 1.11%	07/25/17 - 03/12/18	0.572	P-1	2.30%
FFCB Bonds	280,757	281,312	0.51 - 1.59%	08/28/17 - 06/15/20	1.302	AA	7.01%
FHLB Discount Notes	584,168	584,650	0.79 - 1.04%	07/05/17 - 09/12/17	0.088	P-1	14.58%
FHLB Bonds	608,814	610,202	0.72 - 1.59%	08/28/17 - 06/12/20	1.390	AA	15.20%
FHLMC Discount Notes	27,205	27,250	0.81 - 0.99%	07/13/17 - 10/20/17	0.164	P-1	0.68%
FHLMC Bonds	524,333	525,616	0.70 - 1.55%	07/28/17 - 01/17/20	1.155	AA	13.09%
Negotiable Certificates of Deposit							
Certificates of Deposit	62,770	62,689	1.69 - 1.72%	07/30/18 - 03/29/19	1.289	A	1.57%
Certificates of Deposit	36,428	36,373	1.36 - 1.75%	10/18/17 - 09/10/18	1.158	AA	0.91%
Medium-Term Corporate Notes							
Corporate Notes	48,295	47,765	1.10 - 1.35%	02/09/18 - 08/15/18	0.155	A	1.21%
Corporate Notes	247,629	246,404	1.05 - 1.76%	02/15/18 - 02/12/20	2.663	AA	6.18%
Corporate Notes	79,106	78,620	0.82 - 1.49%	08/15/17 - 03/01/19	0.801	AAA	1.97%
Municipal Debt	183,339	183,925	0.98 - 1.48%	08/01/17 - 06/29/18	0.663	NR	4.58%
U.S. Treasuries	609,619	609,845	0.63 - 1.38%	07/31/17 - 07/31/19	1.274		15.22%
Money Market Mutual Funds	181,788	181,788	0.85 - 0.93%	07/03/17	0.000	AAA	4.54%
Local Agency Investment Fund (LAIF)	198	198	0.98%	07/03/17	0.000	NR	0.00%
	$ 4,005,851	**$ 4,010,458**			**1.004** (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	$ 54,979	$ 55,000	0.77 - 0.85%	07/03/17 - 08/02/17	0.046	P-1	1.14%
FNMA Bonds	416,531	418,387	0.69 - 1.52%	08/28/17 - 02/28/20	1.555	AA	8.64%
FFCB Discount	59,666	60,000	0.60 - 1.07%	07/25/17 - 03/07/18	0.491	P-1	1.25%
FFCB Bonds	328,412	328,948	0.71 - 1.59%	07/03/17 - 06/15/20	1.174	AA	6.82%
FHLB Discount Notes	826,299	827,300	0.83 - 1.04%	07/05/17 - 12/28/17	0.124	P-1	17.14%
FHLB Bonds	630,490	631,933	0.72 - 1.59%	08/07/17 - 06/12/20	1.396	AA	13.08%
FHLMC Discount Notes	72,970	73,025	0.81 - 0.99%	07/12/17 - 10/11/17	0.080	P-1	1.52%
FHLMC Bonds	558,616	560,018	0.70 - 1.55%	07/14/17 - 01/17/20	1.142	AA	11.59%
Negotiable Certificates of Deposit							
Certificates of Deposit	65,395	65,311	1.69 - 1.72%	07/30/18 - 03/29/19	1.289	A	1.36%
Certificates of Deposit	36,284	36,227	1.69 - 1.75%	09/10/18	1.197	AA	0.75%
Medium-Term Corporate Notes							
Corporate Notes	45,232	44,548	0.74 - 1.37%	07/12/17 - 08/15/18	0.140	A	0.94%
Corporate Notes	284,241	282,347	1.05 - 1.76%	02/15/18 - 02/12/20	2.609	AA	5.90%
Corporate Notes	87,407	86,851	0.82 - 1.74%	08/15/17 - 11/21/17	0.756	AAA	1.81%
Municipal Debt	191,005	191,615	0.98 - 1.48%	08/01/17 - 06/29/18	0.663	NR	3.96%
U.S. Treasuries	913,940	914,300	0.72 - 1.38%	07/31/17 - 07/31/19	0.925		18.96%
Money Market Mutual Funds	247,941	247,941	0.85 - 0.93%	07/03/17	0.000	AAA	5.14%
Local Agency Investment Fund (LAIF)	206	206	0.98%	07/03/17	0.000	NR	0.00%
	$ 4,819,614	**$ 4,823,957**			**0.890** (4)		**100.00%**

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (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	$ 1,798	$ 1,800	1.01%	08/07/17	0.104	P-1	1.17%
FNMA Bonds	18,180	18,195	0.67 - 2.06%	08/28/17 - 01/05/22	2.456	AA	11.81%
FFCB Discount	2,970	3,000	1.14 - 1.21%	03/08/18 - 05/24/18	0.828	P-1	1.93%
FFCB Bonds	5,497	5,500	0.91 - 1.08%	07/03/17 - 06/22/18	0.671	AA	3.57%
FHLB Discount Notes	15,341	15,365	0.61 - 1.08%	07/07/17 - 11/10/17	0.156	P-1	9.97%
FHLB Bonds	13,539	13,500	0.80 - 1.78%	07/27/17 - 07/29/20	1.371	AA	8.79%
FHLMC Discount Notes	3,991	4,000	0.85 - 1.03%	08/02/17 - 11/02/17	0.216	P-1	2.59%
FHLMC Bonds	3,491	3,500	0.94%	01/12/18	0.537	AA	2.27%
U.S. Treasuries	16,451	16,499	0.70 - 1.16%	07/31/17 - 01/13/21	0.946		10.69%
U.S. Treasuries - SLGS	67,557	67,557	0.76%	09/11/17	0.821		43.89%
Repurchase Agreements	1,082	1,082	6.20%	08/15/19	2.126	AA	0.70%
Money Market Mutual Funds	4,035	4,035	0.01 - 0.04%	07/03/17	0.000	AAA	2.62%
	$ 153,932	**$ 154,033**			**0.689** (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	$ 61,388	$ 28,132	0.00%	09/01/21	1.620	NR	11.54%
FHLMC Bond	18,450	18,450	0.88 - 4.88%	06/13/18 - 07/19/19	0.180	AA	3.47%
FNMA Bond	16,673	16,673	1.13 - 1.88%	09/18/18 - 02/19/19	0.150	AA	3.13%
FHLB Bond	16,467	16,467	0.88 - 1.38%	03/19/18 - 03/18/19	0.160	AA	3.10%
FHLMC Discount Notes	18,603	18,603	1.13%	04/15/19	0.210	AA	3.50%
FFCB Bond	26,575	26,575	0.75 - 1.63%	04/18/18 - 06/14/19	0.270	AA	5.00%
U.S. Treasuries	90,952	90,854	Variable	07/20/17 - 11/30/20	1.100		17.10%
U.S. Treasury Strips	69	10	0.00%	11/15/18	1.380		0.01%
Money Market Mutual Funds	248,292	248,292	Variable	07/03/17	0.000	AAA	46.68%
Bond Mutual Funds	6,377	6,377	0.79% - 7.35%	07/03/17	0.000	NR	1.20%
Mutual Funds	12,563	12,563	Variable	07/03/17	0.000	NR	2.36%
Stable Value Fund	15,499	15,499	Variable	07/03/17	0.000	NR	2.91%
	$ 531,908	**$ 498,495**			**0.380** (4)		**100.00%**
With External OCERS							
Restricted Investments (3)	**$ 268,394**						

(1) The County obtains credit ratings from S&P, Moody's, and Fitch. Credit Rating P-1 is from Moody's. The ratings indicative of the greatest degree of risk have been disclosed. NR means not rated. The ratings for U.S. Treasuries are not disclosed. The County is not required to disclose the credit ratings of obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.
(2) Legend:
FNMA-Federal National Mortgage Association
FFCB-Federal Farm Credit Bank
FHLB-Federal Home Loan Bank
FHLMC-Federal Home Loan Mortgage Corporation
SLGS-State and Local Government Series Certificate of Indebtedness
(3) The Retiree Medical Trust Reports $268,394 of restricted investments with OCERS. Refer to Note 18. 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

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

The County categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices based on quoted identical assets in an active market.
- Level 2: Investments reflect prices that are based on identical or similar assets in inactive markets or similar assets in active markets. Inputs other than quotes are observable.
- Level 3: Investments reflect prices based on significant unobservable inputs.

Fair value measurement is based on pricing received from the County's third party vendors. Investments in money market mutual funds, the Local Agency Investment Fund (LAIF), and the U.S. Treasuries - State and Local Government Series (SLGS) Certificate of Indebtedness are priced using amortized cost which approximates fair value, with a net asset value of $1.00 (in absolute dollar amounts) per share, and per GASB Statement No. 72 not subject to the fair value hierarchy. Additionally, guaranteed investment contracts are not subject to the fair value hierarchy.

The County uses the market approach method as a valuation technique in the application of GASB Statement No. 72. This method uses prices and other relevant information generated by market transactions involving identical or similar assets or groups of assets.

The following table presents a summary of the County's investments according to the assigned fair value hierarchy level as of June 30, 2017.

		Fair Value Measurement		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
OCIP				
U.S. Government Agencies	$ 2,556,679	$ --	$ 2,556,679	$ --
Negotiable Certificates of Deposit	99,198	--	99,198	--
Medium-Term Corporate Notes	375,030	--	375,030	--
Municipal Debt	183,339	--	183,339	--
U.S. Treasuries	609,619	--	609,619	--
Sub-total	3,823,865	--	3,823,865	--
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	181,788			
Local Agency Investment Fund (LAIF)	198			
Total	**$ 4,005,851**			
OCEIP				
U.S. Government Agencies	$ 2,947,963	$ --	$ 2,947,963	$ --
Negotiable Certificates of Deposit	101,679	--	101,679	--
Medium-Term Corporate Notes	416,880	--	416,880	--
Municipal Debt	191,005	--	191,005	--
U.S. Treasuries	913,940	--	913,940	--
Sub-total	4,571,467	--	4,571,467	--
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	247,941			
Local Agency Investment Fund (LAIF)	206			
Total	**$ 4,819,614**			

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

	Total	Fair Value Measurement: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurement: Significant Other Observable Inputs (Level 2)	Fair Value Measurement: Significant Unobservable Inputs (Level 3)
Specific Investments				
U.S. Government Agencies	$ 64,807	$ --	$ 64,807	$ --
U.S. Treasuries	16,451	--	16,451	--
Repurchase Agreements	1,082	--	--	1,082
Sub-total	82,340	--	81,258	1,082
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	4,035			
U.S. Treasuries - SLGS *	67,557			
Total	**$ 153,932**			
With Trustees				
U.S. Government Agencies	$ 158,156	$ --	$ 158,156	$ --
U.S. Treasuries	91,021	358	90,663	--
Bond Mutual Funds	6,377	6,377	--	--
Mutual Funds	12,563	12,563	--	--
Sub-total	268,117	19,298	248,819	--
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	248,292			
Stable Value Fund	15,499			
Total	**$ 531,908**			

* SLGS - State and Local Government Series Certificate of Indebtedness

Investment in County of Orange Taxable Pension Obligation Bonds 2017, Series A

On January 13, 2017, the OCIP and the OCEIP purchased the County issued Taxable Pension Obligation Bonds 2017, Series A (2017 POBs) in the principal amount of $375,540. The 2017 POBs were issued with a fixed coupon rate with maturities from August 2017 to June 2018 and are solely owned by OCIP and OCEIP. The obligation of the County to pay principal and interest on the 2017 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2017, the outstanding principal amount of the 2017 POBs is $375,540. The bonds are not rated by any of the NRSROs. The County's investment in the 2017 POBs is disclosed herein as Municipal Debt. For additional information, refer to Note 9, Short-Term Obligations, and Note 17, Retirement Plans.

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 table in the Investment Disclosures section.

The OCIP of $4,005,851 and the OCEIP of $4,819,614 portfolios at June 30, 2017 have 33% and 42%, respectively, of the investments maturing in six months or less, 67% and 58%, respectively, maturing between six months and three years.

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – Investments (Continued)

As of June 30, 2017, variable-rate notes comprised 0.37% and 0.64% of the OCIP and the OCEIP, respectively. The notes are tied to the Federal Funds rate, the 90-day Treasury Bill rate, the 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 $ 4,225,345 and $4,189,092, respectively, with an annual net yield of 0.81% and 0.82% respectively, for the pools, for the year ended June 30, 2017.

Interest Rate Risk-Weighted Average Maturity (Short-term Pool)
At June 30, 2017, the OCMMF and OCEMMF investments fair values amounted to $1,127,902 and $1,821,325, 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, 2017, the WAM of the OCMMF was 60 days and the OCEMMF was 58 days. At the same date, the NAV of both short-term pools was $1.00 (in absolute dollar amounts).

Interest Rate Risk-Duration (Long-term Pool)
At June 30, 2017, the long-term pool (which includes funds from both the OCIP and the OCEIP) balance was $5,876,238. Of this amount, the OCIP owned 49% and the OCEIP owned 51%. 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 (2.35).

As of June 30, 2017, the long-term pool had the following duration by investment type:

Investment Type		Fair Value	Portfolio %	Duration (In Years)
Negotiable Certificate of Deposits	$	199,277	3.39%	1.25
Local Agency Investment Fund		404	0.01%	0.00
Medium-Term Corporate Notes		584,964	9.95%	1.38
Municipal Debt		374,344	6.37%	0.66
U.S. Government Agencies		3,523,546	59.96%	1.39
U.S. Treasuries		1,193,703	20.31%	1.32
Total Fair Value	$	5,876,238		
Portfolio Duration				1.32

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).

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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 at least two of the following NRSROs: S&P, Moody's, or Fitch. For purchases of short-term debt, the issuer 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) for purchases with remaining maturities less than 397 days, while purchases of long-term debt shall have issuer ratings no less than AA for purchases with remaining maturities longer than 397 days. Municipal debt issued by the County is exempt from the above credit rating requirements. As of June 30, 2017, the County's investments were in compliance with the IPS limits when purchased.

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, 2017, all investments were in compliance with state law and the IPS single issuer limits. See the County's investments table for concentrations of holdings. The following holdings with Treasurer exceeded 5 percent of the portfolio at June 30, 2017.

With Treasurer:

Investment Type	Issuer	Percentage of Portfolio 2017
U.S. Government Agencies	Federal National Mortgage Association	10.36%
U.S. Government Agencies	Federal Farm Credit Bank	8.57%
U.S. Government Agencies	Federal Home Loan Bank	29.83%
U.S. Government Agencies	Federal Home Loan Mortgage Corporation	13.26%
U.S. Treasuries	United States Treasuries	17.90%

Foreign Currency Risk

The IPS requires all securities to be U.S. dollar denominated. The County investments are not exposed to foreign currency risk.

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, 2017:

Entire Pool

Statement of Net Position

	OCIP	OCEIP	Total
Net Position Held for Pool Participants	$ 4,094,194	$ 4,827,922	$ 8,922,116
Equity of Internal Pool Participants	$ 3,679,347	$ --	$ 3,679,347
Equity of External Pool Participants	428,986	4,842,837	5,271,823
Undistributed and Unrealized (Loss)	(14,139)	(14,915)	(29,054)
Total Net Position	$ 4,094,194	$ 4,827,922	$ 8,922,116

Statement of Changes in Net Position

	OCIP	OCEIP	Total
Net Position at July 1, 2016	$ 3,905,974	$ 4,229,524	$ 8,135,498
Net Changes in Investments by Pool Participants	188,220	598,398	786,618
Net Position at June 30, 2017	$ 4,094,194	$ 4,827,922	$ 8,922,116

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Condensed Financial Statements (Continued)

External Pool Portion

Combining Statement of Fiduciary Net Position

	OCIP	OCEIP	Total
Assets			
Pooled Cash/Investments	$ 427,888	$ 4,813,429	$ 5,241,317
Receivables			
Interest/Dividends	1,184	14,522	15,706
Total Assets	429,072	4,827,951	5,257,023
Liabilities			
Due to Other Governmental Agencies	86	29	115
Total Liabilities	86	29	115
Net Position			
Restricted for Pool Participants	428,986	4,827,922	5,256,908
Total Net Position	$ 428,986	$ 4,827,922	$ 5,256,908

Combining Statement of Changes in Fiduciary Net Position

	OCIP	OCEIP	Total
Additions:			
Contributions to Pooled Investments	$ 691,716	$ 8,356,432	$ 9,048,148
Interest and Investment Income	1,108	22,027	23,135
Less: Investment Expense	(166)	(2,648)	(2,814)
Total Additions	692,658	8,375,811	9,068,469
Deductions:			
Distributions from Pooled Investments	606,600	7,777,413	8,384,013
Total Deductions	606,600	7,777,413	8,384,013
Change in Net Position Held in Trust For External Investment Pool	86,058	598,398	684,456
Net Position, Beginning of Year	342,928	4,229,524	4,572,452
Net Position, End of Year	$ 428,986	$ 4,827,922	$ 5,256,908

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

CalOptima categorizes its fair value investments within the fair value hierarchy established by GAAP. The hierarchy for fair value measurements is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

- Level 1 Quoted prices in active markets for identical assets or liabilities

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

D. CalOptima's Cash and Investments (Continued)

- Level 2 Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly
- Level 3 Significant unobservable inputs

The following is a description of the valuation methodologies used for instruments at fair value on a recurring basis and recognized in the accompanying statement of net position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Marketable Securities
Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These securities are classified within Level 2 of the valuation hierarchy. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

	Investment Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	$ 540,798	$ --	$ --	$ 540,798
Government	--	109,063	--	109,063
U.S. Agencies	--	119,391	--	119,391
Asset-Backed Securities	--	97,004	--	97,004
Corporate Bonds	--	451,582	--	451,582
Mortgage-Backed Securities	--	84,380	--	84,380
Municipal Bonds	--	88,410	--	88,410
Certificates of Deposit	--	55,581	--	55,581
Commercial Paper	--	47,777	--	47,777
	$ 540,798	**$ 1,053,189**	**$ --**	**$ 1,593,987**

Cash and investments are reported in the June 30 statement of net position as follows:

	2017
Current Assets:	
Cash and Cash Equivalents	$ 510,063
Investments	1,082,426
Board-Designated Assets and Restricted Cash:	
Cash and Cash Equivalents	17,710
Investments	517,429
Restricted Deposit	300
Total	$ 2,127,928

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 California Government Code requires that a financial institution secure deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under the State law. At June 30, 2017, no deposits were exposed to custodial credit risk, as CalOptima has pledged collateral to cover the amounts.

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

D. CalOptima's Cash and Investments (Continued)

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, 2017, 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	$ 119,391	$ 48,257	$ 71,134
Asset-Backed Securities	97,004	--	97,004
Corporate Bonds	451,582	206,123	245,459
Government	109,063	86,287	22,776
Mortgage-Backed Securities	84,380	18,022	66,358
Municipal Bonds	88,410	19,159	69,251
U.S. Treasury Notes	540,798	239,394	301,404
Certificates of Deposits	55,581	36,575	19,006
Commercial Paper	47,777	47,777	--
Cash Equivalents	427,031	427,031	--
Cash	38,188	38,188	--
Total	2,059,206	$ 1,166,814	$ 892,392
Accrued Interest Receivable	5,901		
	$ 2,065,107		

Investment 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, 2017
Asset-Back Securities	$ 97,004
Mortgage-Backed Securities	84,380
	$ 181,384

Credit risk

CalOptima's investment policy conforms to the California Government Code 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 and Poor's Corporation (S&P), Moody's Investor 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."

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

D. CalOptima's Cash and Investments (Continued)

As of June 30, 2017, 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	$ 556,752	N/A	$ 556,752	$ --	$ --	$ --	$ --	$ --	$ --
U.S. Agency Notes	165,604	N/A	165,604	--	--	--	--	--	--
Corporate Bonds	383,258	A-	--	13,709	31,590	30,923	104,003	135,217	67,746
FRN Securities	144,908	A-	--	45,471	13,986	6,213	25,874	37,150	16,215
Asset-Backed Securities	125,247	AAA	--	67,063	15,855	9,441	--	2,887	--
Mortgage-Backed Securities	84,491	AAA	--	83,412	1,079	--	--	--	--
Municipal Bonds	63,299	A	--	2,567	27,034	33,210	--	--	487
Supranational	79,184	AAA	--	79,184	--	--	--	--	--
Certificates of Deposit	40,642	A1/P1	--	40,642	--	--	--	--	--
Commercial Paper	92,223	A1/P1	--	92,223	--	--	--	--	--
Money Market Mutual Funds	329,498	AAA	--	329,498	--	--	--	--	--
Total	$ 2,065,107		$ 722,356	$ 753,770	$ 89,544	$ 79,787	$ 129,877	$ 175,254	$ 84,448

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% of the amount of investment holdings with any one government-sponsored issuer and 5% of all other issuers. At June 30, 2017, all holdings complied with the foregoing limitations. The following holdings exceeded 5 percent of the portfolio at June 30, 2017:

Investment Type	Issuer	Percentage of Portfolio 2017
U.S. Agency Notes	Federal Home Loan Bank	2.05
U.S. Treasury Notes	United States Treasury	26.09

(Dollar Amounts in Thousands)

4. 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, 2016	Increases	Decreases	Adjustments	Balance June 30, 2017
Governmental Activities:					
Capital Assets Not Depreciable/Amortizable:					
Land	$ 834,406	$ 4,867	$ --	$ --	$ 839,273
Land Use Rights (Permanent)	7,602	--	--	--	7,602
Construction in Progress	118,864	142,426	(85,843)	--	175,447
Intangible in Progress	3,453	4,778	(2,669)	--	5,562
Total Capital Assets Not Depreciable/Amortizable	964,325	152,071	(88,512)	--	1,027,884
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	1,235,613	11,507	(42)	--	1,247,078
Land Improvements	2,629	1,617	--	--	4,246
Equipment	417,640	51,974	(15,551)	(437)	453,626
Software	110,156	13,215	(822)	--	122,549
Infrastructure:					
Flood Channels	1,244,714	9,842	(810)	--	1,253,746
Roads	238,578	54,523	--	--	293,101
Bridges	106,795	9,587	--	--	116,382
Trails	44,073	--	--	--	44,073
Traffic Signals	11,956	--	--	--	11,956
Harbors and Beaches	41,238	--	--	--	41,238
Total Capital Assets, Depreciable/Amortizable	3,453,392	152,265	(17,225)	(437)	3,587,995
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(663,282)	(31,628)	42	--	(694,868)
Land Improvements	(193)	(242)	--	--	(435)
Equipment	(307,643)	(21,228)	15,091	--	(313,780)
Software	(71,443)	(7,672)	774	--	(78,341)
Infrastructure:					
Flood Channels	(318,487)	(16,844)	967	--	(334,364)
Roads	(133,791)	(8,318)	--	--	(142,109)
Bridges	(39,130)	(2,218)	--	--	(41,348)
Trails	(33,861)	(1,048)	--	--	(34,909)
Traffic Signals	(10,832)	(115)	--	--	(10,947)
Harbors and Beaches	(30,132)	(1,006)	--	--	(31,138)
Total Accumulated Depreciation/Amortization	(1,608,794)	(90,319)	16,874	--	(1,682,239)
Total Capital Assets, Depreciable/Amortizable (Net)	1,844,598	61,946	(351)	(437)	1,905,756
Governmental Activities Total Capital Assets, Net	$ 2,808,923	$ 214,017	$ (88,863)	$ (437)	$ 2,933,640

Capital asset activity for the year ended June 30, 2017 includes a negative adjustment of $437 in Equipment due to prior years' accruals of non-capital expenses.

(Dollar Amounts in Thousands)

4. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government				
	Balance July 1, 2016	Increases	Decreases	Adjustments	Balance June 30, 2017
Business-Type Activities:					
Capital Assets Not Depreciable/Amortizable:					
Land	$ 37,842	$ --	$ --	$ --	$ 37,842
Construction in Progress	40,555	86,302	(22,925)	--	103,932
Intangible in Progress	2,068	20	(1,833)	--	255
Total Capital Assets Not Depreciable/Amortizable	80,465	86,322	(24,758)	--	142,029
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	782,234	7,029	--	--	789,263
Equipment	81,977	7,113	(5,127)	--	83,963
Software	1,407	2,234	--	--	3,641
Infrastructure	602,689	18,479	--	--	621,168
Total Capital Assets, Depreciable/Amortizable	1,468,307	34,855	(5,127)	--	1,498,035
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(283,083)	(24,953)	--	--	(308,036)
Equipment	(58,079)	(5,072)	4,777	--	(58,374)
Software	(281)	(469)	--	--	(750)
Infrastructure	(358,400)	(16,765)	--	--	(375,165)
Total Accumulated Depreciation/Amortization	(699,843)	(47,259)	4,777	--	(742,325)
Total Capital Assets, Depreciable/Amortizable (Net)	768,464	(12,404)	(350)	--	755,710
Business-Type Activities Total Capital Assets, Net	$ 848,929	$ 73,918	$ (25,108)	$ --	$ 897,739

Depreciation/Amortization expense was allocated among functions of the primary government as follows:

Government Activities:	
General Government	$ 9,181
Public Protection	42,459
Public Ways and Facilities	13,177
Health and Sanitation	3,736
Public Assistance	4,814
Education	1,482
Recreation and Cultural Services	7,384
Internal Service Funds' Depreciation Expense Allocated to Various Functions	8,086
Total Governmental Activities Depreciation/Amortization Expense	90,319
Business-Type Activities:	
Airport	29,820
Waste Management	17,439
Total Business-Type Activities Depreciation/Amortization Expense	47,259
Total Depreciation/Amortization Expense	$ 137,578

5. 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 $26,503 as of June 30, 2017. Of this amount, $951 is not expected to be collected within the next fiscal year. This primarily consists of $656 for animal care delinquent invoices and $256 of expected recoveries from the Airport's multi-year fixed-base operator lessee for pollution remediation costs.

Deposits Receivable

Deposits Receivable had a balance of $4,921 as of June 30, 2017. Of this amount, $4,081 is not expected to be collected within the next fiscal year. This primarily consists of $3,283 in operating accounts for Dana Point Harbor operators, the Green River Golf Course, and other deposits held for contracted services. In addition, $528 is not expected to be collected within the next fiscal year for deposits held in condemnation proceedings related to real property acquired through eminent domain.

Due from Other Governmental Agencies

Due from Other Governmental Agencies had a balance of $414,207 as of June 30, 2017. Of this amount, $44,807 is not expected to be received within the next fiscal year, which primarily consists of $24,637 owed by the State of California to the County for various mandated cost reimbursements for programs and services the State requires the County to provide. $17,571 is for expected reimbursement of the Santa Ana River Subvention claims that will be submitted to the State Department of Water Resources and $2,253 is for behavioral health activities. In addition, $119 is owed by the city of Rancho Santa Margarita for amounts due under their Revenue Neutrality Agreement.

Notes Receivable

Notes Receivable had a balance of $27,572 as of June 30, 2017. Of this amount, $27,118 is not expected to be received within the next fiscal year. This primarily consists of $24,426 for loans to build affordable, low to moderate income, and senior housing. In addition, $2,030 is for housing loans for MHSA programs and $597 is for loans provided to first time home buyers.

6. 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)

6. INTERFUND RECEIVABLES AND PAYABLES (Continued)

The composition of interfund balances as of June 30, 2017 is as follows:

Due from/to other funds:

	Receivable Funds								
Payable Funds	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Airport	Waste Management	Compressed Natural Gas	Internal Service Funds	Total
General Fund	$ --	$ 1,751	$ 3,606	$ 34,036	$ 52	$ 9	$ 5	$ 4,266	$ 43,725
Flood Control District	9,639	--	--	742	--	46	--	4	10,431
Other Public Protection	14,690	--	--	605	--	--	--	12	15,307
Mental Health Services Act	15,288	--	--	--	--	--	--	--	15,288
Other Governmental Funds	56,787	996	1	2,345	--	31	--	161	60,321
Airport	2,330	4	1	57	--	--	--	213	2,605
Waste Management	3,728	17	--	165	--	--	--	24	3,934
Compressed Natural Gas	19	--	--	--	--	--	--	--	19
Internal Service Funds	2,437	34	--	13	--	--	--	37	2,521
Total	$ 104,918	$ 2,802	$ 3,608	$ 37,963	$ 52	$ 86	$ 5	$ 4,717	$ 154,151

Interfund transactions between the Primary Government and Component Unit:

Receivable Entity	Payable Entity	Amount
Primary Government – General Fund	Component Unit – CFCOC	$ 339
Component Unit – CFCOC	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 to/from other funds:

Receivable Entity	Payable Entity	Amount
General Fund	Other Governmental Funds	$ 3,800
Waste Management	General Fund	784
Waste Management	Other Governmental Funds	28,840

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 FY 2003-04 through FY 2011-12. The Waste Management Fund made advances to the General Fund for various information technology capital projects and to Other Governmental Funds for the Sheriff-Coroner's James A. Musick Facility Expansion project. The Waste Management Fund also made advances to Orange County Community Resources for the construction of a new OC Animal Care Center, replacing the existing shelter in the city of Orange.

7. 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, 2017, approximates $60,466, net of accumulated depreciation.

(Dollar Amounts in Thousands)

7. COUNTY PROPERTY ON LEASE TO OTHERS (Continued)

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, 2017 are as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities
2018	$ 13,955	$ 56,616
2019	12,496	43,688
2020	11,872	35,153
2021	10,795	23,702
2022	10,783	6,564
	59,901	165,723
2023-2027	46,944	16,472
2028-2032	45,411	13,194
2033-2037	50,223	--
2038-2042	24,260	--
2043-2047	4,827	--
2048-2052	4,509	--
2053-2057	4,780	--
2058-2062	5,065	--
2063-2067	5,358	--
2068-2072	5,843	--
2073-2077	6,242	--
2078-2081	4,606	--
	208,068	29,666
Total future minimum rentals	$ 267,969	$ 195,389

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately $33,540 (Enterprise Funds), $5,994 (Other Governmental Funds), $550 (Internal Service Funds) and $346 (Flood Control District) for the year ended June 30, 2017.

8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 were as follows:

	Transfer In Funds						
Transfer Out Funds	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Waste Management	Internal Service Funds	Total
General Fund	$ --	$ --	$ 16,578	$ 130,641	$ 6	$ 6,083	$ 153,308
Flood Control District	2,767	--	--	25	--	1,141	3,933
Other Public Protection	28,338	--	--	1,248	--	240	29,826
Mental Health Services Act	137,914	--	--	--	--	--	137,914
Other Governmental Funds	113,270	--	--	192,768	27	845	306,910
Waste Management	25,805	--	--	--	--	--	25,805
Compressed Natural Gas	--	150	--	--	--	--	150
Internal Service Funds	3,874	215	--	--	--	12	4,101
Total	$ 311,968	$ 365	$ 16,578	$ 324,682	$ 33	$ 8,321	$ 661,947

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

8. INTERFUND TRANSFERS (Continued)

(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 MHSA, and (6) transfer excess unrestricted revenues to finance various County programs based on budgetary authorizations by the Board. Not all-inclusive, the summary below details some of the more significant transfers:

Routine Transfers

From General Fund

- $22,520 was transferred to Other Governmental Funds in connection with debt service payments for various County debt issues.
- $17,103 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.
- $12,927 was transferred to Other Governmental Funds to finance the County's 60 percent share of the Social Services Agency Wraparound Program.
- $12,445 was transferred to Other Public Protection for the purchase of new equipment for the 800 MHz County-Wide Coordinated Communications system.
- $3,827 was transferred to Internal Service Funds primarily for the purchase of Sheriff-Coroner vehicles.
- $2,000 was transferred to Other Governmental Funds for the maintenance and repair of various Probation Criminal Justice Facilities.
- $1,853 was transferred to Internal Service Funds for medical reimbursements.

From Flood Control District

- $2,456 was transferred to the General Fund for the Watershed Management Program.

From Other Public Protection

- $12,441 was transferred to the General Fund to support the Sheriff-Coroner Department's operations.
- $6,617 was transferred to the General Fund for the reimbursement of various District Attorney Programs, such as Proposition 64 Consumer Protection Fund, Real Estate Fraud, Orange County Auto Theft Task Force (OCATT), and Supplemental Law Enforcement Services Fund (SLESF).
- $3,378 was transferred to the General Fund for the reimbursement of qualifying Public Protection expenditures incurred by the Clerk-Recorder's Office for specific charges mandated by state law that includes modernization of the County's record keeping system, health statistics, micrographics, and security measures.
- $2,235 was transferred to the General Fund for the Sheriff-Coroner's Backbone Cost Sharing Program.

From Mental Health Services Act

- $137,914 was transferred to the General Fund for the reimbursement of qualifying Proposition 63 MHSA expenditures.

From Other Governmental Funds

- $41,162 was transferred to the General Fund for the reimbursement of various County programs as follows:
  - $27,478 for the Social Services Agency Wraparound Program
  - $7,533 for Emergency Medical Services
  - $5,000 for the Center for Disease Control pandemic flu H1N1 costs
  - $1,151 for the Alcohol & Drug Assessment and Automated Vital Health Statistics program
- $27,721 of tobacco settlement monies was transferred to the General Fund to finance Health Care Agency's various health care programs and Sheriff-Coroner Department's operational costs.
- $4,979 was transferred to the General Fund for reimbursement of Juvenile Justice Center debt service payments.

8. INTERFUND TRANSFERS (Continued)

Routine Transfers (Continued)

- $2,405 was transferred to the General Fund for reimbursement of debt service payments associated with parking facilities.

From Enterprise Funds

- $25,805 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 General Fund

- $39,932 was transferred to Other Governmental Funds for various capital projects including, the El Toro Development project, the Year-Round Emergency Shelter and Multi Service Center, and the Civic Center Facilities Master Plan.
- $12,183 was transferred to Other Governmental Funds for data systems development projects including the Property Tax System re-platforming project.
- $11,620 was transferred to Other Governmental Funds for the excess Teeter Tax Loss Reserves.
- $7,375 was transferred to Other Governmental Funds to reimburse expenditures for Sheriff-Coroner construction and facility development projects.
- $4,100 was transferred to Other Governmental Funds for the design of the Probation South County Facility.
- $2,270 was transferred to Other Public Protection for the Building and Safety operating reserve.

From Internal Service Funds

- $3,665 was transferred to the General Fund for various data systems development projects.

From Flood Control District

- $1,141 was transferred to Internal Service Funds for the purchase of vehicles.

From Other Public Protection

- $1,879 was transferred to the General Fund for funding of technological improvements, such as the Customer Relationship Management/Land Management Software (CRM/LMS).
- $1,150 was transferred to the Other Governmental Funds for Sheriff-Coroner capital projects, including the kitchen floor at the Theo Lacy facility.
- $1,014 was transferred to the General Fund to cover the shortfall of state and federal appropriations over department expenditures in Child Support Services.

From Other Governmental Funds

- $152,489 was transferred within Other Governmental Funds for upcoming construction activities related to Building 16 as part of the Civic Center Facilities Master Plan.
- $37,813 was transferred within the Other Governmental Funds for reimbursement of costs related to the Central Utility Facility (CUF) Infrastructure upgrade.
- $33,352 was transferred to the General Fund for funding multi-year capital projects, including the Civic Center Facilities Master Plan and Year-Round Emergency Shelter and Multi Service Center.
- $2,215 was transferred to the General Fund to fund various IT project costs, such as computer hardware and software support services.
- $1,144 was transferred to the General Fund for the surplus reserves transfer to the County from the 2005 Lease Revenue Refunding Bonds.
- $1,091 was transferred to the General Fund for debt service payments for the CUF and Co-Generation facilities.

(Dollar Amounts in Thousands)

9. SHORT-TERM OBLIGATIONS

Taxable Pension Obligation Bonds, 2016 Series A

On January 13, 2016, the County issued Taxable Pension Obligation Bonds, 2016 Series A (the 2016 POBs) in the principal amount of $334,275. The 2016 POBs were issued in order to prepay the County's FY 2016-17 pension contribution at a discount. The 2016 POBs were issued as standard bonds, with five fixed rate tranches, and with a final maturity date of June 30, 2017. The obligation of the County to pay principal and interest on the 2016 POBs is imposed by law and is absolute and unconditional. The County repaid in full the outstanding balance of the bonds on June 30, 2017.

Taxable Pension Obligation Bonds, 2017 Series A

On January 13, 2017, the County issued Taxable Pension Obligation Bonds, 2017 Series A (the 2017 POBs) in the principal amount of $375,540. The 2017 POBs were issued in order to prepay the County's FY 2017-18 pension contribution at a discount. The 2017 POBs were issued as standard bonds, with five fixed rate tranches, and with a final maturity date of June 29, 2018. The obligation of the County to pay principal and interest on the 2017 POBs is imposed by law and is absolute and unconditional. As of June 30, 2017, the outstanding principal amount of the 2017 POBs reported in the General Fund was $375,540. Refer to Note 3, Deposits and Investments and Note 17, Retirement Plans for additional information.

Description	Balance July 1, 2016	Issuances & Discount/ Premium Amortization	Retirements	Balance June 30, 2017	Amounts Due within One Year
County of Orange Taxable Pension Obligation Bonds, 2016 Series A					
Date Issued: January 13, 2016					
Interest Rate: 0.753% to 1.208%					
Original Amount: $334,275					
Maturing in installments through June 30, 2017	$ 334,275	$ --	$ (334,275)	$ --	$ --
County of Orange Taxable Pension Obligation Bonds, 2017 Series A					
Date Issued: January 13, 2017					
Interest Rate: 0.9795% to 1.4809%					
Original Amount: $375,540					
Maturing in installments through June 29, 2018	--	375,540	--	375,540	375,540
Total	$ 334,275	$ 375,540	$ (334,275)	$ 375,540	$ 375,540

10. 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, 2017, the County had no net general obligation bonded debt. The County's legal debt limit for the year was $6,638,152. 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

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, 2017, the outstanding principal amount, including the premium of the Series 2005 Bonds, and remaining interest were $6,038 and $135, 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, 2017, the outstanding principal amount, interest accretion, and unaccreted interest of the Refunding COPs were $811, $3,876 and $510, respectively.

The Refunding COPs are secured by lease payments made by the County through a facilities lease with the Orange County Public Facilities Corporation.

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, 2017, the outstanding principal amount, including the premium of the Series 2006 Bonds, and remaining interest were $4,396 and $200, respectively.

10. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Lease Revenue Bonds, Series 2006 (Continued)

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.

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, 2017, the outstanding principal amount, including the premium of the Series 2012 Bonds, and remaining interest were $11,893 and $743, 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.

Central Utility Facility Lease Revenue Bonds, Series 2016

On June 2, 2016, the SOCPFA issued its $56,565 Lease Revenue Bonds, Series 2016 at a premium of $11,724. The Lease Revenue Bonds, payable through April 2036, were issued to finance the acquisition, construction, and installation of certain capital improvements to be owned by the County and to pay costs relating to the issuance of the bonds. As of June 30, 2017, the outstanding principal amount, including the premium of the Series 2016 Bonds, and interest were $66,025 and $30,925, respectively.

The bonds are special obligations of the SOCPFA payable from and secured by the base rental payments to be made by the County pursuant to and as required under the lease agreement and the amounts held in all funds and accounts (other than the rebate fund) under the indenture.

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, 2017, the Series 1996A Pension Obligation Bonds were fully redeemed. The outstanding principal amount, interest accretion, and unaccreted interest of the Series 1997 A Pension Obligation Bonds were $11,220, $42,765, and $9,557, respectively.

10. 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, 2017, the total interest expense incurred and the amount included as part of the cost of capital assets under construction were $9,541 and $2,437, respectively. As of June 30, 2017, the outstanding principal amount, including net discount, of the 2009A and 2009B Bonds were $58,070 and $129,248, respectively, and the outstanding interest amounts were $39,391 and $47,548, respectively. The 2009B Bonds, in the amount of $27,210, were called for early partial redemption on July 1, 2017. Refer to Note 20, Subsequent Events for additional information.

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.

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, 2017, $8,045 of legally defeased debt remains outstanding.

Fiscal Year 2016-17 Debt Obligation Activity

During FY 2016-17, 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, Series B with Wells Fargo Municipal Capital Strategies, LLC and Wells Fargo Bank, National Association, under the Note Purchase and Reimbursement Agreement. 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 was based on the weekly Securities Industry and Financial Markets Association (SIFMA) index plus 0.58%. All of the Teeter Plan Notes were issued within three years of February 1, 2013, with a maturity date of January 29, 2016.

On January 29, 2016, the Note Purchase and Reimbursement Agreement was extended upon mutual agreement between Wells Fargo and the County. In addition, the authorized total was revised to not exceed $100,000, and all other terms and conditions in the Agreement remained unchanged. Teeter Plan Obligation Notes, Series B were issued to retire the old Teeter Notes maturing January 29, 2016. The new Notes have a maturity date of July 31, 2018. The outstanding amount of the Teeter Plan Notes as of June 30, 2016 was $30,191.

On July 13, 2016, the County issued an additional $31,536 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of $61,727. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll.

10. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year 2016-17 Debt Obligation Activity (Continued)

Teeter Plan Notes (Continued)

On December 29, 2016 and June 27, 2017, the County used all of the accumulated base taxes to redeem $24,364 and $9,495, respectively, of the Teeter Plan Notes. As of June 30, 2017, the outstanding principal amount of the Teeter Plan Notes was $27,868. For additional information regarding the Teeter Plan Notes, refer to Note 20, Subsequent Events.

(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2016-17

The table below summarizes the revenue bonds and certificates of participation outstanding and related activity for the year ended June 30, 2017.

Description	Balance July 1, 2016	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2017	Amounts Due within One Year
Governmental Activities:						
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 2016-17 Principal and Interest: $38,622						
FY 2016-17 Total Pledged Revenues: $6,038						
Maturing in installments through July 1, 2017	$ 46,706	$ (3,243)	$ --	$ (37,425)	$ 6,038	$ 6,038
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 2016-17 Principal and Interest: $2,608						
FY 2016-17 Total Pledged Revenues: $2,405						
Maturing in Installments Through December 1, 2018	1,262	--	--	(451)	811	419
Interest Accretion on CAB	5,545	--	488	(2,157)	3,876	2,179
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 2016-17 Principal and Interest: $4,200						
FY 2016-17 Total Pledged Revenues: $4,151						
Maturing in installments through June 1, 2018	8,574	(368)	--	(3,810)	4,396	4,396
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 2016-17 Principal and Interest: $5,824						
FY 2016-17 Total Pledged Revenues: $7,920						
Maturing in installments through June 1, 2019	17,576	(568)	--	(5,115)	11,893	6,032
South Orange County Public Financing Authority Central Utility Facility Lease Revenue Bonds, Series 2016						
Date Issued: June 2, 2016						
Interest Rate: 3.00% to 5.00%						
Original Amount: $56,565						
FY 2016-17 Principal and Interest: $4,485						
FY 2016-17 Total Pledged Revenues: $2,545						
Maturing in installments through April 1, 2036	68,289	(44)	--	(2,220)	66,025	1,938

(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2016-17 (Continued)

Description	Balance July 1, 2016	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2017	Amounts Due within One Year
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)	$ 5,071	$ --	$ --	$ (5,071)	$ --	$ --
Interest Accretion on CAB	19,951	--	1,033	(20,984)	--	--
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)	14,069	--	--	(2,849)	11,220	3,003
Interest Accretion on CAB	48,430	--	4,549	(10,214)	42,765	11,997
County of Orange Teeter Plan Notes						
Date of Issuance: January 29, 2016						
Interest Rate: SIFMA Index + 0.58%						
Original Amount: $40,387						
FY 2016-17 Principal and Interest: $34,459						
FY 2016-17 Total Pledged Revenues: $26,078						
Maturing on July 31, 2018	30,191	31,536	--	(33,859)	27,868	--
Subtotal - Governmental Activities	265,664	27,313	6,070	(124,155)	174,892	36,002
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 2016-17 Principal and Interest: $17,529						
FY 2016-17 Total Pledged Revenues: $54,652						
Maturing in Installments Through July 1, 2039	195,127	(279)	--	(7,530)	187,318	35,090
Subtotal - Business-Type Activities	195,127	(279)	--	(7,530)	187,318	35,090
Total	$ 460,791	$ 27,034	$ 6,070	$ (131,685)	$ 362,210	$ 71,092

(Dollar Amounts in Thousands)

10. 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 activity type on an annual basis.

	Governmental Activities		Business-Type Activities		
Fiscal Year(s) Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**	**Total**
2018	$ 20,177	$ 17,663	$ 35,090	$ 8,844	$ 81,774
2019	37,961	17,918	8,275	7,683	71,837
2020	4,453	14,533	8,655	7,281	34,922
2021	4,506	15,481	9,085	6,837	35,909
2022	2,678	5,355	9,540	6,369	23,942
2023-2027	12,525	9,915	39,955	26,001	88,396
2028-2032	15,990	6,454	37,600	14,618	74,662
2033-2037	15,909	2,038	23,705	7,885	49,537
2038-2040	--	--	17,634	1,421	19,055
Total	114,199	89,357	189,539	86,939	480,034
Add: Premium/(Discount)	14,052	--	(2,221)	--	11,831
Add: Interest Accretion on CAB	46,641	--	--	--	46,641
Total	$ 174,892	$ 89,357	$ 187,318	$ 86,939	$ 538,506

Changes in Long-Term Liabilities

Long-term liability activities, for the year ended June 30, 2017, were as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within One Year
Governmental Activities:					
Bonds, COPs and Notes Payable:					
Revenue Bonds	$ 122,870	$ --	$ (48,570)	$ 74,300	$ 16,755
Certificates of Participation	1,262	--	(451)	811	419
Pension Obligation Bonds	19,140	--	(7,920)	11,220	3,003
Teeter Plan Notes	30,191	31,536	(33,859)	27,868	--
Add: Premium/(Discount) on Bonds Payable	18,275	--	(4,223)	14,052	1,649
Total Bonds, COPs, and Notes Payable, Net	191,738	31,536	(95,023)	128,251	21,826
Interest Accretion on CAB	73,926	6,070	(33,355)	46,641	14,176
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	184,948	164,920	(163,262)	186,606	99,957
Arbitrage Rebate Payable	233	153	(21)	365	--
Capital Lease Obligations Payable *	67,928	--	(12,097)	55,831	12,697
Insurance Claims Payable	219,496	109,400	(126,725)	202,171	54,026
SARI Line Loans	28,022	--	(4,122)	23,900	912
Civic Center Facilities Master Plan Financing	--	175,340	--	175,340	--
Estimated Liability - Litigation and Claims	130,000	7,400	(25,000)	112,400	57,400
Intangible Assets Obligations Payable	71	1,946	(194)	1,823	194
Total Other Long-Term Liabilities	630,698	459,159	(331,421)	758,436	225,186
Total Long-Term Liabilities ** For Governmental Activities	$ 896,362	$ 496,765	$ (459,799)	$ 933,328	$ 261,188

* Includes amount of $6,900 from an Internal Service Fund. For additional information, refer to Note 12, Leases.

** The total long-term liabilities do not include Net Pension Liability. Refer to Note 17 for additional information on the Net Pension Liability.

(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities (Continued)

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	$ 197,069	$ --	$ (7,530)	$ 189,539	$ 35,090
Less: (Discount) on Bonds Payable	(1,942)	(279)	--	(2,221)	--
Total Bonds Payable, Net	195,127	(279)	(7,530)	187,318	35,090
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	4,793	4,247	(4,379)	4,661	2,362
Landfill Site Closure/Postclosure Liabilities *	160,675	3,229	(5,423)	158,481	2,613
Pollution Remediation Obligation **	12,184	5,178	(678)	16,684	570
Intangible Assets Obligations Payable	261	2	(109)	154	110
Total Other Long-Term Liabilities	177,913	12,656	(10,589)	179,980	5,655
Total Long-Term Liabilities * For Business-Type Activities**	$ 373,040	$ 12,377	$ (18,119)	$ 367,298	$ 40,745

* Refer to Note 13 for additional information regarding the decrease in Landfill Site Closure/Post Closure Liabilities.
** Refer to Note 16 for additional information regarding the increase in Pollution Remediation Obligation.
*** The total long-term liabilities do not include Net Pension Liability. Refer to Note 17 for additional information on the Net Pension Liability.

Compensated Employee Absences

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2017, is $186,606. 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 of the SARI Line. 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 estimated total project cost of the SARI Line. The loan proceeds were 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, construction of the SARI Yorba Linda Spur was completed and the total amount paid to the contractor was $7,424. Construction of the SARI Mainline was completed on August 17, 2015 and the total amount paid to the contractor was $38,511. As of June 30, 2017, the total outstanding loan principal was $23,900.

(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Continued)

Civic Center Facilities Master Plan Financing

The Facilities Strategic Plan involves the +/- 11 acre County “superblock” (bounded by Ross Street, Civic Center Drive, Broadway and Santa Ana Boulevard), as well as County satellite buildings within the vicinity of the Civic Center. The Facilities Strategic Plan, which contains four phases, was approved by the Board on April 25, 2017. Phase One activity spans from 2016 to 2021 and includes replacement of the existing Building 16 with new facilities, construction of a County conference and events center, demolition of Building 11 (Hall of Finance), and renovation of the H.G. Osborne Building.

On June 22, 2017, the California Municipal Finance Authority (CMFA) issued its $152,400 Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program – Phase One) at a premium of $22,940, with an interest rate range from 4.00% - 5.00%. As the debt was issued by CMFA, this does not constitute debt for the County of Orange. Pursuant to a loan agreement, CMFA loaned the bond proceeds totaling $175,340 to the Capital Facilities Development Corporation (Corporation), a component unit of the County, to construct Building 16 located at 601 N. Ross Street. A contractor has been selected to construct Building 16 pursuant to a Development Agreement with the Corporation.

The County’s payment obligation will commence once the building’s Certificate of Substantial Completion is delivered to the trustee. County departments occupying Building 16 will be responsible for making base rental payments. The County’s base rental payments under the facility lease are scheduled to begin in FY 2020-21 and will be used to repay the loan to the CMFA. Loan repayments are scheduled to end when the bonds mature in June 2047.

The following is a schedule of the annual debt service requirements to maturity for the Orange County Civic Center Infrastructure Improvement Program – Phase One.

Fiscal Year(s) Ending June 30	Principal	Interest	Total
2018	$ --	$ 6,757	$ 6,757
2019	--	7,176	7,176
2020	--	7,176	7,176
2021	2,805	7,176	9,981
2022	2,945	7,036	9,981
2023-2027	17,085	32,817	49,902
2028-2032	21,805	28,096	49,901
2033-2037	27,825	22,072	49,897
2038-2042	35,510	14,385	49,895
2043-2047	44,425	5,467	49,892
Total	152,400	138,158	290,558
Add: Premium	22,940	--	22,940
Total	$ 175,340	$ 138,158	$ 313,498

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

10. LONG-TERM OBLIGATIONS (Continued)

Special Assessment District Bonds (Continued)

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, 2017, amounted to $483,277.

11. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT

Single and Multi-Family Housing Bonds

From 1980 through 2013, 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 are 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.

As of June 30, 2017, there were 19 series of bonds outstanding with an aggregate principal amount payable of $170,469.

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 Neighborhood Development and Preservation Project (NDAPP) and Santa Ana Heights Project (SAHP) Refunding Bonds debt service obligations for FY 2016-17 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, 2017, the outstanding principal amount, including the premium of the OCDA Successor Agency bonds and remaining interest were $26,238 and $3,544, respectively.

The bonds do not constitute a liability of the County. Neither the County, the State of California, nor any political subdivisions thereof are 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.

(Dollar Amounts in Thousands)

12. 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, 2017:

Fiscal Year Ending June 30	Equipment	Real Property	Total
2018	$ 2,729	$ 28,319	$ 31,048
2019	259	25,134	25,393
2020	88	24,735	24,823
2021	32	24,810	24,842
2022	16	20,964	20,980
2023 - 2027	--	68,097	68,097
2028 - 2032	--	13,403	13,403
Total	$ 3,124	$ 205,462	$ 208,586

Total expenditures for equipment rentals and building and improvements incurred for FY 2016-17 was $54,309.

Capital Leases

The following is an analysis of property the County has leased under capital leases, which includes $27,600 of equipment for an Internal Service Fund:

Land	$ 14,831
Equipment	27,927
Less: Accumulated Depreciation	(6,102)
Structures and Improvements	64,180
Less: Accumulated Depreciation	(35,219)
Total	$ 65,617

The following are the future minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30	
2018	$ 16,139
2019	9,414
2020	9,538
2021	8,601
2022	6,993
2023-2027	20,034
Total Minimum Lease Payments	70,719
Less: Amount Representing Interest	(14,888)
Present Value of Net Minimum Lease Payments	$ 55,831

13. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS

State laws and regulations require Waste Management 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, Waste Management 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 the Statement of Net Position date.

Waste Management 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)

The total landfill closure and postclosure care liability at June 30, 2017 was $158,481. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (31.65% for FRB, 79.97% for Olinda Alpha and 20.69% for Prima Deshecha), less actual costs paid related to both closure and postclosure of the Santiago Canyon and Coyote Canyon landfills. Waste Management will recognize the remaining estimated cost of closure and postclosure care of $168,040 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016 dollars (using the 2016 inflation factor of 1.013). Waste Management has enough landfill capacity to operate the system for a minimum of 25 years. However, Waste Management 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, Waste Management makes annual cash contributions as required 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 which is adjusted annually by the Cal Recycle provided CPI factor. Also in compliance with regulations, Waste Management has executed pledge of revenue agreements to provide financial assurance for estimated future landfill postclosure maintenance costs. The agreements state that Waste Management pledges revenue from future disposal fees deposited to pay for estimated postclosure maintenance or shall obtain alternative coverage within sixty (60) days if Waste Management ceases at any time to retain control of its ability to allocate pledged revenue to pay postclosure maintenance costs. Waste Management 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, 2017, a total of $91,284 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.

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 16, Pollution Remediation, for additional discussion regarding pollution remediation liabilities.

(Dollar Amounts in Thousands)

14. 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, the County's total significant encumbrances for governmental funds in the aggregate are reported at June 30, 2017, as follows:

General Fund	$	48,895
Flood Control District		50,016
Other Public Protection		1,018
Other Governmental Funds		87,751
Total Encumbrances for Governmental Funds	$	187,680

Construction Commitments

At June 30, 2017, 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:		
General Fund		
Purchase of an Airbus helicopter	$	4,915
Video Management and System Upgradge		1,559
HCA 17th Street Renovations		1,420
		7,894
Flood Control District		
San Juan Creek Channel Phase IV-3700' to 6100' U/S Stonehill Dr		12,002
Fullerton Creek Channel, D/S Western Ave to U/S Beach Blvd		9,923
Santa Ana River Interceptor Line Construction		5,925
Santa Ana River Dredging Project PCH to Upstream Adams Ave		2,811
San Joaquin Channel project		1,531
Santa Ana River Parkway Extension		1,499
Osborne-Elevator Controls Replacement		1,072
		34,763
Other Governmental Funds		
Civic Center Facilities Master Plan		154,618
Edinger Avenue Bridge Replacement Over Bolsa Chica Channel		17,391
La Pata Avenue Gap Closure/Widening, Phase I & II		12,339
Purchase of Law Enforcement and Other Vehicles		7,945
Central Utility Facility Infrastructure Upgrade		6,426
Dana Point Harbor Revitalization		3,483
James A. Musick Facility - Rework Existing Perimeter Fence		2,837
Crawford Canyon Rd Drainage Improvement, Newport Blvd/City of Orange		2,535
Laguna Canyon Road Segment 4, Phase 2 to 4		1,505
Replace Air Handlers at Central Men's Jail, Central Women's Jail and Headquarters		1,503
Juvenile Hall-Gym/Visitation Center		1,295
Crown Valley Parkway and Oso Parkway Slurry Seal project		1,279
Newport Blvd Fiber Optic Installation/17th St Signal Upgrade		1,051
	$	214,207

(Dollar Amounts in Thousands)

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments (Continued)

Project Title	Significant Commitments
Business-Type Activities:	
Airport	
Terminal Improvements	$ 42,128
Paularino Gate Improvements project	3,454
Parking Structure C, Phase 2	2,652
Terminal Air Handler Replacement	1,050
	49,284
Waste Management	
Frank R. Bowerman Landfill Soil Buttress and Liner Construction project	19,015
Olinda Front Face Improvement project	13,159
Frank R. Bowerman Crews Quarters and Storage Facility Construction	2,127
	34,301
Total Commitments	$ 340,449

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 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 $2,416,500. OCFCD's combined cost share is estimated to be $786,633 for the entire Santa Ana River Project. As of June 30, 2017, the OCFCD has expended about $623,162 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 the National Housing Tract Dike and Sewage Treatment Plant in 2008. Landscaping for these dikes began in September 2009 and was 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. As continuation to the ongoing Reach 9 Project, the COE determined that bank improvements needed to continue

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments (Continued)

east on the south side of the Santa Ana River along SR-91. As such, the Reach 9 Phase 4 Project was developed and the project was awarded on April 13, 2016 at an estimated cost of $15,300. Completion of the Reach 9, Phase 4 Project is expected to occur in December 2018. The COE is also constructing bank improvements on the north side of the Santa Ana River adjacent to La Palma Avenue from Weir Canyon Road to the railroad (Reach 9 Phase 5A and Phase 5B). Phase 5A was awarded on September 28, 2015 at a cost of $22,500 and is expected to be completed in August 2018. The construction contract for Phase 5B was awarded in September 2016 with an estimated cost of $25,500 and is expected to be completed in December 2019. 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 in 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 would be March 2018. 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 was substantially completed in August 2017. The Women's Prison Dike (to protect the California Institute of Women) was awarded September 2014 for $12,700 and a $3,400 modification was awarded in August 2015. This feature was substantially completed April of 2016.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, 2017, OCFCD has submitted $413,543 in claims, and received $384,893 in reimbursements. An additional $3,723 in claims is in the process of being prepared for submittal to the DWR.

Of the total amount outstanding, $1,037 was accrued as revenue, and $23,506 was reported as deferred inflows 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.

15. 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 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.

(Dollar Amounts in Thousands)

15. SELF-INSURANCE (Continued)

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 Wellwise Choice, Wellwise Retiree, Sharewell Choice, and Sharewell Retiree PPO plans have no lifetime coverage maximums. The dental insurance coverage is up to $1,500 (absolute dollars) annually 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).

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 Self- Insured Employee	Total
Unpaid Claims, Beginning of FY 2015-16	$ 155,574	$ 39,291	$ 952	$ 11,760	$ 207,577
Claims and Changes in Estimates	42,149	16,521	796	60,528	119,994
Claim Payments	(38,033)	(9,792)	(940)	(59,310)	(108,075)
Unpaid Claims, End of FY 2015-16	159,690	46,020	808	12,978	219,496
Claims and Changes in Estimates	30,398	16,157	1,088	61,757	109,400
Claim Payments	(44,454)	(19,115)	(974)	(62,182)	(126,725)
Unpaid Claims, End of FY 2016-17	$ 145,634	$ 43,062	$ 922	$ 12,553	$ 202,171

16. 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 the Airport and OC Waste and Recycling (Waste Management) 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 the Airport and OCWR.

John Wayne Airport (Airport)

In 1988 and 2006, the Airport 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, the Airport began monitoring and remediating the Old Fuel Farm and the Former Fire Station #33 sites, respectively.

(Dollar Amounts in Thousands)

16. POLLUTION REMEDIATION (Continued)

John Wayne Airport (Airport) (Continued)

In 2008, the sites were sampled as part of an assessment. The results revealed that the soil and groundwater were still impacted by chemical pollutants. In an effort to increase the removal of the chemicals, the Airport's environmental consultant reevaluated the sites and recommended a change to the remediation plan. The consultant calculated the new estimated pollution remediation liability based on a more active method of remediation that includes remedial technologies such as soil vapor extraction, dual phasing sparging, and bioremediation.

The Airport started implementing the new remediation method in the fiscal year ended June 30, 2011. Following a remedial pilot test, the Airport has been performing monthly free-product removal at the Old Fuel Farm and performing annual groundwater monitoring at both sites. Active remediation has been delayed pending further guidance from the RWQCB, which could possibly affect the estimated pollution remediation liability as well as cause changes to the remedial technologies used to remediate the sites. As of June 30, 2017, the Airport has a liability of $994 based on management's assessment and the results of the consultant's evaluation of potential remediation costs. The liability will not decrease any further until active remediation begins or a closure plan is accepted by the RWQCB.

In 1995, the Airport 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 Proprietary Funds Statement of Net Position as part of accounts receivable, the total expected recovery for the Old Fuel Farm site is $256 as of June 30, 2017.

The estimated pollution remediation obligation as of June 30, 2017 is:

Old Fuel Farm Site	$	785
Former Fire Station #33 Site		692
Less: Remediation Activity		(483)
Airport Pollution Remediation Obligation	$	994

Orange County Waste and Recycling (Waste Management)

Six closed sites were identified and 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, 2017, after deducting actual pollution remediation expenses incurred during FY 2016-17, is $15,690.

Cannery Former Refuse Disposal Station A park owned by the City of Huntington Beach (Huntington Beach), California 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 Huntington Beach, requiring Huntington Beach to remedy the landfill gas exceedances and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, Huntington Beach and the Huntington Beach City School District (School District) issued the Notices of Intent to Sue under the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation, and Liability Act to the County in 2004. Under an agreement with the County, Huntington Beach and School District claims were tolled until June 2006.

Huntington Beach, the County and School District entered into a Settlement Agreement in 2007 whereby Huntington Beach 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.

16. POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (Waste Management) (Continued)

Cannery Former Refuse Disposal Station (Continued)

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 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 $46.

Lane Road Former Refuse Disposal Station The site, located in the City of Irvine, California, 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 exceedances 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 owner 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 no longer be required or will 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 needed more regular replacement. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to 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 $285. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is $2,207.

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 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 $109. The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is $615.

La Veta Former Refuse Disposal Station Located in the City of Orange (Orange), California, 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 is warranted.

16. POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (Waste Management) (Continued)

La Veta Former Refuse Disposal Station (Continued)

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, 2017.

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 not cooperated with the County or regulator attempts to monitor or remediate potential pollution of the property.

The County has executed an acquisition contract for the single-family residence in the amount of $860. Upon close of escrow, the County will retain responsibility for any required monitoring for the property. Monitoring may be required for up to 25 years. The cost to perform monitoring is anticipated to be $5 annually.

Forster Former Refuse Disposal Station The site, located in the City of San Juan Capistrano (San Juan Capistrano), California was formerly leased and operated as a refuse disposal station by the County from 1958 to 1976. The current owner, Advanced Group 99-SJ, is proposing a change in land use for the property and has notified the County of its position that the County is responsible for re-closure of the site to meet current commercial and redevelopment requirements. The County disputes responsibility for site development related costs. In early 2010, 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 San Juan Capistrano approval of the proposed development plan, Advanced Group 99-SJ and the County 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 approvals. The settlement and release will permit the development of the site, with monies paid by the County for environmental controls to be installed at the site, establishment of 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. The 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. 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.

Yorba Refuse Disposal Station The site, located in Orange, California, was owned and operated as a solid waste disposal site by the County. After disposal operations ceased, the site was sold to Orange for use as a city park. Park deed restrictions were later lifted from the property at the request of Orange, which then began investigation into some form of commercial application or development at the site. In 2010, the Orange Redevelopment Agency filed suit against Orange. The Complaint alleged various causes of action, including

(Dollar Amounts in Thousands)

16. POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (Waste Management) (Continued)

Yorba Refuse Disposal Station (Continued)

those for private nuisance, public nuisance, dangerous condition of property and statutory contributions for hazardous substances, and a Porter-Cologne contribution and for Polanco Redevelopment Act cost recovery. The relief sought is for unknown costs and damages. In turn, Orange filed a cross-complaint against the County. The causes of action alleged include indemnity and/or contribution, declaratory relief, hazardous substance account act indemnity and remedies under the Porter-Cologne Act.

Orange and the County entered into negotiations to resolve the issues brought forth by Orange. The negotiations resulted in a settlement agreement and release of claims executed on November 5, 2015. This settlement agreement and release of claims will remedy the differential settlement or subsidence, to replace the irrigation system, and for costs associated with site maintenance with monies paid for by the County. In addition, effective on the date of the agreement, the County assumed responsibility and ownership of the landfill gas control system at the site. In exchange, indemnification has been provided by Orange to the County. 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 30 years, then will most likely either no longer be required or will 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 system needed upgrades and relocation of critical equipment. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation will be $172. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is $4,462.

The estimated pollution remediation obligation as of June 30, 2017 is:

Cannery	$ 46
Lane Road	2,207
San Joaquin	615
La Veta	860
Forster	7,500
Yorba	4,462
Waste Management Pollution Remediation Obligation	$ 15,690

17. RETIREMENT PLANS

Orange County Employees Retirement System (OCERS)

Plan Description: Substantially all County employees participate in the 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 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 elected by registered voters in the County, serves as an Ex-Officio 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.

17. 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.

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

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. 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 receive 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. The OCERS Board does not set the benefit amounts. OCERS administers benefits that are set by the County 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-Coroner 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

(Dollar Amounts in Thousands)

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Benefits Provided (Continued)

age 65. The 1.62% at age 65 retirement formula includes a voluntary defined contribution component 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 Retirement Law, the OCERS Board has the sole authority to grant STAR COLA 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 approval of the annual benefit.

Retirees who have lost more than 20% of their purchasing power since retirement are eligible for this benefit, and currently, approximately 304 retirees (of which 295 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.

Contributions: In accordance with various Board 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. The 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 2016-17, employer's contributions for funding purpose, as a percentage of covered payrolls, were 34.31% for General members, 62.66% for Safety-Law Enforcement members and 47.16% for Safety-Probation members, as determined by the December 31, 2014, actuarial valuation.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2017, the County reported a liability of $4,044,638 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability (TPL) used to calculate the net pension liability was determined using actuarial valuation results. At December 31, 2016, the County's proportion was 77.91%, which was an increase of 1.08% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the County recognized pension expense of $442,888. At June 30, 2017, 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 Earnings on Pension Plan Investments	$ 331,891	$ --
Differences Between Expected and Actual Experience in the Total Pension Liability	--	441,494
Changes of Assumptions or Other Inputs	71,482	116,689
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	16,592	124
County Contributions Subsequent to the Measurement Date	218,677	--
County Prepaid Pension Contribution	199,902	--
Total	$ 838,544	$ 558,307

(Dollar Amounts in Thousands)

17. 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)

$218,677 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, 2018.

The County reported the full amount of prepaid pension contribution as a part of the prepaid cost at the 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 $199,902 is recognized as deferred outflows of resources related to pension, and the other half will remain as a prepaid cost on the government-wide statement.

Year ending June 30:	
2018	$ 16,781
2019	16,781
2020	(27,320)
2021	(106,206)
2022	(38,378)
2023	--
Thereafter	--

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, 2017, $125,876 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, 2017, the County did not utilize funds available in the County Investment Account to meet its annual required contribution. The County's total contribution to OCERS for the year ended June 30, 2017 was $405,494.

On January 13, 2017, the County issued its short-term Taxable Pension Obligation Bonds, 2017 Series A in the amount of $375,540. Of the $375,540 bond proceeds, $375,442 was combined with $24,363 in contributions from certain County departments to prepay the estimated FY 2017-18 actuarially required contribution related to both the amortization of the UAAL and the normal annual contribution to OCERS. In return, the County received a 4.50% discount or $17,991 on the required employer contribution amount. The discount, combined with the interest and issuance costs, resulted in a net savings of $12,015 to the County. Refer to Note 3, Deposits and Investments, and Note 9, Short-term Obligations, for additional information.

Amounts, provided by OCERS' actuarial study reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

Actuarial Assumptions: The actuarial assumptions included a 3.00% 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 pension plan investments. 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)

17. 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 investment expenses. 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 expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage adding expected inflation and deducting expected investment expenses and a risk margin.

The target allocation 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%
Global Tactical Asset Allocation	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	$5,873,896	$4,044,638	$2,539,134

17. 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 Plans

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 2% 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 payment, which is the greater of the actuarial equivalent of the participant's frozen accrued monthly benefit or 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 Board 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 retirement benefit. As of June 30, 2017, the plan consists of 52 active plan participants, 194 terminated plan participants entitled to but not yet receiving benefits, and 38 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 Empower Retirement Investment management fee is an annual asset-based fee of 11 basis points (each basis point is one hundredth of a percent).

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 July 1, 2015, rolled forward to June 30, 2017 using actual benefit payments for FY 2015-16 and FY 2016-17. In both the 2015 valuation and the 2017 roll forward calculations the actuarial assets are valued at market value. The actuary has determined the County's actuarially determined contribution using the projected unit credit method, which is (a) normal cost, plus (b) 5-year rolling 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 $6,472. For the year ended June 30, 2017, the County and six (6) cost-sharing agencies contributed the total actuarially determined contribution of $784, which

(Dollar Amounts in Thousands)

17. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Contributions (Continued)

is equal to normal cost plus 5-year amortization of the UAAL. The County's proportionate share of the contribution was $769.

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: Prior to April 7, 2017, the plan invested 80% with Empower Retirement and held 20% of its investments in the OCIP. As of April 7, 2017, the plan invested 100% with Empower Retirement. The plan has stated its assets with Empower Retirement at fair value based on information provided by Empower Retirement.

Discount Rate: For the year ended June 30, 2017, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expense, was 8.51%. 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 5.25%, the same as long-term expected rate of return on plan assets.

In accordance with Paragraph 30 of GASB Statement No. 68, the long-term discount rate was determined without reduction for pension plan administrative expense.

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 investment with Empower Retirement and the OCIP plus expected inflation, rounded to the nearest 0.25%. Prior to April 7, 2017, the target investment allocation was 27% equities, 53% fixed incomes, and 20% cash and equivalents. With the transfer of the cash allocation from the OCIP to Empower Retirement, the target investment allocation became 33% equities and 67% fixed incomes as of April 7, 2017. The best estimate of the long-term expected geometric real rate of return for equities and fixed incomes (net of investment expense and inflation) are 4.82% and 1.47%, respectively.

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, 2017 were as follows:

Total Pension Liability	$	8,562
Plan's Fiduciary Net Position		(6,528)
Plan's Net Pension Liability	$	2,034
Plan Fiduciary Net Position as a percentage of the Total Pension Liability		76.24%

(Dollar Amounts in Thousands)

17. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to Pensions (Continued)

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and rolled forward to the measurement date of June 30, 2017. The County's proportionate share of the June 30, 2017 net pension liability is $1,995. The County's proportion of 98.1% is based on an employer contribution allocation and has not changed since June 30, 2016.

For the year ended June 30, 2017, the County recognized pension expense of $152. At June 30, 2017, the County reported deferred inflows of resources of $17, which represents the aggregated 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	$ –	$ 17
Total	$ –	$ 17

The deferred outflows and inflows of resources related to this pension plan will be recognized as pension expense for the County as follows:

Year ended June 30:	
2018	$ 19
2019	19
2020	(11)
2021	(44)

Actuarial Assumptions: The total pension liability based on the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement: (a) 3% inflation, (b) 5.25% 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%, and (d) RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020. 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 5.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Collective plan	$2,274	$2,034	$1,841
County's proportionate share	$2,231	$1,995	$1,806

17. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

Extra-Help Defined Contribution Plan

Plan Description: Effective March 1, 2002, as amended and restated on February 10, 2015, the Board established the Extra-Help Defined Contribution Plan to replace the Extra-Help Defined Benefit Retirement Plan for (a) 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 and (b) effective February 10, 2015, employees hired on or after such date (i) who attained age 60 by such hire date, (ii) who waive membership in the OCERS, do not have funds on deposit with OCERS and otherwise meet the requirements under OCERS' regulations and state law to waive membership in OCERS, (iii) whose employer has signed the OCERS Employer's Concurrence – Waiver of Membership form or any other documents that may be required by OCERS, and (iv) who sign the OCERS Employees' Waiver of Membership form and provide any other documents required by OCERS to waive membership. 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, 2017, there were 4,233 participants with a balance in the plan, with 3,932 participants actively contributing to the plan as of the end of June payroll.

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 County's Stable Value Fund offered through Empower Retirement, which is designed to protect principal and maximize earnings. Empower Retirement serves on behalf of the County as the third party administrator of the plan and holds all plan assets in trust. In the current fiscal year there was no additional contribution made by the County, and total employee contributions were $996. As of June 30, 2017, total plan assets were $7,873.

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. 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 March 24, 2015, the Board established the County 401(a) Plan for the benefit of eligible employees, elected officials, which includes 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 and all grandfathered administrative managers, effective June 23, 2006 and December 28, 2012, respectively. 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, 2017, the plan had 660 participants with a balance in the plan, and with 640 participants actively contributing to the plan as of the end of June payroll.

17. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

County of Orange 401 (a) Defined Contribution Plan (Continued)

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 4% to 8% of bi-weekly compensation. Total contributions for the fiscal year as of June 30, 2017, were $970 by the County and zero by the employees.

Empower Retirement, formerly Great West Retirement Services, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan defaults to the County's Stable Value Fund upon initial enrollment, which is offered through Empower Retirement and designed to protect principal and maximize earnings. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2017, total plan assets were $15,503.

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. 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 - 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 OCERS retirement formula for certain eligible employees. Effective May 7, 2010, as amended and restated on July 1, 2011, the Board approved the County 1.62% Defined Contribution Plan for the benefit of employees in the "1.62% at 65" OCERS retirement formula. The 1.62% Defined Contribution Plan is a combination governmental 457(b) and 401(a) retirement plan. Employee contributions are deposited into a 457(b) plan and employer-matching contributions are deposited into a 401(a) plan. Participation in the 1.62% Defined Contribution Plan is strictly voluntary and is designed to supplement the "1.62% at 65" OCERS retirement benefit. Only employees in the "1.62% at 65" OCERS retirement benefit formula are eligible to participate in the 1.62% Defined Contribution Plan.

On September 12, 2012, the Governor signed the PEPRA of 2013. PEPRA created a new pension retirement formula, commonly referred to as 2% at 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% at 62 PEPRA retirement formula. On December 18, 2012, the Board approved and adopted the "1.62% at 65" OCERS 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 Internal Revenue Code (IRC) Section 401(a) and is intended for retirement. Matching employer contributions are determined by the County and approved by the Board, as stipulated in the Participants' bargaining units Memorandum of Understanding (MOU) or Personnel and Salary Resolution, as applicable. Employer contributions vest on employees' behalf after five years of continuous service with the County. For the purposes of eligibility and vesting, year of service means a 12-consecutive-month period during which the employee completes at least 2080 hours of service, exclusive of overtime. If the employee leaves employment with the County prior to the vesting period, the employee will only be entitled to the employee contributions to the plan.

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, 2017, the plan had 1,446 participants with a balance in the plan, and with 1,355 participants actively contributing to the plan as of the end of June payroll.

(Dollar Amounts in Thousands)

17. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

County of Orange - 1.62% at 65 Retirement, 401(a) Defined Contribution Plan (Continued)

Funding Policy: This plan is a defined contribution plan funded entirely by employer contributions. As of June 30, 2017, 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 contributions for the fiscal year as of June 30, 2017, were $1,211 by the County and zero by the employees.

Empower Retirement, formerly Great West Retirement Services, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan defaults to the age-appropriate target-date fund upon initial enrollment. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2017, total plan assets were $2,771.

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. 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.

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, 2017:

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	$ 1	$ --	$ --	$ --	$ 1
Restricted Cash and Investments					
Restricted Investments with Trustee	32,600	6,528	7,854	15,480	2,738
Due from Other Governmental Agencies	74	--	19	23	32
Total Assets	32,675	6,528	7,873	15,503	2,771
Net Position					
Restricted for Retirement Plans Benefits	32,675	6,528	7,873	15,503	2,771
Total Net Position	$ 32,675	$ 6,528	$ 7,873	$ 15,503	$ 2,771

(Dollar Amounts in Thousands)

17. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

Condensed Financial Statements (Continued)

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	$ 2,965	$ 784	$ --	$ 970	$ 1,211
Employee	996	--	996	--	--
Interest and Investment Income	2,403	523	150	1,460	270
Less: Investment Expense	(27)	(5)	(8)	(11)	(3)
Total Additions	6,337	1,302	1,138	2,419	1,478
Deductions:					
Benefits Paid to Participants	2,174	373	624	1,177	--
Total Deductions	2,174	373	624	1,177	--
Change in Net Position for Employees' Retirement	4,163	929	514	1,242	1,478
Net Position at July 1, 2016	28,512	5,599	7,359	14,261	1,293
Net Position at June 30, 2017	$ 32,675	$ 6,528	$ 7,873	$ 15,503	$ 2,771

18. 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 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 Board. The Board is also the authority for amending the Retiree Medical Plan. The Retiree Medical Plan is not required by the 1937 County Employees' 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 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 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 2016 was $21.45 (absolute dollars) per year of County service, and the maximum base monthly Grant was $536.25 (absolute dollars). The base number for calendar year 2017 is $22.09 (absolute dollars) per year of County service, and the maximum monthly Grant is $552.25 (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

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Plan Description (Continued)

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 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.

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.

Employees represented by the Association of County Law Enforcement Managers (ACLEM) 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.

Effective July 8, 2016, all active Orange County Attorneys Association (OCAA) employees are no longer eligible for the Retiree Medical Grant or Lump Sum. A Defined Contribution Plan (HRA) was established to replace the Grant or Lump Sum for all 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 and ACLEM. 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

(Dollar Amounts in Thousands)

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Funding Policy (Continued)

the Grant. OCERS issues a Comprehensive Annual Financial Report (CAFR) for each year ending on December 31, which includes the Retiree Medical Trust. OCERS' CAFR can be obtained online at www.ocers.org, by written request 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 0.4% for AFSCME, 0.4% for OCAA, 3.4% for AOCDS, 7.1% for law enforcement management, 3.9% for the Probation Department safety personnel, and 4.0% of payroll for all other labor groups, which is the ARC for those groups. Additionally, effective July 10, 2015, contributions by employees represented by AOCDS and ACLEM hired before April 4, 2009 were reduced from 2.6% to 1.6% of base, while employees hired on or after April 4, 2009 were reduced from 1% to 0%.

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 Plan is calendar year based; therefore, 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, 2015 valuation for FY 2015-16 and 2016-17 for the Retiree Medical Plan (Report). Among the actuarial methods and assumptions used in the Report are:

- The entry age normal actuarial cost method
- Closed period amortization of the June 30, 2008 UAAL over 29 years as a level percentage of payroll (20 years remaining as of June 30, 2017)
- A 7.25% long-term expected rate of return on funds held in the Trusts
- A 3.50% per annum payroll increase assumption
- A 3.00% 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, healthcare trend rates have little impact on the projected benefits and the UAAL due to the 3% (or 5% for AFSCME) cap on Grant annual increases.
- 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.

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 Asset (NOA) for the current year:

	FY 2016-17
Total Annual Required Contribution	$ 45,921
Interest on Net OPEB Asset	(3,465)
Amortization on Net OPEB Asset	3,666
Annual OPEB Cost	46,122
Contributions Made	(47,853)
Increase in Net OPEB Asset	(1,731)
Net OPEB Asset, Beginning of year	(43,107)
Net OPEB Asset, End of year	$ (44,838)

(Dollar Amounts in Thousands)

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

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

The County's annual OPEB Cost, the percentage of annual OPEB cost contribution to the plan, and the NOA for FY 2016-17 and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset)
6/30/2015	$ 44,854	92%	$ (45,056)
6/30/2016	44,439	96%	(43,107)
6/30/2017	46,122	104%	(44,838)

Funded Status and Funding Progress: The funded status of the OPEB Plan as of June 30, 2015 is as follows:

Actuarial Accrued Liability (AAL)	$ 614,500
Actuarial Value of Plan Assets	217,556
Unfunded Actuarial Accrued Liability (UAAL)	$ 396,944
Funded Ratio (Actuarial Value of Plan Assets/AAL)	35.4%
Covered Payroll	$ 1,188,727
UAAL as Percentage of Covered Payroll	33.4%

The preceding noted actuarial accrued liability was based on the June 30, 2015 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 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 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 Document. The HRA Plan is not required by the Retirement Law. 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 10, 2009, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan (HRA) for employees represented by ACLEM effective June 19, 2009. The HRA replaces the Retiree Medical Plan for new employees, and supplements the current ACLEM employees' frozen service hour accruals for the Grant.

On May 12, 2015, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan (HRA) for employees represented by OCAA effective July 8, 2016. The HRA will replace the Retiree Medical Plan for all active attorney employees.

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Health Reimbursement Arrangement (HRA) (Continued)

Plan Description (Continued)

Administration of the HRA by the third party administrator began in August 2009. The HRA is intended to comply with the requirements of IRC Sections 105 and 106 and meets the requirements of a health reimbursement arrangement as defined under 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 Board or the plan administrator to comply with federal, state, local laws, statutes, regulations, or guidance from regulatory agencies. The Plan Document was amended and restated on January 1, 2011 to reflect changes to the definition of dependent due to healthcare reform.

The Plan Document was amended and restated on June 1, 2016 to provide for the transition of the OCAA to the HRA Plan in July 2016. Prior employee contributions for employees represented by OCAA to the retiree medical program and the interest earnings thereon through, July 5, 2016 were transferred as a lump sum deposit for eligible employees to their HRA accounts.

As of June 30, 2017, the plan had 2,700 active and 632 inactive participants.

Funding Policy: Employer and mandatory employee contributions were effective October 12, 2007 for employees represented by AOCDS, effective June 19, 2009 for employees represented by ACLEM, and effective July 8, 2016 for OCAA represented employees. All contributions made to the HRA are deemed to be employer contributions. Employee contributions for employees represented by each of the bargaining units are mandatory pursuant to their bargaining unit MOU and mandatory pursuant to Board action.

On March 15, 2016, the Board approved for employees represented by AOCDS, an increase in the County's contribution from 3.0% to 5.0% of base salary each pay period. Furthermore, required contributions by employees represented by AOCDS were decreased from 2.0% to 0% of base salary for each pay period. Employee contributions for employees represented by ACLEM and OCAA are mandatory pursuant to the MOU. For employees represented by ACLEM, the County contributes 1.0% of base salary each pay period and employees are also required to contribute 1.0% of base salary each pay period. For employees represented by OCAA, the County contributes 1.0% of base salary each pay period and employees are also be required to contribute 1.0% of base salary each pay period.

ICMA Retirement Corporation serves on behalf of the County as the third party administrator of the HRA. Contributions to the HRA Plan default to the age-appropriate target-date fund upon initial enrollment. Once enrolled, HRA participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the HRA. As of June 30, 2017, the value of HRA assets was $99,081.

Administrative Cost: Annual administrative fees include a plan asset fee of 0.40% and annual account fee of $80. Each quarter, 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.

(Dollar Amounts in Thousands)

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

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, 2017:

Statement of Fiduciary Net Position	Total	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
Assets			
Pooled Cash/Investments	$ 296	$ 250	$ 46
Restricted Cash and Investments			
Restricted Investments with Trustee	98,779	--	98,779
Restricted Cash with OCERS	268,394	268,394	--
Interest Receivable	14	14	--
Due from Other Governmental Agencies	1,403	1,147	256
Total Assets	368,886	269,805	99,081
Liabilities			
Due to Other Governmental Agencies	2	2	--
Total Liabilities	2	2	--
Net Position			
Restricted for OPEB Benefits	368,884	269,803	99,081
Total Net Position	$ 368,884	$ 269,803	$ 99,081

Statement of Changes in Fiduciary Net Position	Total	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
Additions:			
Employer Contributions	$ 61,041	$ 47,853	$ 13,188
Employee Contributions	2,691	2,691	--
Interest and Investment Income	37,745	27,817	9,928
Less: Investment Expense	(576)	(7)	(569)
Total Additions	100,901	78,354	22,547
Deductions:			
Benefits Paid to Participants	35,548	33,796	1,752
Administrative Expense	47	47	--
Total Deductions	35,595	33,843	1,752
Change in Net Position	65,306	44,511	20,795
Net Position at July 1, 2016	303,578	225,292	78,286
Net Position at June 30, 2017	$ 368,884	$ 269,803	$ 99,081

19. CONTINGENCIES

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 and at this time an estimate cannot be made. For information regarding claim payments and unpaid claims balance for self-insurance claims, refer to Note 15, Self-Insurance.

(Dollar Amounts in Thousands)

19. CONTINGENCIES (Continued)

Sales and Use Taxes

Department of Finance has not yet finalized its review of the misallocation of sales and use tax revenues identified by the State Controller and the Board of Equalization (BOE) proposed adjustment plan. The In-Home Supportive Services (IHSS) final agreement which includes trailer bills SB 90/AB 106 provides that counties will be held harmless for any amounts they may owe to the state as a result of the BOE sales tax miscalculation.

20. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2017:

Airport Revenue Bonds, Series 2009B: On July 1, 2017, the Airport partially redeemed the 2009B Bonds scheduled to mature in 2034 in the amount of $27,210. The early partial redemption will result in total future interest cost savings of $13,556. Refer to Note 10, Long-Term Obligations, for additional information.

Retirement of Bankruptcy Bonds: On July 1, 2017, the Lease Revenue Refunding Bonds, Series 2005, were retired. For additional information regarding the Lease Revenue Refunding Bonds, Series 2005, refer to Note 10, Long-Term Obligations.

U.S. Treasuries - SLGS: To comply with applicable federal law and the tax certificates associated with the OCPFA Lease Revenue Refunding Bonds Series 2005, the County invests excess available monies over the reasonable working capital reserve in tax-exempt government securities not subject to the Alternative Minimum Tax (AMT). At June 30, 2017, the County reported $67,557 of non-AMT tax-exempt securities in US Treasuries - SLGS. The Lease Revenue Refunding Bonds Series 2005 were retired on July 1, 2017, and on July 12, 2017, the County converted its tax exempt Teeter Plan Series B Notes to taxable notes. With the conversion to taxable notes, the non-AMT tax-exempt investment of $67,557 is no longer required, and was liquidated in its entirety on August 10, 2017. The County received $67,638, including accrued interest, as a result of the liquidation.

Teeter Plan Notes: On July 12, 2017, the County converted its tax exempt Teeter Plan Obligation Notes, Series B to taxable notes to retire the June 30, 2017 outstanding Teeter balance of $27,868 and finance the purchase of $30,621 for the delinquent property tax receivables associated with the Teeter Plan. Proceeds of this issuance, associated with the purchase of delinquent property tax receivables, paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. The outstanding balance as of July 12, 2017 was $58,489. For additional information regarding the Teeter Plan Notes, refer to Note 10, Long-Term Obligations.

Labor Organizations: On September 27, 2017, the Association of Orange County Deputy Sheriffs (AOCDS) filed a petition for the decertification of the Orange County Employees Association (OCEA) and the certification of AOCDS as the exclusively recognized employee organization representing the Probation Services (PS) Unit and the Probation Supervisory Management (PM) Unit.

The following classifications are included in the PS and PM Units:

Probation Services (PS) Unit Classifications	Probation Management (PM) Unit Classifications
Deputy Juvenile Correctional Officer I	Supervising Juvenile Correctional Officer
Deputy Juvenile Correctional Officer II	Supervising Probation Officer
Senior Juvenile Correctional Officer	
Deputy Probation Officer I	
Deputy Probation Officer II	
Senior Deputy Probation Officer	

(Dollar Amounts in Thousands)

20. SUBSEQUENT EVENTS (Continued)

Labor Organizations (Continued)

This modification in representation by AOCDS for the PS and PM Units was effective October 27, 2017. In addition to this petition, AOCDS requested a unit modification to move three bargaining units represented by OCEA into the PS and PM Units.

AOCDS requested the following classifications moved into the PS Unit:

Classification	Previous OCEA Unit
Deputy Coroner	Sheriffs Special Officer and Deputy Coroner (SO)
Senior Deputy Coroner	Sheriffs Special Officer and Deputy Coroner (SO)
Park Ranger I	Supervisory Management (SM)
Park Ranger II	Supervisory Management (SM)
Senior Park Ranger	Supervisory Management (SM)
Public Assistance Investigator Trainee	General (GE)
Public Assistance Investigator	General (GE)

AOCDS requested the following classifications moved into the PM Unit:

Classification	Previous OCEA Unit
Supervising Deputy Coroner	Supervisory Management (SM)
Supervising Park Ranger I	Supervisory Management (SM)
Supervising Public Assistance Investigator	Supervisory Management (SM)

These unit modifications were effective November 24, 2017.

OCERS Economic and Demographic Assumptions: On October 16, 2017, the OCERS Board adopted the following significant changes to the economic and demographic actuarial assumptions, which will be used to establish retirement contribution rates effective July 1, 2019:

- Reduced the assumed investment rate of return from 7.25% to 7.00%
- Reduced the assumed rate of price inflation from 3.00% to 2.75%
- Adopted the use of generational tables, which have identified reduced rates of mortality for members

Additionally, the OCERS Board adopted a three-year phase-in of the impact to the contribution rates associated with the Unfunded Actuarially Accrued Liability. The cumulative effect of these changes will have the impact of increasing contribution rates for members and plan sponsors.

Investment Policy Statement: On November 14, 2017, the Board of Supervisors adopted Resolution 17-134 approving the 2018 Investment Policy Statement (IPS) and delegating investment and deposit for safekeeping authority to the Treasurer-Tax Collector for calendar year 2018. The main changes to the 2018 IPS are: 1) clarification of the ratings required for investment purchases, 2) putting all credit rating requirements in one section, 3) clarification that investments over five years by other governing boards do not need to be approved separately by the Board, (4) updating language to match Government Code Section 56301 and (5) an increase to the State Pool limit based on the State Treasurer's policy increase from $50 million to $65 million.

ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

OC AUDITOR-CONTROLLER

TAXPAYER WATCHDOG

ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

Required Supplementary Information
(Dollar Amounts in Thousands)

Orange County Employees Retirement System (OCERS)

Schedule of County's Proportionate Share of the Net Pension Liability (1)

	2017	2016	2015	2014
County's proportion of the net pension liability	77.91%	76.83%	76.68%	74.20%
County's proportionate share of the net pension liability	$ 4,044,638	$ 4,391,967	$ 3,897,223	$ 3,925,919
Covered payroll (2)	$ 1,200,243	$ 1,118,395	$ 1,198,458	$ 1,176,008
County's proportionate share of the net pension liability as a percentage of its covered payroll (2)	336.98%	392.70%	325.19%	333.83%
Plan fiduciary net position as a percentage of the total pension liability	69.56%	65.66%	68.16%	66.88%

Schedule of County Contributions (1)

	2017	2016	2015
Actuarially determined contribution	$ 386,138	$ 358,103	$ 340,626
Contributions in relation to the actuarially determined contribution	386,138	358,103	340,626
Contribution deficiency (excess)	$ --	$ --	$ --
Covered payroll (2)	$ 1,200,243	$ 1,118,395	$ 1,198,458
Contributions as a percentage of covered - payroll	32.17%	32.02%	28.42%

(1) Information is from OCERS' actuary report for OCERS' fiscal year ended December 31, 2016.
(2) The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

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

Schedule of Changes in the Collective Plan Net Pension Liability and Related Ratios

	2017	2016	2015	2014
Total Pension Liability				
Interest	$ 436	$ 435	$ 271	$ 282
Difference between expected and actual experience	--	73	--	--
Changes of assumptions	--	73	--	--
Benefit payments, including refunds of member contributions	(372)	(424)	(522)	(695)
Net change in Total Pension Liability	64	157	(251)	(413)
Total Pension Liability-beginning	8,498	8,341	8,592	9,005
Total Pension Liability-ending (a)	$ 8,562	$ 8,498	$ 8,341	$ 8,592
Plan Fiduciary Net Position				
Contributions-employer	$ 784	$ 784	$ 421	$ 421
Net investment income	527	123	17	15
Investment Expense	(5)	(4)	--	--
Benefit payments, including refunds of member contributions	(372)	(428)	(522)	(695)
Administrative expense (1)	--	--	--	--
Other	(5)	7	--	--
Net change in Plan Fiduciary Net Position	929	482	(84)	(259)
Plan Fiduciary Net Position- beginning	5,599	5,117	5,201	5,460
Plan Fiduciary Net Position-ending (b)	$ 6,528	$ 5,599	$ 5,117	$ 5,201
Plan Net Pension Liability-ending (a) – (b)	$ 2,034	$ 2,899	$ 3,224	$ 3,391
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	76.24%	65.89%	61.35%	60.53%
Covered payroll (2)	$ 4,725	$ 1,747	$ 1,829	$ 1,876
Plan Net Pension Liability as a percentage of covered payroll (2)	43.05%	165.94%	176.27%	180.76%

Schedule of Investment Returns

	2017	2016	2015	2014
Actual money-weighted rate of return, net of investment expense	8.51%	2.22%	0.35%	0.26%

(1) Administrative expense does not round up to $1 in thousands.
(2) The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

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

	2017	2016	2015
County's proportion of the net pension liability	98.12%	98.12%	98.12%
County's proportionate share of the net pension liability	$ 1,995	$ 2,845	$ 3,163
Covered payroll (1)	$ 4,725	$ 1,747	$ 1,829
County's proportionate share of the net pension liability as a percentage of its covered payroll (1)	42.22%	162.85%	172.94%
Plan fiduciary net position as a percentage of the total pension liability	76.24%	65.89%	61.35%

Schedule of Collective Plan Contributions

	2017	2016	2015	2014
Actuarially determined contribution	$ 784	$ 784	$ 421	$ 421
Contributions in relation to the actuarially determined contribution	784	784	421	421
Contribution deficiency (excess)	$ --	$ --	$ --	$ --
Covered payroll (1)	$ 4,725	$ 1,747	$ 1,829	$ 1,876
Contributions as a percentage of covered payroll	16.59%	44.88%	23.02%	22.44%

Schedule of County Contributions

	2017	2016	2015	2014
Actuarially determined contribution	$ 769	$ 769	$ 413	$ 421
Contributions in relation to the actuarially determined contribution	769	769	413	421
Contribution deficiency (excess)	$ --	$ --	$ --	$ --
Covered payroll (1)	$ 4,725	$ 1,747	$ 1,829	$ 1,876
Contributions as a percentage of covered payroll	16.28%	44.02%	22.58%	22.44%

(1) The numbers for 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation

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.

(Dollar Amounts in Thousands)

Orange County Extra-Help Defined Benefit Plan (Continued)

Notes to Schedule

Valuation date	July 1, 2015
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open
Remaining amortization period	5 years
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	n/a
Investment rate of return	5.25%, net of investment expenses
Retirement age	100% retirement at age 65
Participation assumption	100%
Mortality	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020
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 Retiree Medical Plan

County of Orange Retiree Medical Plan (2)
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)
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) The County's outside actuarial consultant prepares a biennial actuarial valuation in conformance with GASB Statement Nos. 43 and 45.
(2) The Plan is calendar year based.

ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

OC AUDITOR-CONTROLLER

TAXPAYER WATCHDOG

ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

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 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.

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. The residual balances in these funds were distributed in FY 2016-17.

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, 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.

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.

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.

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.

Orange County Public Facilities Corporation Bonds, Master Lease

This non-budgeted 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.

Capital Facilities Development Corporation

This non-budgeted fund was established to account for the Civic Center Facilities Master Plan project and will facilitate financings, acquisitions of property, and other property related transactions for the benefit of Orange County, California.

South Orange County Public Financing Authority

This non-budgeted fund was established to account for the debt service expenditures for the South Orange County Public Financing Authority (SOCPFA). Included is the Lease Revenue Refunding Bonds, Series 2012, which were issued to redeem the outstanding OCPFA 2012 JJC bonds and pay costs relating to the issuance. On June 2, 2016, SOCPFA issued the Central Utility Facility Lease Revenue Bonds, Series 2016 to finance the acquisition, construction and installation of certain 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.

Capital Facilities Development Corporation Construction

This non-budgeted fund was established for the Civic Center Facilities Master Plan project and to account for the related construction.

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.

(Dollar Amounts in Thousands)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

	Total Nonmajor Governmental Funds	Special Revenue		
		Parking Facilities	Service Areas, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
ASSETS				
Pooled Cash/Investments	$ 684,314	$ 5,328	$ 25,563	$ 6,504
Restricted Cash and Investments with Trustee	355,754	--	64,831	--
Deposits In-Lieu of Cash	25	--	--	--
Receivables				
Accounts	2,502	45	--	1
Taxes	20,297	--	19	--
Interest/Dividends	1,335	14	63	15
Deposits	2,148	--	--	--
Allowance for Uncollectible Receivables	(96)	--	--	--
Due from Other Funds	37,963	404	--	25
Due from Other Governmental Agencies	31,101	345	--	44
Prepaid Costs	14,733	84	--	--
Notes Receivable, Net	27,572	--	--	255
Total Assets	$ 1,177,648	$ 6,220	$ 90,476	$ 6,844
LIABILITIES				
Accounts Payable	$ 26,475	$ 237	$ 7,926	$ --
Retainage Payable	2,785	1	1	--
Salaries and Employee Benefits Payable	1,917	11	--	--
Interest Payable	34	--	--	--
Deposits from Others	19,223	--	--	--
Due to Other Funds	60,321	230	31	30
Due to Component Unit	1	--	--	--
Due to Other Governmental Agencies	11,236	366	4,423	--
Unearned Revenue	21,314	--	--	--
Advances from Other Funds	32,640	--	--	--
Total Liabilities	175,946	845	12,381	30
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Intergovernmental Revenues	11,015	--	--	--
Unavailable Revenue - Property Taxes	1,390	--	8	--
Unavailable Revenue - Long-Term Notes Receivables	255	--	--	255
Unavailable Revenue - Other	273	--	--	--
Total Deferred Inflows of Resources	12,933	--	8	255
FUND BALANCES				
Nonspendable	14,929	84	--	--
Restricted	804,882	4,545	78,087	2,732
Assigned	168,958	746	--	3,827
Total Fund Balances	988,769	5,375	78,087	6,559
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,177,648	$ 6,220	$ 90,476	$ 6,844

(Dollar Amounts in Thousands)

Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
				ASSETS
$ 19,407	$ 125,056	$ 108,521	$ 70,682	Pooled Cash/Investments
--	--	--	--	Restricted Cash and Investments with Trustee
--	--	--	25	Deposits In-Lieu of Cash
				Receivables
--	110	1,032	308	Accounts
--	--	1,123	--	Taxes
--	260	246	158	Interest/Dividends
--	--	7	2,083	Deposits
--	--	--	--	Allowance for Uncollectible Receivables
--	3,864	58	--	Due from Other Funds
--	3,170	297	126	Due from Other Governmental Agencies
--	261	4,521	119	Prepaid Costs
--	6,420	--	--	Notes Receivable, Net
$ 19,407	$ 139,141	$ 115,805	$ 73,501	Total Assets
				LIABILITIES
$ --	$ 5,533	$ 3,654	$ 1,690	Accounts Payable
--	887	578	492	Retainage Payable
--	26	698	16	Salaries and Employee Benefits Payable
--	--	--	--	Interest Payable
--	1	1,507	3,094	Deposits from Others
7,970	26,421	2,399	625	Due to Other Funds
--	--	--	--	Due to Component Unit
--	1,098	237	108	Due to Other Governmental Agencies
--	1	2,119	2	Unearned Revenue
--	21,340	--	--	Advances from Other Funds
7,970	55,307	11,192	6,027	Total Liabilities
				DEFERRED INFLOWS OF RESOURCES
--	1,240	--	--	Unavailable Revenue - Intergovernmental Revenues
--	--	894	--	Unavailable Revenue - Property Taxes
--	--	--	--	Unavailable Revenue - Long-Term Notes Receivables
--	--	--	--	Unavailable Revenue - Other
--	1,240	894	--	Total Deferred Inflows of Resources
				FUND BALANCES
--	261	4,521	119	Nonspendable
11,437	56,318	87,115	67,355	Restricted
--	26,015	12,083	--	Assigned
11,437	82,594	103,719	67,474	Total Fund Balances
$ 19,407	$ 139,141	$ 115,805	$ 73,501	Total Liabilities, Deferred Inflows of Resources and Fund Balances

(Dollar Amounts in Thousands)

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	$ 12,781	$ --	$ 45,312	$ 27	$ 50,148
Restricted Cash and Investments with Trustee	--	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--	--
Receivables					
Accounts	--	--	322	--	--
Taxes	--	--	684	--	--
Interest/Dividends	28	--	102	--	42
Deposits	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	--	--	26	17,103	267
Due from Other Governmental Agencies	--	--	30	--	677
Prepaid Costs	--	--	4,514	--	--
Notes Receivable, Net	18,920	--	--	--	--
Total Assets	$ 31,729	$ --	$ 50,990	$ 17,130	$ 51,134
LIABILITIES					
Accounts Payable	$ --	$ --	$ 1,041	$ --	$ --
Retainage Payable	--	--	40	--	--
Salaries and Employee Benefits Payable	--	--	576	--	--
Interest Payable	--	--	--	--	--
Deposits from Others	--	--	444	--	--
Due to Other Funds	188	--	4,973	--	7,674
Due to Component Unit	--	--	--	--	1
Due to Other Governmental Agencies	--	--	6	--	4,804
Unearned Revenue	--	--	115	--	4,705
Advances from Other Funds	--	--	--	--	--
Total Liabilities	188	--	7,195	--	17,184
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Intergovernmental Revenues	--	--	50	--	--
Unavailable Revenue - Property Taxes	--	--	488	--	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	--
Unavailable Revenue - Other	--	--	263	--	--
Total Deferred Inflows of Resources	--	--	801	--	--
FUND BALANCES					
Nonspendable	--	--	4,514	--	--
Restricted	31,541	--	38,480	17,130	21,867
Assigned	--	--	--	--	12,083
Total Fund Balances	31,541	--	42,994	17,130	33,950
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 31,729	$ --	$ 50,990	$ 17,130	$ 51,134

(Dollar Amounts in Thousands)

Special Revenue: Roads	Special Revenue: Orange County Housing Authority	Special Revenue: Other Governmental Resources	Debt Service: Teeter Plan Notes	Debt Service: Orange County Public Facilities Corporation Bonds, Master Lease	
					ASSETS
$ 100,002	$ 9,733	$ 1,366	$ 42,158	$ --	Pooled Cash/Investments
--	6,501	--	34	2,943	Restricted Cash and Investments with Trustee
--	--	--	--	--	Deposits In-Lieu of Cash
					Receivables
163	521	--	--	--	Accounts
--	--	--	18,471	--	Taxes
228	23	2	105	--	Interest/Dividends
58	--	--	--	--	Deposits
(23)	(73)	--	--	--	Allowance for Uncollectible Receivables
2,031	8	--	--	--	Due from Other Funds
13,881	1,123	--	11,053	--	Due from Other Governmental Agencies
3,670	1,564	--	--	--	Prepaid Costs
--	1,977	--	--	--	Notes Receivable, Net
$ 120,010	$ 21,377	$ 1,368	$ 71,821	$ 2,943	Total Assets
					LIABILITIES
$ 3,163	$ 898	$ --	$ --	$ --	Accounts Payable
430	--	--	--	--	Retainage payable
401	189	--	--	--	Salaries and Employee Benefits Payable
--	--	--	34	--	Interest Payable
14,177	--	--	--	--	Deposits from Others
3,120	1,920	--	--	--	Due to Other Funds
--	--	--	--	--	Due to Component Unit
193	1	--	--	--	Due to Other Governmental Agencies
14,372	--	--	--	--	Unearned Revenue
--	--	--	--	--	Advances from Other Funds
35,856	3,008	--	34	--	Total Liabilities
					DEFERRED INFLOWS OF RESOURCES
9,725	--	--	--	--	Unavailable Revenue - Intergovernmental Revenues
--	--	--	--	--	Unavailable Revenue - Property Taxes
--	--	--	--	--	Unavailable Revenue - Long-Term Notes Receivables
--	--	--	--	--	Unavailable Revenue - Other
9,725	--	--	--	--	Total Deferred Inflows of Resources
					FUND BALANCES
3,670	1,564	--	--	--	Nonspendable
70,759	16,805	1,368	18,471	2,943	Restricted
--	--	--	53,316	--	Assigned
74,429	18,369	1,368	71,787	2,943	Total Fund Balances
$ 120,010	$ 21,377	$ 1,368	$ 71,821	$ 2,943	Total Liabilities, Deferred Inflows of Resources and Fund Balances

(Dollar Amounts in Thousands)

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Debt Service			
	Pension Obligation Bonds	Capital Facilities Development Corporation	South OC Public Financing Authority	Orange County Public Financing Authority
ASSETS				
Pooled Cash/Investments	$ 78	$ --	$ --	$ --
Restricted Cash and Investments with Trustee	61,390	21,538	25,259	21,787
Deposits In-Lieu of Cash	--	--	--	--
Receivables				
Accounts	--	--	--	--
Taxes	--	--	--	--
Interest/Dividends	--	--	--	--
Deposits	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--
Due from Other Funds	--	--	--	--
Due from Other Governmental Agencies	--	--	--	--
Prepaid Costs	--	--	--	--
Notes Receivable, Net	--	--	--	--
Total Assets	$ 61,468	$ 21,538	$ 25,259	$ 21,787
LIABILITIES				
Accounts Payable	$ --	$ --	$ --	$ --
Retainage payable	--	--	--	--
Salaries and Employee Benefits Payable	--	--	--	--
Interest Payable	--	--	--	--
Deposits from Others	--	--	--	--
Due to Other Funds	8	--	1,972	--
Due to Component Unit	--	--	--	--
Due to Other Governmental Agencies	--	--	--	--
Unearned Revenue	--	--	--	--
Advances from Other Funds	--	--	--	--
Total Liabilities	8	--	1,972	--
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Intergovernmental Revenues	--	--	--	--
Unavailable Revenue - Property Taxes	--	--	--	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--
Unavailable Revenue - Other	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
FUND BALANCES				
Nonspendable	--	--	--	--
Restricted	61,460	21,538	23,287	7,465
Assigned	--	--	--	14,322
Total Fund Balances	61,460	21,538	23,287	21,787
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 61,468	$ 21,538	$ 25,259	$ 21,787

(Dollar Amounts in Thousands)

Capital Projects: Criminal Justice Facilities	Capital Projects: Countywide Capital Projects Non-General Fund	Capital Projects: Capital Facilities Development Corporation Construction	Permanent: Regional Park Endowment	
				ASSETS
$ 19,744	$ 41,564	$ --	$ 340	Pooled Cash/Investments
--	--	151,471	--	Restricted Cash and Investments with Trustee
--	--	--	--	Deposits In-Lieu of Cash
				Receivables
--	--	--	--	Accounts
--	--	--	--	Taxes
48	--	--	1	Interest/Dividends
--	--	--	--	Deposits
--	--	--	--	Allowance for Uncollectible Receivables
4,600	9,577	--	--	Due from Other Funds
355	--	--	--	Due from Other Governmental Agencies
--	--	--	--	Prepaid Costs
--	--	--	--	Notes Receivable, Net
$ 24,747	$ 51,141	$ 151,471	$ 341	Total Assets
				LIABILITIES
$ 429	$ 1,904	$ --	$ --	Accounts Payable
356	--	--	--	Retainage payable
--	--	--	--	Salaries and Employee Benefits Payable
--	--	--	--	Interest Payable
--	--	--	--	Deposits from Others
89	2,671	--	--	Due to Other Funds
--	--	--	--	Due to Component Unit
--	--	--	--	Due to Other Governmental Agencies
--	--	--	--	Unearned Revenue
11,300	--	--	--	Advances from Other Funds
12,174	4,575	--	--	Total Liabilities
				DEFERRED INFLOWS OF RESOURCES
--	--	--	--	Unavailable Revenue - Intergovernmental Revenues
--	--	--	--	Unavailable Revenue - Property Taxes
--	--	--	--	Unavailable Revenue - Long-Term Notes Receivables
10	--	--	--	Unavailable Revenue - Other
10	--	--	--	Total Deferred Inflows of Resources
				FUND BALANCES
--	--	--	196	Nonspendable
12,563	--	151,471	145	Restricted
--	46,566	--	--	Assigned
12,563	46,566	151,471	341	Total Fund Balances
$ 24,747	$ 51,141	$ 151,471	$ 341	Total Liabilities, Deferred Inflows of Resources and Fund Balances

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

		Special Revenue		
	Total Nonmajor Governmental Funds	Parking Facilities	Service Area, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
Revenues				
Taxes	$ 133,675	$ --	$ 619	$ --
Licenses, Permits, and Franchises	1,844	--	--	--
Fines, Forfeitures, and Penalties	25,279	--	--	--
Use of Money and Property	53,384	12,269	352	544
Intergovernmental	359,985	1,948	95,203	1,190
Charges for Services	55,641	328	30	550
Other	31,766	27	2	253
Total Revenues	661,574	14,572	96,206	2,537
Expenditures				
Current				
General Government	72,413	--	55,276	93
Public Protection	840	--	--	136
Public Ways and Facilities	66,536	8,635	208	99
Health and Sanitation	1,561	--	--	--
Public Assistance	182,655	--	--	--
Education	42,564	--	--	--
Recreation and Cultural Services	106,356	--	--	--
Capital Outlay	105,450	375	--	385
Debt Service				
Principal Retirement	90,813	--	--	--
Interest	38,517	--	--	--
Total Expenditures	707,705	9,010	55,484	713
Excess (Deficit) of Revenues Over Expenditures	(46,131)	5,562	40,722	1,824
Other Financing Sources (Uses)				
Transfers In	324,682	484	--	25
Transfers Out	(306,910)	(3,774)	--	--
Debt Issued	31,536	--	--	--
Loan Proceeds	175,340	--	--	--
Total Other Financing Sources (Uses)	224,648	(3,290)	--	25
Net Change in Fund Balances	178,517	2,272	40,722	1,849
Fund Balances - Beginning of Year	810,252	3,103	37,365	4,710
Fund Balances - End of Year	$ 988,769	$ 5,375	$ 78,087	$ 6,559

(Dollar Amounts in Thousands)

Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
				Revenues
$ --	$ --	$ 82,265	$ --	Taxes
--	822	247	--	Licenses, Permits, and Franchises
--	--	50	94	Fines, Forfeitures, and Penalties
90	894	11,076	26,277	Use of Money and Property
--	31,520	948	--	Intergovernmental
--	3,509	9,831	957	Charges for Services
26,685	1,028	998	90	Other
26,775	37,773	105,415	27,418	Total Revenues
				Expenditures
				Current
8	--	--	--	General Government
--	704	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
--	20,548	--	--	Public Assistance
--	--	--	--	Education
--	--	84,726	21,630	Recreation and Cultural Services
--	19,212	9,419	3,620	Capital Outlay
				Debt Service
--	--	--	--	Principal Retirement
--	--	--	--	Interest
8	40,464	94,145	25,250	Total Expenditures
26,767	(2,691)	11,270	2,168	Excess (Deficit) of Revenues Over Expenditures
				Other Financing Sources (Uses)
8	13,139	--	--	Transfers In
(27,848)	(27,961)	(558)	(18)	Transfers Out
--	--	--	--	Debt Issued
--	--	--	--	Loan Proceeds
(27,840)	(14,822)	(558)	(18)	Total Other Financing Sources (Uses)
(1,073)	(17,513)	10,712	2,150	Net Change in Fund Balances
12,510	100,107	93,007	65,324	Fund Balances - Beginning of Year
$ 11,437	$ 82,594	$ 103,719	$ 67,474	Fund Balances - End of Year

(Dollar Amounts in Thousands)

**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	$ --	$ --	$ 50,791	$ --	$ --
Licenses, Permits, and Franchises	--	--	3	--	--
Fines, Forfeitures, and Penalties	--	--	7	--	7,627
Use of Money and Property	228	--	231	15	331
Intergovernmental	--	--	372	--	5,910
Charges for Services	--	--	1,084	--	1,271
Other	78	--	571	--	61
Total Revenues	306	--	53,059	15	15,200
Expenditures					
Current					
General Government	--	15	--	13,592	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	1,561
Public Assistance	695	--	--	--	--
Education	--	--	42,564	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	1,690	--	--
Debt Service					
Principal Retirement	--	--	13	--	--
Interest	--	--	--	--	--
Total Expenditures	695	15	44,267	13,592	1,561
Excess (Deficit) of Revenues Over Expenditures	(389)	(15)	8,792	(13,577)	13,639
Other Financing Sources (Uses)					
Transfers In	62	--	--	17,103	374
Transfers Out	--	--	--	--	(14,001)
Debt Issued	--	--	--	--	--
Loan Proceeds	--	--	--	--	--
Total Other Financing Sources (Uses)	62	--	--	17,103	(13,627)
Net Change in Fund Balances	(327)	(15)	8,792	3,526	12
Fund Balances - Beginning of Year	31,868	15	34,202	13,604	33,938
Fund Balances - End of Year	$ 31,541	$ --	$ 42,994	$ 17,130	$ 33,950

(Dollar Amounts in Thousands)

	Special Revenue			Debt Service	
	Roads	Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	Orange County Public Facilities Corporation Bonds, Master Lease
Revenues					
Taxes	$ --	$ --	$ --	$ --	$ --
Licenses, Permits, and Franchises	772	--	--	--	--
Fines, Forfeitures, and Penalties	3	--	--	14,450	--
Use of Money and Property	253	101	7	162	--
Intergovernmental	60,669	162,225	--	--	--
Charges for Services	37,936	10	135	--	--
Other	1,185	666	40	--	--
Total Revenues	100,818	163,002	182	14,612	--
Expenditures					
Current					
General Government	--	--	6	154	8
Public Protection	--	--	--	--	--
Public Ways and Facilities	57,594	--	--	--	--
Health and Sanitation	--	--	--	--	--
Public Assistance	--	161,412	--	--	--
Education	--	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	19,615	19	--	--	--
Debt Service					
Principal Retirement	--	--	--	33,859	451
Interest	--	--	--	600	2,157
Total Expenditures	77,209	161,431	6	34,613	2,616
Excess (Deficit) of Revenues Over Expenditures	23,609	1,571	176	(20,001)	(2,616)
Other Financing Sources (Uses)					
Transfers In	--	--	--	11,620	2,405
Transfers Out	(273)	(76)	(3)	--	--
Debt Issued	--	--	--	31,536	--
Loan Proceeds	--	--	--	--	--
Total Other Financing Sources (Uses)	(273)	(76)	(3)	43,156	2,405
Net Change in Fund Balances	23,336	1,495	173	23,155	(211)
Fund Balances - Beginning of Year	51,093	16,874	1,195	48,632	3,154
Fund Balances - End of Year	$ 74,429	$ 18,369	$ 1,368	$ 71,787	$ 2,943

(Dollar Amounts in Thousands)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS**

	Debt Service			
	Pension Obligation Bonds	Capital Facilities Development Corporation	South OC Public Financing Authority	Orange County Public Financing Authority
Revenues				
Taxes	$ --	$ --	$ --	$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures, and Penalties	--	--	--	--
Use of Money and Property	19	--	174	134
Intergovernmental	--	--	--	--
Charges for Services	--	--	--	--
Other	--	--	--	--
Total Revenues	19	--	174	134
Expenditures				
Current				
General Government	38	1,313	--	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	--	--	--
Education	--	--	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	--	--	--	--
Debt Service				
Principal Retirement	7,920	--	7,335	41,235
Interest	31,199	--	2,974	1,587
Total Expenditures	39,157	1,313	10,309	42,822
Excess (Deficit) of Revenues Over Expenditures	(39,138)	(1,313)	(10,135)	(42,688)
Other Financing Sources (Uses)				
Transfers In	--	--	10,291	10,055
Transfers Out	--	(152,489)	(37,813)	(1,144)
Debt Issued	--	--	--	--
Loan Proceeds	--	175,340	--	--
Total Other Financing Sources (Uses)	--	22,851	(27,522)	8,911
Net Change in Fund Balances	(39,138)	21,538	(37,657)	(33,777)
Fund Balances - Beginning of Year	100,598	--	60,944	55,564
Fund Balances - End of Year	$ 61,460	$ 21,538	$ 23,287	$ 21,787

(Dollar Amounts in Thousands)

Criminal Justice Facilities (Capital Projects)	Countywide Capital Projects Non-General Fund (Capital Projects)	Capital Facilities Development Corporation Construction (Capital Projects)	Regional Park Endowment (Permanent)	
				Revenues
$ --	$ --	$ --	$ --	Taxes
--	--	--	--	Licenses, Permits, and Franchises
3,048	--	--	--	Fines, Forfeitures, and Penalties
91	135	--	1	Use of Money and Property
--	--	--	--	Intergovernmental
--	--	--	--	Charges for Services
73	6	--	3	Other
3,212	141	--	4	Total Revenues
				Expenditures
				Current
--	1,528	382	--	General Government
--	--	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
--	--	--	--	Public Assistance
--	--	--	--	Education
--	--	--	--	Recreation and Cultural Services
14,175	36,304	636	--	Capital Outlay
				Debt Service
--	--	--	--	Principal Retirement
--	--	--	--	Interest
14,175	37,832	1,018	--	Total Expenditures
(10,963)	(37,691)	(1,018)	4	Excess (Deficit) of Revenues Over Expenditures
				Other Financing Sources (Uses)
16,699	89,928	152,489	--	Transfers In
(3,668)	(37,284)	--	--	Transfers Out
--	--	--	--	Debt Issued
--	--	--	--	Loan Proceeds
13,031	52,644	152,489	--	Total Other Financing Sources (Uses)
2,068	14,953	151,471	4	Net Change in Fund Balances
10,495	31,613	--	337	Fund Balances - Beginning of Year
$ 12,563	$ 46,566	$ 151,471	$ 341	Fund Balances - End of Year

(Dollar Amounts in Thousands)

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	$ 6,353	$ 6,353	$ 5,942	$ (411)
Charges for Services	274	274	328	54
Other	6	6	27	21
Transfers In	--	484	484	--
Total Revenues and Other Financing Sources	6,633	7,117	6,781	(336)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Parking Facilities	7,756	7,954	6,876	1,078
Total Expenditures and Other Financing Uses	7,756	7,954	6,876	1,078
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,123)	(837)	(95)	$ 742
Fund Balances - Beginning of Year	837	837	837	
Fund Balances - End of Year	$ (286)	$ --	$ 742	
Service Area, Lighting, Maintenance, and Assessment Districts				
Revenues and Other Financing Sources				
Taxes	$ 607	$ 607	$ 619	$ 12
Use of Money and Property	68	213	549	336
Intergovernmental	4	4	4	--
Charges for Services	29	29	30	1
Other	150	150	2	(148)
Premiums on Bonds Issued	--	--	10,142	10,142
Bond Issuance Proceeds	--	101,819	85,057	(16,762)
Total Revenues and Other Financing Sources	858	102,822	96,403	(6,419)
Expenditures and Other Financing Uses				
General Government:				
Special Assessment-Top of the World Improvement	56	56	--	56
CFD 2015-1 RMV (Village of Esencia) Construction	19,102	32,438	4,431	28,007
CFD 2016-1 RMV (Village of Esencia) Construction	--	101,819	35,008	66,811
Public Ways and Facilities:				
North Tustin Landscaping and Lighting Assessment District	3,700	3,700	162	3,538
County Service Area No. 13- La Mirada	10	10	9	1
County Service Area No. 20- La Habra	10	10	--	10
County Service Area No. 22- East Yorba Linda	124	124	37	87
Total Expenditures and Other Financing Uses	23,002	138,157	39,647	98,510
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(22,144)	(35,335)	56,756	$ 92,091
Fund Balances - Beginning of Year	37,209	37,209	37,209	
Fund Balances - End of Year	$ 15,065	$ 1,874	$ 93,965	
Other Environmental Management				
Revenues and Other Financing Sources				
Use of Money and Property	$ 401	$ 401	$ 569	$ 168
Intergovernmental	495	495	1,190	695
Charges for Services	75	75	550	475
Other	166	166	253	87
Transfers In	--	25	25	--
Total Revenues and Other Financing Sources	1,137	1,162	2,587	1,425
Expenditures and Other Financing Uses				
General Government:				
Real Estate Development Program	1,767	1,792	54	1,738
Air Quality Improvement	744	744	424	320
Public Protection:				
Survey Monument Preservation	357	357	135	222
Public Ways and Facilities:				
El Toro Improvement Fund	1,136	1,136	99	1,037
Total Expenditures and Other Financing Uses	4,004	4,029	712	3,317
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,867)	(2,867)	1,875	$ 4,742
Fund Balances - Beginning of Year	4,696	4,696	4,696	
Fund Balances - End of Year	$ 1,829	$ 1,829	$ 6,571	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
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	$ 26,299	$ 25,659	$ 26,685	$ 1,026
Total Revenues and Other Financing Sources	26,299	25,659	26,685	1,026
Expenditures and Other Financing Uses				
General Government:				
Orange County Tobacco Settlement Fund	36,120	38,120	27,721	10,399
Total Expenditures and Other Financing Uses	36,120	38,120	27,721	10,399
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(9,821)	(12,461)	(1,036)	$ 11,425
Fund Balances - Beginning of Year	12,461	12,461	12,461	
Fund Balances - End of Year	$ 2,640	$ --	$ 11,425	
Community and Welfare Services				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	$ 900	$ 900	$ 822	$ (78)
Use of Money and Property	1,088	1,088	1,386	298
Intergovernmental	42,783	45,783	31,725	(14,058)
Charges for Services	6,341	3,341	3,503	162
Other	479	479	1,028	549
Transfers In	37,146	37,156	34,478	(2,678)
Total Revenues and Other Financing Sources	88,737	88,747	72,942	(15,805)
Expenditures and Other Financing Uses				
Public Assistance:				
MHSA Housing Fund	1,001	1,001	17	984
OC Animal Care Center Donations	100	123	101	22
Dispute Resolution Program	888	851	572	279
Domestic Violence Program	974	995	765	230
Facilities Development and Maintenance	7,386	7,386	327	7,059
Workforce Investment Act	22,801	22,182	11,521	10,661
County Executive Office- Single Family Housing	951	951	3	948
OC Housing	10,307	10,903	6,074	4,829
Strategic Priority Affordable Housing	448	540	112	428
In-Home Support Services Public Authority	2,480	2,480	1,775	705
SSA Donations and Fees	1,466	1,466	960	506
SSA Wraparound	25,867	31,866	25,625	6,241
CalHome Program Reuse Fund	1,084	1,270	9	1,261
OC Animal Shelter Fund	25,235	27,151	20,035	7,116
Santa Ana Regional Center Lease Conveyance	619	619	618	1
Total Expenditures and Other Financing Uses	101,607	109,784	68,514	41,270
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(12,870)	(21,037)	4,428	$ 25,465
Fund Balances - Beginning of Year	100,915	100,915	100,915	
Fund Balances - End of Year	$ 88,045	$ 79,878	$ 105,343	
OC Parks				
Revenues and Other Financing Sources				
Taxes	$ 78,939	$ 78,939	$ 82,102	$ 3,163
Licenses, Permits, and Franchises	210	210	247	37
Fines, Forfeitures, and Penalties	34	34	50	16
Use of Money and Property	10,056	10,056	11,269	1,213
Intergovernmental	5,941	5,941	948	(4,993)
Charges for Services	8,598	8,598	9,830	1,232
Other	1,376	1,376	833	(543)
Transfers In	11,746	11,746	11,746	--
Total Revenues and Other Financing Sources	116,900	116,900	117,025	125
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
County Tidelands - Newport Bay	6,591	6,591	4,472	2,119
OC Parks	109,123	110,123	91,775	18,348
OC Capital	31,018	34,096	10,373	23,723
Total Expenditures and Other Financing Uses	146,732	150,810	106,620	44,190
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(29,832)	(33,910)	10,405	$ 44,315
Fund Balances - Beginning of Year	91,957	91,957	91,957	
Fund Balances - End of Year	$ 62,125	$ 58,047	$ 102,362	

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
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	127	127	94	(33)
Use of Money and Property	25,178	25,178	26,593	1,415
Charges for Services	946	946	957	11
Other	41	41	89	48
Total Revenues and Other Financing Sources	26,302	26,302	27,733	1,431
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
OC Dana Point Harbor	45,815	45,261	25,144	20,117
Total Expenditures and Other Financing Uses	45,815	45,261	25,144	20,117
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(19,513)	(18,959)	2,589	$ 21,548
Fund Balances - Beginning of Year	65,133	65,133	65,133	
Fund Balances - End of Year	$ 45,620	$ 46,174	$ 67,722	
Housing Asset				
Revenues and Other Financing Sources				
Use of Money and Property	$ 226	$ 226	$ 279	$ 53
Transfers In	--	62	62	--
Total Revenues and Other Financing Sources	226	288	341	53
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Development Agency Housing Asset	11,992	12,824	695	12,129
Total Expenditures and Other Financing Uses	11,992	12,824	695	12,129
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,766)	(12,536)	(354)	$ 12,182
Fund Balances - Beginning of Year	31,918	31,918	31,918	
Fund Balances - End of Year	$ 20,152	$ 19,382	$ 31,564	
Schedule I County-Administered Accounts				
Revenues and Other Financing Sources				
Other	$ --	$ 1	$ --	$ (1)
Total Revenues and Other Financing Sources	--	1	--	(1)
Expenditures and Other Financing Uses				
General Government:				
Indemnification Reserve	--	4	3	1
Litigation Reserve	--	12	12	--
Total Expenditures and Other Financing Uses	--	16	15	1
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	(15)	(15)	$ --
Fund Balances - Beginning of Year	15	15	15	
Fund Balances - End of Year	$ 15	$ --	$ --	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
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	$ 44,725	$ 44,725	$ 50,671	$ 5,946
Licenses, Permits, and Franchises	--	--	3	3
Fines, Forfeitures, and Penalties	19	19	7	(12)
Use of Money and Property	246	246	409	163
Intergovernmental	560	560	372	(188)
Charges for Services	1,042	1,042	1,084	42
Other	551	551	572	21
Transfers In	--	4,500	4,500	--
Total Revenues and Other Financing Sources	47,143	51,643	57,618	5,975
Expenditures and Other Financing Uses				
Education:				
OC Public Libraries - Capital	1,943	7,652	1,249	6,403
OC Public Libraries	56,317	61,297	47,119	14,178
Total Expenditures and Other Financing Uses	58,260	68,949	48,368	20,581
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,117)	(17,306)	9,250	$ 26,556
Fund Balances - Beginning of Year	33,788	33,788	33,788	
Fund Balances - End of Year	$ 22,671	$ 16,482	$ 43,038	

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Plan of Adjustment Available Cash				
Revenues and Other Financing Sources				
Use of Money and Property	$ 25	$ 25	$ 22	$ (3)
Transfers In	5,384	17,103	17,104	1
Total Revenues and Other Financing Sources	5,409	17,128	17,126	(2)
Expenditures and Other Financing Sources				
General Government:				
Recovery Plan of Adjustment Available Cash	12,314	25,324	13,593	11,731
Total Expenditures and Other Financing Uses	12,314	25,324	13,593	11,731
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,905)	(8,196)	3,533	$ 11,729
Fund Balances - Beginning of Year	13,597	13,597	13,597	
Fund Balances - End of Year	$ 6,692	$ 5,401	$ 17,130	

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Health Care Programs				
Revenues and Other Financing Sources				
Fines, Forfeitures, and Penalties	$ 8,765	$ 8,765	$ 7,627	$ (1,138)
Use of Money and Property	124	124	221	97
Intergovernmental	5,977	7,177	6,786	(391)
Charges for Services	1,344	1,344	1,271	(73)
Other	255	255	61	(194)
Transfers In	400	400	359	(41)
Total Revenues and Other Financing Sources	16,865	18,065	16,325	(1,740)
Expenditures and Other Financing Uses				
Health and Sanitation:				
Medi-Cal Administrative Activities Targeted Case Management	1,733	1,933	1,675	258
Emergency Medical Services	8,664	8,664	7,537	1,127
HCA Purpose Restricted Revenues	2,466	2,466	1,081	1,385
HCA Interest Bearing Purpose Restricted Revenues	30	30	24	6
Bioterrorism Center for Disease Control	4,348	5,348	5,000	348
Total Expenditures and Other Financing Uses	17,241	18,441	15,317	3,124
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(376)	(376)	1,008	$ 1,384
Fund Balances - Beginning of Year	33,857	33,857	33,857	
Fund Balances - End of Year	$ 33,481	$ 33,481	$ 34,865	

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Roads				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	$ 606	$ 606	$ 772	$ 166
Fines, Forfeitures, and Penalties	7	7	5	(2)
Use of Money and Property	490	490	658	168
Intergovernmental	68,306	68,598	60,533	(8,065)
Charges for Services	34,574	34,574	38,072	3,498
Other	41,088	45,560	1,339	(44,221)
Total Revenues and Other Financing Sources	145,071	149,835	101,379	(48,456)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
OC Road	145,499	145,790	76,976	68,814
Foothill Circulation Phasing Plan	1,026	1,245	373	872
South County Roadway Improve Prog (SCRIP)	34,323	34,323	--	34,323
Total Expenditures and Other Financing Uses	180,848	181,358	77,349	104,009
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(35,777)	(31,523)	24,030	$ 55,553
Fund Balances - Beginning of Year	52,027	52,027	52,027	
Fund Balances - End of Year	$ 16,250	$ 20,504	$ 76,057	
Orange County Housing Authority				
Revenues and Other Financing Sources				
Use of Money and Property	$ 88	$ 88	$ 150	$ 62
Intergovernmental	163,573	164,466	162,225	(2,241)
Charges for Services	5	5	10	5
Other	1,141	1,020	666	(354)
Total Revenues and Other Financing Sources	164,807	165,579	163,051	(2,528)
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Housing Authority-Operating Reserve	5,592	5,593	1,347	4,246
Orange County Housing Authority	168,296	169,954	160,164	9,790
Total Expenditures and Other Financing Uses	173,888	175,547	161,511	14,036
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(9,081)	(9,968)	1,540	$ 11,508
Fund Balances - Beginning of Year	16,846	16,846	16,846	
Fund Balances - End of Year	$ 7,765	$ 6,878	$ 18,386	
Other Governmental Resources				
Revenues and Other Financing Sources				
Use of Money and Property	$ 2	$ 2	$ 8	$ 6
Charges for Services	220	220	135	(85)
Other	4	4	40	36
Total Revenues and Other Financing Sources	226	226	183	(43)
Expenditures and Other Financing Uses				
General Government:				
Remittance Processing Equipment Replacement	76	76	6	70
Assessor Property Characteristic	220	220	--	220
Total Expenditures and Other Financing Uses	296	296	6	290
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(70)	(70)	177	$ 247
Fund Balances - Beginning of Year	1,193	1,193	1,193	
Fund Balances - End of Year	$ 1,123	$ 1,123	$ 1,370	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
NONMAJOR 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	$ --	$ --	$ 11,053	$ 11,053
Use of Money and Property	200	200	333	133
Transfers In	--	11,620	11,620	--
Bond Issuance Proceeds	30,000	30,000	31,536	1,536
Total Revenues and Other Financing Sources	30,200	41,820	54,542	12,722
Expenditures and Other Financing Uses				
General Government:				
Teeter Series A Debt Service	56,852	56,852	34,614	22,238
Total Expenditures and Other Financing Uses	56,852	56,852	34,614	22,238
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(26,652)	(15,032)	19,928	$ 34,960
Fund Balances - Beginning of Year	48,524	48,524	48,524	
Fund Balances - End of Year	$ 21,872	$ 33,492	$ 68,452	
Pension Obligation Bonds				
Revenues and Other Financing Sources				
Use of Money and Property	$ 21,018	$ 21,018	$ 21,019	$ 1
Total Revenues and Other Financing Sources	21,018	21,018	21,019	1
Expenditures and Other Financing Uses				
General Government:				
Pension Obligation Bonds Debt Service	39,165	39,165	39,157	8
Total Expenditures and Other Financing Uses	39,165	39,165	39,157	8
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(18,147)	(18,147)	(18,138)	$ 9
Fund Balances - Beginning of Year	46,343	46,343	46,343	
Fund Balances - End of Year	$ 28,196	$ 28,196	$ 28,205	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
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	$ 4,395	$ 3,921	$ 3,048	$ (873)
Use of Money and Property	50	50	158	108
Other	5	5	73	68
Transfers In	21,696	30,301	20,200	(10,101)
Total Revenues and Other Financing Sources	26,146	34,277	23,479	(10,798)
Expenditures and Other Financing Uses				
Public Protection:				
Criminal Justice Facilities Accumulated Capital Outlay	15,062	16,862	5,351	11,511
Courthouse Temporary Construction	3,635	3,647	3,647	--
Sheriff - Coroner Construction and Facility Development	21,468	25,464	8,845	16,619
Total Expenditures and Other Financing Uses	40,165	45,973	17,843	28,130
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(14,019)	(11,696)	5,636	$ 17,332
Fund Balances - Beginning of Year	14,461	14,461	14,461	
Fund Balances - End of Year	$ 442	$ 2,765	$ 20,097	
Countywide Capital Projects Non-General Fund				
Revenues and Other Financing Sources				
Other	$ --	$ --	$ 6	$ 6
Transfers In	15,212	100,627	89,913	(10,714)
Total Revenues and Other Financing Sources	15,212	100,627	89,919	(10,708)
Expenditures and Other Financing Uses				
Capital Improvements:				
Countywide Capital Projects Non-General	94,203	102,754	74,327	28,427
Countywide IT Projects Non-General	--	5,567	591	4,976
Total Expenditures and Other Financing Uses	94,203	108,321	74,918	33,403
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(78,991)	(7,694)	15,001	$ 22,695
Fund Balances - Beginning of Year	31,557	31,557	31,557	
Fund Balances - End of Year	$ (47,434)	$ 23,863	$ 46,558	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

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	$ 2	$ 2	$ 3	$ 1
Other	--	--	2	2
Total Revenues and Other Financing Sources	2	2	5	3
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Limestone Regional Park Mitigation Maintenance Endowment	2	2	--	2
Total Expenditures and Other Financing Uses	2	2	--	2
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	--	5	$ 5
Fund Balances - Beginning of Year	179	179	179	
Fund Balances - End of Year	$ 179	$ 179	$ 184	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

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, group dental insurance programs, wellness program, and flexible spending accounts.

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.

Reprographics
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 applications development and support, voice and data services, and desktop support to departments and agencies on a cost-reimbursement basis.

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance	Workers' Compensation
ASSETS					
Current Assets					
Pooled Cash/Investments	$ 237,275	$ 32,740	$ 7,662	$ 159	$ 76,769
Cash/Cash Equivalents	375	375	--	--	--
Imprest Cash Funds	8	--	--	--	--
Restricted Cash and Investments with Trustee	5	5	--	--	--
Receivables					
Accounts	137	1	13	--	--
Interest/Dividends	488	73	--	--	174
Allowance for Uncollectible Receivables	(52)	--	--	--	--
Due from Other Funds	4,717	14	105	--	128
Due from Other Governmental Agencies	1,052	608	--	--	2
Inventory of Materials and Supplies	409	--	--	--	--
Prepaid Costs	1,826	--	--	--	248
Total Current Assets	246,240	33,816	7,780	159	77,321
Noncurrent Assets					
Capital Assets					
Construction in Progress	1,846	--	--	--	--
Intangible Assets In Progress	65	--	--	--	65
Structures and Improvements	11,788	--	--	--	--
Accumulated Depreciation	(6,412)	--	--	--	--
Equipment	129,026	--	--	--	8
Accumulated Depreciation	(77,719)	--	--	--	(8)
Total Capital Assets	58,594	--	--	--	65
Total Assets	304,834	33,816	7,780	159	77,386
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to Pension	8,421	--	--	--	1,820
Total Deferred Outflows of Resources	8,421	--	--	--	1,820
LIABILITIES					
Current Liabilities					
Accounts Payable	21,256	419	5	--	1,344
Retainage Payable	12	--	--	--	--
Salaries and Employee Benefits Payable	468	--	--	--	64
Due to Other Funds	2,521	36	--	--	10
Due to Other Governmental Agencies	13	--	--	--	--
Insurance Claims Payable	54,026	12,553	--	--	28,248
Compensated Employee Absences Payable	1,068	--	--	--	151
Capital Lease Obligations Payable	6,900	--	--	--	--
Total Current Liabilities	86,264	13,008	5	--	29,817
Noncurrent Liabilities					
Insurance Claims Payable	148,145	--	--	--	117,386
Compensated Employee Absences Payable	1,194	--	--	--	140
Net Pension Liability	38,515	--	--	--	7,276
Total Noncurrent Liabilities	187,854	--	--	--	124,802
Total Liabilities	274,118	13,008	5	--	154,619
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	5,607	--	--	--	1,286
Total Deferred Inflows of Resources	5,607	--	--	--	1,286
NET POSITION					
Net Investment in Capital Assets	51,694	--	--	--	65
Unrestricted	(18,164)	20,808	7,775	159	(76,764)
Total Net Position	$ 33,530	$ 20,808	$ 7,775	$ 159	$ (76,699)

(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology	
					ASSETS
					Current Assets
$ 9,032	$ 55,380	$ 13,857	$ 3,758	$ 37,918	Pooled Cash/Investments
--	--	--	--	--	Cash/Cash Equivalents
--	5	--	--	3	Imprest Cash Funds
--	--	--	--	--	Restricted Cash and Investments with Trustee
					Receivables
--	4	57	--	62	Accounts
20	125	24	--	72	Interest/Dividends
--	--	(51)	--	(1)	Allowance for Uncollectible Receivables
--	200	4,266	--	4	Due from Other Funds
--	24	23	6	389	Due from Other Governmental Agencies
--	--	409	--	--	Inventory of Materials and Supplies
--	127	586	101	764	Prepaid Costs
9,052	55,865	19,171	3,865	39,211	Total Current Assets
					Noncurrent Assets
					Capital Assets
--	--	582	--	1,264	Construction in Progress
--	--	--	--	--	Intangible Assets In Progress
--	--	8,986	--	2,802	Structures and Improvements
--	--	(5,440)	--	(972)	Accumulated Depreciation
--	--	51,772	1,515	75,731	Equipment
--	--	(25,673)	(1,256)	(50,782)	Accumulated Depreciation
--	--	30,227	259	28,043	Total Capital Assets
9,052	55,865	49,398	4,124	67,254	Total Assets
					DEFERRED OUTFLOWS OF RESOURCES
--	586	2,603	494	2,918	Deferred Outflows of Resources Related to Pension
--	586	2,603	494	2,918	Total Deferred Outflows of Resources
					LIABILITIES
					Current Liabilities
--	1,914	1,272	43	16,259	Accounts Payable
--	--	9	--	3	Retainage Payable
--	34	162	29	179	Salaries and Employee Benefits Payable
--	--	559	220	1,696	Due to Other Funds
--	--	--	13	--	Due to Other Governmental Agencies
922	12,303	--	--	--	Insurance Claims Payable
--	105	355	53	404	Compensated Employee Absences Payable
--	--	--	--	6,900	Capital Lease Obligations Payable
922	14,356	2,357	358	25,441	Total Current Liabilities
					Noncurrent Liabilities
--	30,759	--	--	--	Insurance Claims Payable
--	104	454	49	447	Compensated Employee Absences Payable
--	2,881	12,583	2,466	13,309	Net Pension Liability
--	33,744	13,037	2,515	13,756	Total Noncurrent Liabilities
922	48,100	15,394	2,873	39,197	Total Liabilities
					DEFERRED INFLOWS OF RESOURCES
--	390	1,725	320	1,886	Deferred Inflows of Resources Related to Pension
--	390	1,725	320	1,886	Total Deferred Inflows of Resources
					NET POSITION
--	--	30,227	259	21,143	Net Investment in Capital Assets
8,130	7,961	4,655	1,166	7,946	Unrestricted
$ 8,130	$ 7,961	$ 34,882	$ 1,425	$ 29,089	Total Net Position

(Dollar Amounts in Thousands)

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	Life Insurance	Workers' Compensation
Operating Revenues					
Use of Money and Property	$ 1,889	$ --	$ --	$ --	$ --
Charges for Services	94,841	--	--	--	--
Insurance Premiums	324,975	66,712	173,930	835	52,045
Total Operating Revenues	421,705	66,712	173,930	835	52,045
Operating Expenses					
Salaries and Employee Benefits	21,815	--	--	--	2,806
Services and Supplies	25,816	1,976	--	--	466
Professional Services	58,366	4,711	4	--	5,002
Operating Leases	1,630	--	--	--	196
Insurance Claims and Premiums	279,586	62,039	169,106	798	30,398
Other Charges	455	455	--	--	--
Taxes and Other Fees	11	--	--	--	--
Depreciation	8,086	--	--	--	--
Total Operating Expenses	395,765	69,181	169,110	798	38,868
Operating Income (Loss)	25,940	(2,469)	4,820	37	13,177
Nonoperating Revenues					
Intergovernmental Revenues	1,147	1,147	--	--	--
Interest and Investment Income	791	136	67	1	220
Gain on Disposition of Capital Assets	248	--	--	--	--
Other Taxes	11	--	--	--	--
Other Revenue	5,789	1,925	144	--	2,969
Total Nonoperating Revenues	7,986	3,208	211	1	3,189
Income (Loss) Before Contributions and Transfers	33,926	739	5,031	38	16,366
Capital Contributions	454	--	--	--	--
Transfers In	8,321	1,853	5	--	398
Transfers Out	(4,101)	--	(78)	(1)	(12)
Change in Net Position	38,600	2,592	4,958	37	16,752
Net Position - Beginning of Year	(5,070)	18,216	2,817	122	(93,451)
Net Position - End of Year	$ 33,530	$ 20,808	$ 7,775	$ 159	$ (76,699)

(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology	
					Operating Revenues
$ --	$ --	$ --	$ --	$ 1,889	Use of Money and Property
--	--	22,752	4,336	67,753	Charges for Services
--	31,453	--	--	--	Insurance Premiums
--	31,453	22,752	4,336	69,642	Total Operating Revenues
					Operating Expenses
--	1,518	7,759	1,303	8,429	Salaries and Employee Benefits
--	6,097	8,230	1,178	7,869	Services and Supplies
49	596	2,475	475	45,054	Professional Services
--	192	26	473	743	Operating Leases
1,088	16,157	--	--	--	Insurance Claims and Premiums
--	--	--	--	--	Other Charges
--	--	11	--	--	Taxes and Other Fees
--	--	4,030	96	3,960	Depreciation
1,137	24,560	22,531	3,525	66,055	Total Operating Expenses
(1,137)	6,893	221	811	3,587	Operating Income (Loss)
					Nonoperating Revenues
--	--	--	--	--	Intergovernmental Revenues
39	158	62	15	93	Interest and Investment Income
--	--	204	42	2	Gain on Disposition of Capital Assets
--	--	11	--	--	Other Taxes
6	200	227	146	172	Other Revenue
45	358	504	203	267	Total Nonoperating Revenues
(1,092)	7,251	725	1,014	3,854	Income (Loss) Before Contributions and Transfer
--	--	454	--	--	Capital Contributions
--	--	6,065	--	--	Transfers In
--	--	(215)	--	(3,795)	Transfers Out
(1,092)	7,251	7,029	1,014	59	Change in Net Position
9,222	710	27,853	411	29,030	Net Position - Beginning of Year
$ 8,130	$ 7,961	$ 34,882	$ 1,425	$ 29,089	Net Position - End of Year

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance	Workers' Compensation
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	$ 28,870	$ --	$ --	$ --	$ --
Cash Received for Premiums Within the County's Entity	324,975	66,712	173,930	835	52,045
Payments to Suppliers for Goods and Services	(381,042)	(69,022)	(169,106)	(798)	(50,068)
Payments to Employees for Services	(22,101)	--	--	--	(2,907)
Payments for Interfund Services	(3,242)	--	(104)	--	(121)
Receipts for Interfund Services	70,395	721	--	--	--
Payment for Taxes and Other Fees	(11)	--	--	--	--
Other Operating Receipts	5,789	1,925	144	--	2,969
Other Operating Payments	(2,404)	(765)	(5)	--	(196)
Net Cash Provided (Used) by Operating Activities	21,229	(429)	4,859	37	1,722
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	8,321	1,853	5	--	398
Transfers Out	(4,101)	--	(78)	(1)	(12)
Intergovernmental Revenues	1,147	1,147	--	--	--
Other Taxes	11	--	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	5,378	3,000	(73)	(1)	386
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(13,658)	--	--	--	(65)
Principal Paid on Capital Lease Obligations	(6,900)	--	--	--	--
Net Cash (Used) by Capital and Related Financing Activities	(20,558)	--	--	--	(65)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest on Investments	685	115	67	1	176
Net Cash Provided by Investing Activities	685	115	67	1	176
Net Increase (Decrease) in Cash and Cash Equivalents	6,734	2,686	4,853	37	2,219
Cash and Cash Equivalents - Beginning of Year	230,929	30,434	2,809	122	74,550
Cash and Cash Equivalents - End of Year	$ 237,663	$ 33,120	$ 7,662	$ 159	$ 76,769
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	$ 25,940	$ (2,469)	$ 4,820	$ 37	$ 13,177
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	8,086	--	--	--	--
Other Revenue	5,789	1,925	144	--	2,969
(Increases) Decreases In:					
Accounts Receivable	(29)	5	(5)	--	--
Due from Other Funds	(2,134)	686	(105)	--	(128)
Due from Other Governmental Agencies	(397)	(315)	--	--	--
Inventory of Materials and Supplies	3	--	--	--	--
Prepaid Costs	(213)	--	--	--	(72)
Deferred Outflows of Resources Related to Pension	3,063	--	--	--	878
Increases (Decreases) In:					
Accounts Payable	245	129	5	--	(73)
Retainage Payable	10	--	--	--	--
Salaries and Employee Benefits Payable	(686)	--	--	--	(80)
Due to Other Funds	1,532	35	--	--	6
Due to Other Governmental Agencies	8	--	--	--	--
Insurance Claims Payable	(17,325)	(425)	--	--	(14,056)
Compensated Employee Absences Payable	148	--	--	--	15
Net Pension Liability	(4,008)	--	--	--	(1,304)
Deferred Inflows of Resources Related to Pension	1,197	--	--	--	390
Total Adjustments	(4,711)	2,040	39	--	(11,455)
Net Cash Provided (Used) by Operating Activities	$ 21,229	$ (429)	$ 4,859	$ 37	$ 1,722
Reconciliation of Cash and Cash Equivalents to Statement of Net Position					
Pooled Cash/Investments	$ 237,275	$ 32,740	$ 7,662	$ 159	$ 76,769
Cash/Cash Equivalents	375	375	--	--	--
Imprest Cash Funds	8	--	--	--	--
Restricted Cash and Investments with Trustee	5	5	--	--	--
Total Cash and Cash Equivalents	$ 237,663	$ 33,120	$ 7,662	$ 159	$ 76,769

(Dollar Amounts in Thousands)

	Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	$ --	$ --	$ 22,781	$ 4,415	$ 1,674
Cash Received for Premiums Within the County's Entity	--	31,453	--	--	--
Payments to Suppliers for Goods and Services	(1,046)	(25,574)	(10,551)	(1,690)	(53,187)
Payments to Employees for Services	--	(1,523)	(7,783)	(1,353)	(8,535)
Payments for Interfund Services	--	(55)	(2,962)		--
Receipts for Interfund Services	--	--	--	175	69,499
Payment for Taxes and Other Fees	--	--	(11)	--	--
Other Operating Receipts	6	200	227	146	172
Other Operating Payments	--	(196)	(26)	(473)	(743)
Net Cash Provided (Used) by Operating Activities	(1,040)	4,305	1,675	1,220	8,880
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	--	--	6,065	--	--
Transfers Out	--	--	(215)	--	(3,795)
Intergovernmental Revenues	--	--	--	--	--
Other Taxes	--	--	11	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	--	--	5,861	--	(3,795)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	--	--	(12,873)	(11)	(709)
Principal Paid on Capital Lease Obligations	--	--	--	--	(6,900)
Net Cash (Used) by Capital and Related Financing Activities	--	--	(12,873)	(11)	(7,609)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest on Investments	35	122	55	18	96
Net Cash Provided by Investing Activities	35	122	55	18	96
Net Increase (Decrease) in Cash and Cash Equivalents	(1,005)	4,427	(5,282)	1,227	(2,428)
Cash and Cash Equivalents - Beginning of Year	10,037	50,958	19,139	2,531	40,349
Cash and Cash Equivalents - End of Year	$ 9,032	$ 55,385	$ 13,857	$ 3,758	$ 37,921
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	$ (1,137)	$ 6,893	$ 221	$ 811	$ 3,587
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	--	--	4,030	96	3,960
Other Revenue	6	200	227	146	172
(Increases) Decreases In:					
Accounts Receivable	--	--	(1)	--	(28)
Due from Other Funds	--	(10)	(2,834)	--	257
Due from Other Governmental Agencies	--	(4)	30	79	(187)
Inventory of Materials and Supplies	--	--	3	--	--
Prepaid Costs	--	(4)	(33)	(10)	(94)
Deferred Outflows of Resources Related to Pension	--	193	852	117	1,023
Increases (Decreases) In:					
Accounts Payable	(23)	238	178	(37)	(172)
Retainage Payable	--	--	8	--	2
Salaries and Employee Benefits Payable	--	(45)	(211)	(43)	(307)
Due to Other Funds	--	(45)	(128)	175	1,489
Due to Other Governmental Agencies	--	--	(2)	10	--
Insurance Claims Payable	114	(2,958)	--	--	--
Compensated Employee Absences Payable	--	7	71	(9)	64
Net Pension Liability	--	(228)	(1,050)	(163)	(1,263)
Deferred Inflows of Resources Related to Pension	--	68	314	48	377
Total Adjustments	97	(2,588)	1,454	409	5,293
Net Cash Provided (Used) by Operating Activities	$ (1,040)	$ 4,305	$ 1,675	$ 1,220	$ 8,880
Reconciliation of Cash and Cash Equivalents to Statement of Net Position					
Pooled Cash/Investments	$ 9,032	$ 55,380	$ 13,857	$ 3,758	$ 37,918
Cash/Cash Equivalents	--	--	--	--	--
Imprest Cash Funds	--	5	--	--	3
Restricted Cash and Investments with Trustee	--	--	--	--	--
Total Cash and Cash Equivalents	$ 9,032	$ 55,385	$ 13,857	$ 3,758	$ 37,921

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.

Orange County Redevelopment Successor Agency (Successor Agency)

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with ABx1 26. A successor agency was designated as the successor entity to the former redevelopment agency in accordance with Health and Safety Code 34173. The Orange County Redevelopment Successor Agency holds the assets of the dissolved OCDA 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 (OCERS).

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 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 OCERS.

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, 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 and to all grandfathered administrative managers, effective June 23, 2016 and December 28, 2012, respectively.

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% at 65" Retirement (OCERS) formula who voluntarily contribute to the "1.62% at 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 (HRA) Plan

This fund is used to account for the employer contributions to the HRA, 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. The HRA was amended and restated on June 1, 2016 to provide for the transition of the Orange County Attorney's Association to the HRA Plan in July 2016.

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.

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS

	Total	Public Administration Trust Funds	Orange County Redevelopment Successor Agency
ASSETS			
Pooled Cash/Investments	$ 62,928	$ 53,841	$ 9,087
Restricted Cash and Investments			
Restricted Investments with Trustee	4,653	--	4,653
Receivables			
Interest/Dividends	155	131	24
Due from Other Governmental Agencies	1	--	1
Land and Improvements Held for Resale	133	--	133
Total Assets	67,870	53,972	13,898
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	333	--	333
Total Deferred Outflows of Resources	333	--	333
LIABILITIES			
Bonds Payable	26,238	--	26,238
Interest Payable	339	--	339
Due to Other Governmental Agencies	7	--	7
Total Liabilities	26,584	--	26,584
DEFERRED INFLOWS OF RESOURCES			
Deferred Charge on Refunding	114	--	114
Total Deferred Inflows of Resources	114	--	114
NET POSITION			
Restricted for Private-Purpose Trust Funds	41,505	53,972	(12,467)
Net Position (Deficit)	$ 41,505	$ 53,972	$ (12,467)

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Total	Public Administration Trust Funds	Orange County Redevelopment Successor Agency
Additions:			
Contributions to Private-Purpose Trust	$ 72,203	$ 72,203	$ --
Intergovernmental Revenues	5,137	--	5,137
Other Revenues	628	--	628
Interest and Investment Income	609	559	50
Less: Investment Expense	(5)	--	(5)
Total Additions	78,572	72,762	5,810
Deductions:			
Distributions from Private-Purpose Trust	65,213	65,213	--
Professional Services	112	27	85
Tax Pass-Throughs	23	--	23
Interest Expense	931	--	931
Total Deductions	66,279	65,240	1,039
Change in Net Position	12,293	7,522	4,771
Net Position (Deficit), Beginning of Year	29,212	46,450	(17,238)
Net Position (Deficit), End of Year	$ 41,505	$ 53,972	$ (12,467)

(Dollar Amounts in Thousands)

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	$ 297	$ --	$ --	$ --
Restricted Cash and Investments				
Restricted Investments with Trustee	131,379	6,528	7,854	15,480
Restricted Cash with OCERS	268,394	--	--	--
Receivables				
Interest/Dividends	14	--	--	--
Due from Other Governmental Agencies	1,477	--	19	23
Total Assets	401,561	6,528	7,873	15,503
LIABILITIES				
Due to Other Governmental Agencies	2	--	--	--
Total Liabilities	2	--	--	--
NET POSITION				
Restricted for Pension and OPEB Benefits	401,559	6,528	7,873	15,503
Net Position	$ 401,559	$ 6,528	$ 7,873	$ 15,503

(Dollar Amounts in Thousands)

1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan	
			ASSETS
$ 1	$ 250	$ 46	Pooled Cash/Investments
			Restricted Cash and Investments
2,738	--	98,779	Restricted Investments with Trustee
--	268,394	--	Restricted Cash with OCERS
			Receivables
--	14	--	Interest/Dividends
32	1,147	256	Due from Other Governmental Agencies
2,771	269,805	99,081	Total Assets
			LIABILITIES
--	2	--	Due to Other Governmental Agencies
--	2	--	Total Liabilities
			NET POSITION
2,771	269,803	99,081	Restricted for Pension and OPEB Benefits
$ 2,771	$ 269,803	$ 99,081	Net Position

(Dollar Amounts in Thousands)

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	$ 64,006	$ 784	$ --	$ 970
Employee	3,687	--	996	--
Interest and Investment Income	40,148	523	150	1,460
Less: Investment Expense	(603)	(5)	(8)	(11)
Total Additions	107,238	1,302	1,138	2,419
Deductions:				
Benefits Paid to Participants	37,722	373	624	1,177
Administrative Expense	47	--	--	--
Total Deductions	37,769	373	624	1,177
Change in Net Position	69,469	929	514	1,242
Net Position, Beginning of Year	332,090	5,599	7,359	14,261
Net Position, End of Year	$ 401,559	$ 6,528	$ 7,873	$ 15,503

(Dollar Amounts in Thousands)

1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan	
			Additions:
			Contributions to Pension and Other Employee Benefits Trust:
$ 1,211	$ 47,853	$ 13,188	Employer
--	2,691	--	Employee
270	27,817	9,928	Interest and Investment Income
(3)	(7)	(569)	Less: Investment Expense
1,478	78,354	22,547	Total Additions
			Deductions:
--	33,796	1,752	Benefits Paid to Participants
--	47	--	Administrative Expense
--	33,843	1,752	Total Deductions
1,478	44,511	20,795	Change in Net Position
1,293	225,292	78,286	Net Position, Beginning of Year
$ 2,771	$ 269,803	$ 99,081	Net Position, End of Year

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
ALL AGENCY FUNDS

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
ASSETS			
Pooled Cash/Investments	$ 352,816	$ 191,591	$ 161,225
Cash/Cash Equivalents	206	--	206
Restricted Cash and Investments with Trustee	38,313	--	38,313
Investments	1,082	--	1,082
Deposits In-Lieu of Cash	54,565	--	54,565
Receivables			
Accounts	475	--	475
Taxes	302,964	302,964	--
Interest/Dividends	12,145	11,833	312
Allowance For Uncollectible Receivables	(179,589)	(179,588)	(1)
Due from Other Governmental Agencies	3,181	340	2,841
Notes Receivable	29,431	--	29,431
Total Assets	615,589	327,140	288,449
LIABILITIES			
Interest Payable	9,907	9,907	--
Deposits from Others	18,457	--	18,457
Monies Held for Others	203,981	--	203,981
Due to Other Governmental Agencies	66,011	--	66,011
Unapportioned Taxes	317,233	317,233	--
Total Liabilities	615,589	327,140	288,449
NET POSITION	$ --	$ --	$ --

ORANGE COUNTY AUDITOR-CONTROLLER
CALIFORNIA

(Dollar Amounts in Thousands)

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	$ 134,680	$ 8,483,942	$ 8,427,031	$ 191,591
Receivables				
Taxes	340,178	18,096,670	18,133,884	302,964
Interest/Dividends	8,632	83,677	80,476	11,833
Allowance for Uncollectible Receivables	(167,620)	--	11,968	(179,588)
Due from Other Governmental Agencies	510	25,829	25,999	340
Total Assets	$ 316,380	$ 26,690,118	$ 26,679,358	$ 327,140
LIABILITIES				
Interest Payable	$ 8,269	$ 32,954	$ 31,316	$ 9,907
Due to Other Governmental Agencies	2	62,570	62,570	2
Unapportioned Taxes	308,109	11,232,053	11,222,931	317,231
Total Liabilities	$ 316,380	$ 11,327,577	$ 11,316,817	$ 327,140

DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	$ 139,804	$ 3,627,548	$ 3,606,127	$ 161,225
Cash/Cash Equivalents	270	445	509	206
Restricted Cash and Investments with Trustee	29,465	117,323	108,475	38,313
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	19,454	36,753	1,642	54,565
Receivables				
Accounts	28	2,502	2,055	475
Interest/Dividends	390	1,032	1,110	312
Allowance for Uncollectible Receivables	(1)	--	--	(1)
Due from Other Governmental Agencies	2,756	675,405	675,320	2,841
Prepaid Costs	--	14,236	14,236	--
Notes Receivable	29,674	--	243	29,431
Total Assets	$ 222,922	$ 4,475,244	$ 4,409,717	$ 288,449
LIABILITIES				
Deposits From Others	$ 14,505	$ 21,613	$ 17,661	$ 18,457
Monies Held for Others	147,095	6,157,608	6,100,722	203,981
Due to Component Unit	--	21	21	--
Due to Other Governmental Agencies	61,322	1,272,606	1,267,917	66,011
Total Liabilities	$ 222,922	$ 7,451,848	$ 7,386,321	$ 288,449

(Dollar Amounts in Thousands)

TOTAL - ALL AGENCY FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	$ 274,484	$ 12,111,490	$ 12,033,158	$ 352,816
Cash/Cash Equivalents	270	445	509	206
Restricted Cash and Investments with Trustee	29,465	117,323	108,475	38,313
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	19,454	36,753	1,642	54,565
Receivables				
Accounts	28	2,502	2,055	475
Taxes	340,178	18,096,670	18,133,884	302,964
Interest/Dividends	9,022	84,709	81,586	12,145
Allowance for Uncollectible Receivables	(167,621)	--	11,968	(179,589)
Due from Other Governmental Agencies	3,266	701,234	701,319	3,181
Prepaid Costs	--	14,236	14,236	--
Notes Receivable	29,674	--	243	29,431
Total Assets	$ 539,302	$ 31,165,362	$ 31,089,075	$ 615,589
LIABILITIES				
Interest Payable	$ 8,269	$ 32,954	$ 31,316	$ 9,907
Deposits from Others	14,505	21,613	17,661	18,457
Monies Held for Others	147,095	6,157,608	6,100,722	203,981
Due to Component Unit	--	21	21	--
Due to Other Governmental Agencies	61,324	1,335,176	1,330,487	66,013
Unapportioned Taxes	308,109	11,232,053	11,222,931	317,231
Total Liabilities	$ 539,302	$ 18,779,425	$ 18,703,138	$ 615,589

ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

OC AUDITOR-CONTROLLER

TAXPAYER WATCHDOG

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.

Contents

Source: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

(Dollar Amounts in Thousands)

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14[3]	2012-13
Governmental Activities					
Net Investment in Capital Assets	$ 2,813,296	$ 2,707,493	$ 2,670,577	$ 2,646,812	$ 2,563,976
Restricted for:					
Expendable					
OPEB	--	--	--	--	--
Pension Benefits	125,876	111,639	112,544	109,986	105,900
Capital Projects	164,400	10,836	6,154	8,661	11,904
Debt Service	33,409	36,380	37,734	37,639	31,965
Legally Segregated for Grants and Other Purposes	1,192,827	1,103,257	1,045,897	1,190,106	1,174,791
Regional Park Endowment	145	144	141	140	139
Nonexpendable					
Regional Park Endowment	196	193	188	185	183
Unrestricted	(3,074,958)	(2,979,945)	(2,991,814)	331,408	196,850
Total Governmental Activities Net Position	$ 1,255,191	$ 989,997	$ 881,421	$ 4,324,937	$ 4,085,708
Business-Type Activities					
Net Investment in Capital Assets	$ 708,286	$ 663,280	$ 642,427	$ 624,621	$ 587,934
Restricted for:					
Expendable					
Debt Service	36,181	8,499	7,324	7,090	58,772
Passenger Facility Charges Approved Capital Projects	2,775	14,705	70,538	62,522	55,331
Replacements and Renewals	1,000	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	28,962	33,997	33,337	37,412	40,355
Landfill Corrective Action	8,278	8,245	8,174	7,141	6,109
Wetland	879	879	879	879	879
Prima Deshecha/La Pata Closure	104	104	104	104	104
Airport [2]	--	--	--	--	--
Waste Management [2]	--	--	--	--	--
Unrestricted	463,495	465,003	362,546	384,871	335,122
Total Business-Type Activities Net Position	$ 1,249,960	$ 1,195,712	$ 1,126,329	$ 1,125,640	$ 1,085,606

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) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.
(3) The balances shown have not been restated to include the prior period adjustments.

(Dollar Amounts in Thousands)

Fiscal Year										
	2011-12[3]		2010-11		2009-10		2008-09		2007-08	
										Governmental Activities
$	2,699,809	$	2,626,281	$	2,560,468	$	2,445,397	$	2,302,926	Net Investment in Capital Assets
										Restricted for:
										Expendable
	-- (1)		41,609		43,580		57,322		46,442	OPEB
	96,604		107,807		--		--			Pension Benefits
	16,269		56,219		58,947		85,197		211,426	Capital Projects
	--		87,253		76,936		66,515		168,468	Debt Service
										Legally Segregated for Grants
	1,077,117		1,133,256		1,069,801		1,047,284		990,198	and Other Purposes
	--		--		--		--		--	Regional Park Endowment
										Nonexpendable
	319		315		154		149		139	Regional Park Endowment
	37,790		(73,741)		(9,986)		(1,271)		57,812	Unrestricted
$	3,927,908	$	3,978,999	$	3,799,900	$	3,700,593	$	3,777,411	Total Governmental Activities Net Position
										Business-Type Activities
$	574,982	$	591,664	$	537,375	$	493,658	$	395,227	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
	58,149		50,899		48,225		176,225		218,293	Airport
	82,205		84,070		86,943		284,943		294,068	Waste Management
	350,474		313,568		321,778		--		--	Unrestricted
$	1,065,810	$	1,040,201	$	994,321	$	954,826	$	907,588	Total Business-Type Activities Net Position

(Dollar Amounts in Thousands)

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting) (Continued)

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14[3]	2012-13
Primary Government					
Net Investment in Capital Assets	$ 3,521,582	$ 3,370,773	$ 3,313,004	$ 3,271,433	$ 3,151,910
Restricted for:					
Expendable					
OPEB	--	--	--	--	--
Pension Benefits	125,876	111,639	112,544	109,986	105,900
Capital Projects	164,400	10,836	6,154	8,661	11,904
Debt Service	69,590	44,879	45,058	44,729	90,737
Legally Segregated for Grants and Other Purposes	1,192,827	1,103,257	1,045,897	1,190,106	1,174,791
Regional Park Endowment	145	144	141	140	139
Passenger Facility Charges Approved Capital Projects	2,775	14,705	70,538	62,522	55,331
Replacements and Renewals	1,000	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	28,962	33,997	33,337	37,412	40,355
Landfill Corrective Action	8,278	8,245	8,174	7,141	6,109
Wetland	879	879	879	879	879
Prima Deshecha/La Pata Closure	104	104	104	104	104
Airport [2]	--	--	--	--	--
Waste Management [2]	--	--	--	--	--
Nonexpendable					
Regional Park Endowment	196	193	188	185	183
Unrestricted	(2,611,463)	(2,514,942)	(2,629,268)	716,279	531,972
Total Primary Government Net Position	$ 2,505,151	$ 2,185,709	$ 2,007,750	$ 5,450,577	$ 5,171,314

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) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.
(3) The balances shown have not been restated to include the prior period adjustments.

(Dollar Amounts in Thousands)

Fiscal Year					
2011-12[3]	2010-11	2009-10	2008-09	2007-08	
					Primary Government
$ 3,274,791	$ 3,217,945	$ 3,097,843	$ 2,939,055	$ 2,698,153	Net Investment in Capital Assets
					Restricted for:
					Expendable
-- [1]	41,609	43,580	57,322	46,442	OPEB
96,604	107,807	--	--	--	Pension Benefits
16,269	56,219	58,947	85,197	211,426	Capital Projects
--	87,253	76,936	66,515	168,468	Debt Service
1,077,117	1,133,256	1,069,801	1,047,284	990,198	Legally Segregated for Grants and 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
58,149	50,899	48,225	176,225	218,293	Airport
82,205	84,070	86,943	284,943	294,068	Waste Management
					Nonexpendable
319	315	154	149	139	Regional Park Endowment
388,264	239,827	311,792	(1,271)	57,812	Unrestricted
$ 4,993,718	$ 5,019,200	$ 4,794,221	$ 4,655,419	$ 4,684,999	Total Primary Government Net Position

(Dollar Amounts in Thousands)

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14[1]	2012-13
Expenses					
Governmental Activities:					
General Government	$ 186,340	$ 203,394	$ 191,793	$ 131,026	$ 221,110
Public Protection	1,485,137	1,433,421	1,326,028	1,261,984	1,264,354
Public Ways and Facilities	97,928	142,071	114,398	127,561	137,651
Health and Sanitation	593,617	554,872	537,580	626,063	621,381
Public Assistance	1,097,327	1,097,129	1,049,665	988,735	944,230
Education	44,510	46,170	43,314	41,240	38,548
Recreation and Cultural Services	112,749	115,136	102,069	96,820	101,232
Interest on Long-Term Debt	17,544	20,112	23,560	28,028	31,269
Subtotal Governmental Activities	3,635,152	3,612,305	3,388,407	3,301,457	3,359,775
Business-Type Activities:					
Airport	125,522	120,921	124,778	120,731	122,568
Waste Management	105,149	96,301	69,307	94,161	94,737
Compressed Natural Gas	367	283	331	379	305
Subtotal Business-Type Activities	231,038	217,505	194,416	215,271	217,610
Total Primary Government Expenses	$ 3,866,190	$ 3,829,810	$ 3,582,823	$ 3,516,728	$ 3,577,385
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	$ 41,988	$ 34,048	$ 36,924	$ 32,016	$ 32,127
Public Protection	307,630	288,185	286,644	273,215	283,031
Public Ways and Facilities	67,796	63,487	53,834	53,071	39,981
Health and Sanitation	117,170	85,392	102,599	93,470	81,039
Public Assistance	40,589	37,975	37,650	42,300	34,780
Education	1,274	1,426	1,480	2,059	1,327
Recreation and Cultural Services	47,763	46,937	43,882	39,251	39,637
Operating Grants and Contributions	2,067,777	2,037,311	1,996,861	2,033,550	1,904,858
Capital Grants and Contributions	113,481	105,776	33,241	54,478	62,893
Subtotal Governmental Activities Program Revenues	2,805,468	2,700,537	2,593,115	2,623,410	2,479,673
Business-Type Activities:					
Charges for Services					
Airport	150,260	149,894	141,563	136,359	132,941
Waste Management	153,842	147,130	139,493	125,106	106,876
Compressed Natural Gas	248	269	312	392	385
Operating Grants and Contributions	69	171	255	900	200
Capital Grants and Contributions	1,828	2,174	9,215	5,277	3,839
Subtotal Business-Type Activities Program Revenues	306,247	299,638	290,838	268,034	244,241
Total Primary Government Program Revenues	$ 3,111,715	$ 3,000,175	$ 2,883,953	$ 2,891,444	$ 2,723,914

Notes: (1) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

Fiscal Year 2011-12[1]	2010-11	2009-10	2008-09	2007-08	
					Expenses
					Governmental Activities:
$ 161,615	$ 223,710	$ 165,489	$ 268,092	$ 264,049	General Government
1,231,925	1,174,859	1,160,823	1,230,894	1,164,458	Public Protection
144,382	136,017	120,135	108,748	131,563	Public Ways and Facilities
593,657	586,525	578,983	593,331	576,160	Health and Sanitation
930,348	931,263	931,469	898,668	862,709	Public Assistance
41,226	39,788	41,009		37,728	Education
102,762	101,993	90,649	81,896	75,612	Recreation and Cultural Services
56,765	53,806	53,782	59,751	76,210	Interest on Long-Term Debt
3,262,680	3,247,961	3,142,339	3,241,380	3,188,489	Subtotal Governmental Activities
					Business-Type Activities:
107,120	88,059	92,068	91,959	86,750	Airport
94,553	93,985	84,754	79,374	101,990	Waste Management
306	349	95	--	--	Compressed Natural Gas
201,979	182,393	176,917	171,333	188,740	Subtotal Business-Type Activities
$ 3,464,659	$ 3,430,354	$ 3,319,256	$ 3,412,713	$ 3,377,229	Total Primary Government Expenses
					Program Revenues
					Governmental Activities:
					Charges for Services
$ 26,942	$ 33,561	$ 27,452	$ 44,782	$ 40,659	General Government
271,423	310,773	278,355	289,014	295,740	Public Protection
62,653	53,960	45,809	47,283	45,898	Public Ways and Facilities
86,027	93,815	86,430	82,059	95,069	Health and Sanitation
35,036	36,304	30,914	26,636	6,360	Public Assistance
1,437	1,576	1,449	1,338	1,349	Education
38,888	37,560	38,223	40,138	40,449	Recreation and Cultural Services
1,800,296	1,706,231	1,741,762	1,641,501	1,735,820	Operating Grants and Contributions
39,010	170,516	16,828	94,031	46,308	Capital Grants and Contributions
2,361,712	2,444,296	2,267,222	2,266,782	2,307,652	Subtotal Governmental Activities Program Revenues
					Business-Type Activities:
					Charges for Services
129,213	124,298	126,656	125,095	126,139	Airport
99,249	102,595	82,442	93,456	99,548	Waste Management
293	242	129	--	--	Compressed Natural Gas
212	657	1,432	171	569	Operating Grants and Contributions
5,216	6,544	8,077	7,466	15,188	Capital Grants and Contributions
234,183	234,336	218,736	226,188	241,444	Subtotal Business-Type Activities Program Revenues
$ 2,595,895	$ 2,678,632	$ 2,485,958	$ 2,492,970	$ 2,549,096	Total Primary Government Program Revenues

(Dollar Amounts in Thousands)

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting) (Continued)

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14[3]	2012-13[3]
Net (Expense)/Revenue					
Governmental Activities	$ (829,684)	$ (911,768)	$ (795,292)	$ (678,047)	$ (880,102)
Business-Type Activities	75,209	82,133	96,422	52,763	26,631
Total Primary Government (Expense)	$ (754,475)	$ (829,635)	$ (698,870)	$ (625,284)	$ (853,471)
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	$ 287,212	$ 311,902	$ 328,500	$ 277,591	$ 313,299
Property Taxes, Levied for Flood Control District	98,563	82,193	77,090	72,737	69,321
Property Taxes, Levied for OC Parks	76,493	61,048	57,266	54,042	51,550
Property Taxes, Levied for OC Public Libraries	47,804	45,364	42,333	39,734	37,961
Property Tax Increments [2]	--	--	--	--	--
Property Taxes in-Lieu of Motor Vehicle License Fees	351,011	333,595	314,957	295,798	309,745
Other Taxes	98,216	78,184	71,613	73,178	108,430
Grants and Contributions Not Restricted to Specific Programs	8,434	4,583	49,476	14,192	6,711
State Allocation of Motor Vehicle License Fees	1,234	1,100	764	895	1,659
Unrestricted Investment Earnings	19,760	17,032	6,796	18,459	11,559
Miscellaneous	80,229	63,825	69,789	54,412	48,478
Gain on Sale of Capital Assets	--	--	--	--	--
Transfers	25,922	21,518	19,959	17,557	10,276
Subtotal Governmental Activities	1,094,878	1,020,344	1,038,543	918,595	968,989
Extraordinary Gain/(Loss) Dissolution of OCDA [1]	--	--	--	--	1,800
Business-Type Activities:					
Other Taxes	78	72	109	101	93
Unrestricted Investment Earnings	3,497	6,526	3,042	3,064	2,113
Miscellaneous Revenues	1,386	2,170	1,597	3,177	1,235
Special Items	--	--	--	--	--
Transfers	(25,922)	(21,518)	(19,959)	(17,557)	(10,276)
Subtotal Business-Type Activities	(20,961)	(12,750)	(15,211)	(11,215)	(6,835)
Total Primary Government General Revenue and Other Charges	1,073,917	$ 1,007,594	$ 1,023,332	$ 907,380	$ 963,954
Change in Net Position					
Governmental Activities	$ 265,194	$ 108,576	$ 243,251	$ 240,548	$ 90,687
Business-Type Activities	54,248	69,383	81,211	41,548	19,796
Total Primary Government	$ 319,442	$ 177,959	$ 324,462	$ 282,096	$ 110,483

Notes: (1) Extraordinary item results from dissolution of OCDA which is now reported as a private-purpose trust fund.
(2) Starting in FY 2012-13, there were no property tax increment revenues due to dissolution of OCDA.
(3) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

	Fiscal Year 2011-12	2010-11	2009-10	2008-09	2007-08
Net (Expense)/Revenue					
Governmental Activities	$ (900,968)	$ (803,665)	$ (875,117)	$ (1,015,863)	$ (880,837)
Business-Type Activities	32,204	51,943	41,819	54,855	52,704
Total Primary Government (Expense)	$ (868,764)	$ (751,722)	$ (833,298)	$ (961,008)	$ (828,133)
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	$ 311,779	$ 298,953	$ 290,054	$ 263,893	$ 273,259
Property Taxes, Levied for Flood Control District	68,184	73,260	67,103	68,747	68,042
Property Taxes, Levied for OC Parks	51,168	51,554	49,857	51,076	50,551
Property Taxes, Levied for OC Public Libraries	37,389	37,590	37,057	37,932	37,454
Property Tax Increments	18,308	30,755	31,917	35,276	32,376
Property Taxes in-Lieu of Motor Vehicle License Fees	303,955	228,421	229,635	232,760	224,210
Other Taxes	43,568	83,938	93,024	94,184	84,434
Grants and Contributions Not Restricted to Specific Programs	9,377	27,457	10,299	27,637	23,434
State Allocation of Motor Vehicle License Fees	2,667	49,889	46,697	50,390	54,656
Unrestricted Investment Earnings	4,195	23,703	15,541	13,583	27,773
Miscellaneous	57,125	64,563	54,496	49,438	66,887
Gain on Sale of Capital Assets	34	--	--	--	--
Transfers	11,767	12,681	11,188	14,129	16,802
Subtotal Governmental Activities	919,516	982,764	936,868	939,045	959,878
Extraordinary Gain/(Loss) Dissolution of OCDA	(69,639)	--	--	--	--
Business-Type Activities:					
Other Taxes	134	--	--	--	--
Unrestricted Investment Earnings	3,530	5,509	6,411	17,332	29,206
Miscellaneous Revenues	1,508	1,109	2,453	786	2,886
Special Items	--	--	--	--	(6,835)
Transfers	(11,767)	(12,681)	(11,188)	(14,129)	(16,802)
Subtotal Business-Type Activities	(6,595)	(6,063)	(2,324)	3,989	8,455
Total Primary Government General Revenue and Other Charges	$ 843,282	$ 976,701	$ 934,544	$ 943,034	$ 968,333
Change in Net Position					
Governmental Activities	$ (51,091)	$ 179,099	$ 61,751	$ (76,818)	$ 79,041
Business-Type Activities	25,609	45,880	39,495	58,844	61,159
Total Primary Government	$ (25,482)	$ 224,979	$ 101,246	$ (17,974)	$ 140,200

(Dollar Amounts in Thousands)

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

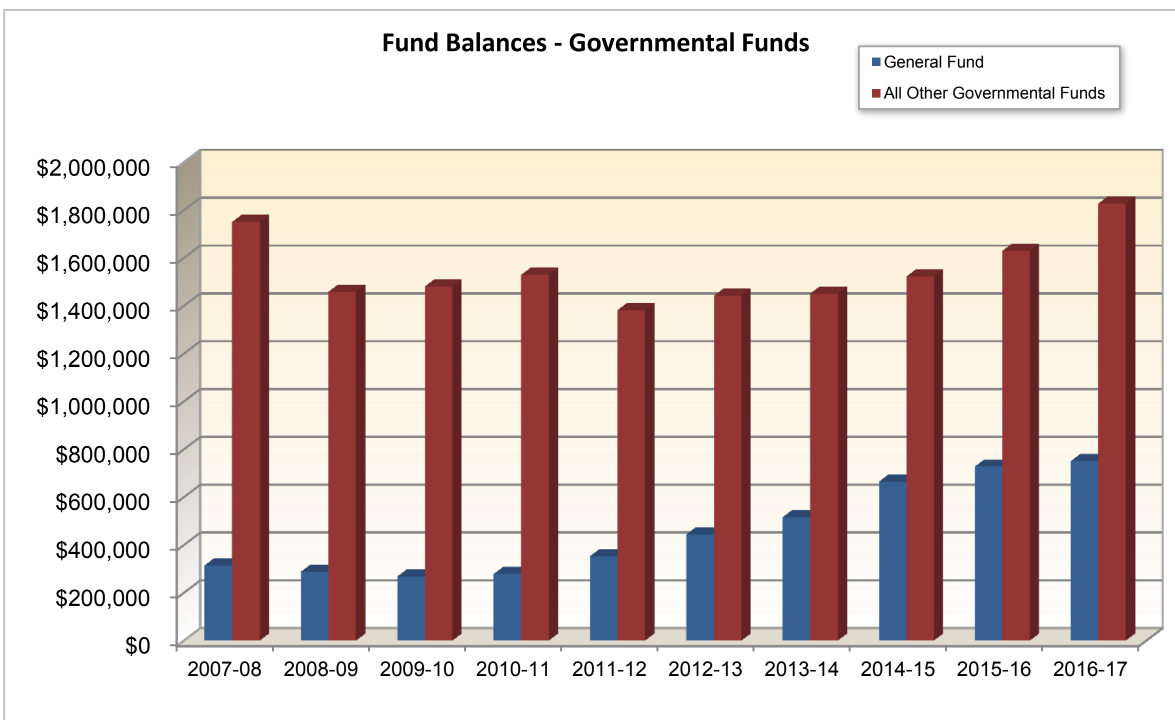
	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13[2]
General Fund					
Reserved	$ --	$ --	$ --	$ --	$ --
Unreserved	--	--	--	--	--
Nonspendable [1]	372,572	331,889	336,606	321,022	263,446
Restricted [1]	39,581	49,230	31,486	42,028	34,679
Assigned [1]	265,293	321,064	269,529	153,336	68,157
Unassigned [1]	73,446	25,655	26,887	--	78,264
Total General Fund	$ 750,892	$ 727,838	$ 664,508	$ 516,386	$ 444,546
All Other Governmental Funds					
Reserved	$ --	$ --	$ --	$ --	$ --
Unreserved, Reported in:					
Special Revenue Funds	--	--	--	--	--
Debt Service Funds	--	--	--	--	--
Capital Projects Funds	--	--	--	--	--
Permanent Fund	--	--	--	--	--
Nonspendable [1]	21,697	20,501	21,296	21,207	18,929
Restricted [1]	1,635,408	1,479,405	1,417,122	1,362,102	1,357,556
Assigned [1]	170,472	129,782	83,765	67,929	65,556
Unassigned [1]	--	--	--	--	--
Total All Other Governmental Funds	$ 1,827,577	$ 1,629,688	$ 1,522,183	$ 1,451,238	$ 1,442,041

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 2011-12	2010-11	2009-10	2008-09	2007-08	
					General Fund
$ --	$ --	$ 53,190	$ 49,423	$ 99,877	Reserved
--	--	215,094	238,621	215,096	Unreserved
225,460	266,328	--	--	--	Nonspendable (1)
26,336	10,872	--	--	--	Restricted (1)
100,448	1,394	--	--		Assigned (1)
990	--	--	--	--	Unassigned
$ 353,234	$ 278,594	$ 268,284	$ 288,044	$ 314,973	**Total General Fund**
					All Other Governmental Funds
$ --	$ --	$ 540,745	$ 517,375	$ 671,739	Reserved
					Unreserved, Reported in:
--	--	894,148	878,113	880,288	Special Revenue Funds
--	--	(1,813)	(9,903)	--	Debt Service Funds
--	--	47,362	73,045	198,348	Capital Projects Funds
--	--	154	149	139	Permanent Fund
23,057	20,802	--	--	--	Nonspendable (1)
1,318,071	1,482,755	--	--	--	Restricted (1)
43,900	34,173	--	--	--	Assigned (1)
(3,016)	(8,074)	--	--	--	Unassigned (1)
$ 1,382,012	$ 1,529,656	$ 1,480,596	$ 1,458,779	$ 1,750,514	**Total All Other Governmental Funds**



(Dollar Amounts in Thousands)

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Basis of Accounting)

	2016-17	2015-16	2014-15	2013-14	2012-13
Revenues					
Taxes	$ 923,561	$ 876,808	$ 822,511	$ 778,936	$ 854,587
Licenses, Permits, and Franchises	28,209	27,659	24,583	24,920	15,213
Fines, Forfeitures, and Penalties	96,950	61,669	108,115	62,081	79,267
Use of Money and Property	68,498	88,211	73,700	63,611	58,441
Intergovernmental	2,172,013	2,125,136	2,064,354	2,070,245	1,940,687
Charges for Services	530,883	466,659	480,023	470,899	439,224
Other	63,949	69,436	71,207	54,406	77,464
Total Revenues	3,884,063	3,715,578	3,644,493	3,525,098	3,464,883
Expenditures					
General Government	267,663	261,387	212,805	172,195	186,145
Public Protection	1,401,694	1,289,902	1,230,878	1,194,069	1,157,676
Public Ways and Facilities	97,169	123,140	102,732	127,506	112,294
Health and Sanitation	578,772	527,482	515,560	621,891	611,369
Public Assistance	1,073,964	1,061,647	1,030,404	972,156	932,414
Education	42,564	43,928	41,949	40,008	37,239
Recreation and Cultural Services	106,356	100,381	98,001	98,388	94,051
Capital Outlay	176,308	116,569	102,863	125,781	122,639
Debt Service					
Principal Retirement	100,119	126,319	104,756	111,486	72,499
Interest	47,089	43,039	31,513	35,107	43,777
Debt Issuance Costs	--	--	--	200	--
Total Expenditures	3,891,698	3,693,794	3,471,461	3,498,787	3,370,103
Excess (Deficit) of Revenues Over Expenditures	(7,635)	21,784	173,032	26,311	94,780
Other Financing Sources (Uses)					
Transfers In	653,593	396,952	338,055	294,374	274,363
Transfers Out	(631,891)	(387,373)	(323,604)	(279,287)	(268,110)
Debt Issued	31,536	127,494	31,541	39,639	78,419
Premium on Debt Issued	--	11,724	--	--	--
Principal Payment on Demand Bonds	--	--	--	--	--
Refunding Bonds Issued	--	--	--	--	--
Payment to Refunded Bond Escrow	--	--	--	--	--
for Resale	--	--	--	--	--
Capital Leases	--	254	43	--	--
Loan Proceeds	175,340	--	--	--	--
Total Other Financing Sources	228,578	149,051	46,035	54,726	84,672
Extraordinary Gain/(Loss)	--	--	--	--	1,800
Net Change in Fund Balances	$ 220,943	$ 170,835	$ 219,067	$ 81,037	$ 181,252
Debt Service as a Percentage of Noncapital Expenditures:	3.97%	4.73%	4.04%	4.34%	3.60%

Notes: (1) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

Fiscal Year 2011-12(1)	2010-11	2009-10	2008-09	2007-08	
					Revenues
$ 784,797	$ 738,109	$ 741,850	$ 727,159	$ 719,742	Taxes
18,046	16,831	14,976	17,965	20,516	Licenses, Permits, and Franchises
80,180	93,461	102,959	112,882	89,700	Fines, Forfeitures, and Penalties
81,088	89,514	88,350	69,667	146,983	Use of Money and Property
1,846,311	1,745,066	1,769,253	1,697,017	1,743,637	Intergovernmental
435,920	478,916	418,373	443,456	423,611	Charges for Services
66,920	64,125	65,727	89,064	91,197	Other
3,313,262	3,226,022	3,201,488	3,157,210	3,235,386	Total Revenues
					Expenditures
170,156	207,193	211,434	277,369	252,781	General Government
1,125,831	1,068,267	1,054,947	1,117,882	1,103,442	Public Protection
126,809	110,789	106,985	110,548	117,963	Public Ways and Facilities
580,791	576,793	559,315	576,964	564,335	Health and Sanitation
909,296	911,704	903,733	878,436	851,836	Public Assistance
37,621	37,671	38,921	39,666	37,091	Education
91,753	84,506	82,826	79,889	70,084	Recreation and Cultural Services
105,207	84,311	124,077	155,286	143,468	Capital Outlay
					Debt Service
95,429	87,685	88,962	205,268	301,066	Principal Retirement
46,152	40,634	39,565	46,697	53,478	Interest
--	--	--	--	--	Debt Issuance Costs
3,289,045	3,209,553	3,210,765	3,488,005	3,495,544	Total Expenditures
24,217	16,469	(9,277)	(330,795)	(260,158)	Excess (Deficit) of Revenues Over Expenditures
					Other Financing Sources (Uses)
345,692	395,752	382,154	793,528	359,791	Transfers In
(336,157)	(388,274)	(370,820)	(781,397)	(345,674)	Transfers Out
10,000	36,000	--	--	--	Debt Issued
2,927	--	--	--	--	Premium on Debt Issued
--	--	--	--	211,065	Principal Payment on Demand Bonds
34,380	--	--	--	--	Refunding Bonds Issued
(40,491)	(710)	--	--	--	Payment to Refunded Bond Escrow
43	--	--	--	--	for Resale
--	133	--	--	2,400	Capital Leases
--	--	--	--	--	Loan Proceeds
16,394	42,901	11,334	12,131	227,582	Total Other Financing Sources
(113,615)	--	--	--	--	Extraordinary Gain/(Loss)
$ (73,004)	$ 59,370	$ 2,057	$ (318,664)	$ (32,576)	Net Change in Fund Balances
4.44%	4.12%	4.18%	7.54%	10.43%	Debt Service as a Percentage of Noncapital Expenditures:

(Dollar Amounts in Thousands)

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]
2016-17	$ 400,931,553	$ 114,636,194	$ 2,787,769	$ 20,582,609
2015-16	377,592,570	110,440,476	3,294,159	20,394,462
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

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]
$ 538,938,125	$ (12,807,570)	$ 526,130,555	1.00
511,721,667	(12,722,344)	498,999,323	1.00
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

(Dollar Amounts in Thousands)

COUNTY OF ORANGE
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per $1,000 of Assessed Value) [4]

	Direct Rate [1]	Overlapping Rates [2]				
Fiscal Year	County General	School Districts	Local Special Districts	Cities	Public Utility	Total Direct & Overlapping Rates
2016-17	1.00000	0.04840	0.01316	0.00659	0.00270	1.07085
2015-16	1.00000	0.05101	0.01455	0.00670	0.00227	1.07453
2014-15	1.00000	0.04579	0.04438	0.00681	-- [3]	1.09698

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) These overlapping rates are in addition to the County General rate, but only apply to taxpayers within the borders of the school districts, local special districts, cities, and public utilities that lie within the County.
(3) No rate was available for Public Utility in FY 2014-15.
(4) The schedule is presented to show information for 10 years. However, a full 10-year trend is not currently available; the County will be adding years in the future.

Source: Auditor-Controller, County of Orange

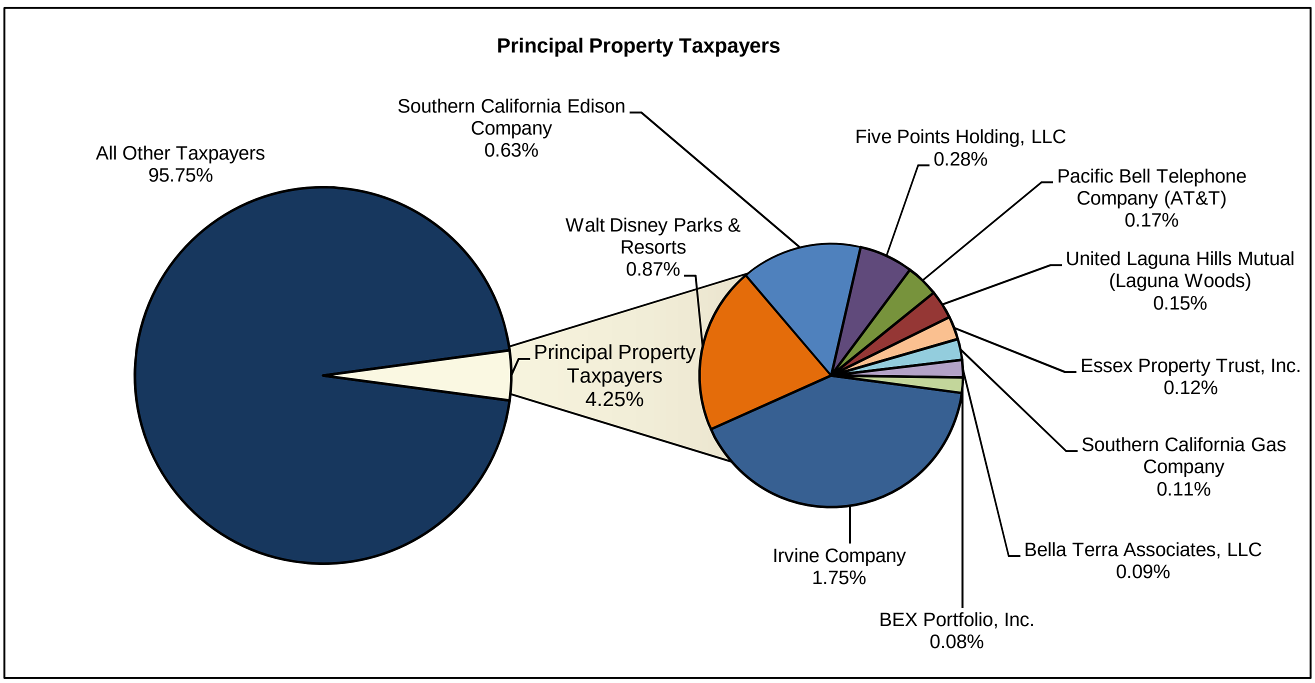
ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

(Dollar Amounts in Thousands)

Principal Property Taxpayers
Current Year and Nine Years Ago

	2017			2008		
Taxpayer	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
Irvine Company	$ 106,206	1	1.75%	$ 55,806	1	1.12%
Walt Disney Parks & Resorts US	52,961	2	0.87%	39,452	2 & 8	0.80%
Southern California Edison Company	38,592	3	0.63%	19,195	4	0.39%
Five Points Holding, LLC	17,221	4	0.28%			
Pacific Bell Telephone Company (AT&T)	10,181	5	0.17%	7,389	9	0.15%
United Laguna Hills Mutual (Laguna Woods)	9,145	6	0.15%	7,895	7	0.16%
Essex Property Trust, Inc.	7,305	7	0.12%			
Southern California Gas Company	6,777	8	0.11%			
Bella Terra Associates, LLC	5,740	9	0.09%			
BEX Portfolio, Inc.	4,999	10	0.08%			
Irvine Apartment Communities				22,146	3	0.45%
Irvine Community Development				9,869	5	0.20%
Heritage Fields El Toro LLC				8,586	6	0.17%
Irvine Co. of W VA				5,844	10	0.12%
Total	$ 259,127		4.25%	$ 176,182		3.56%



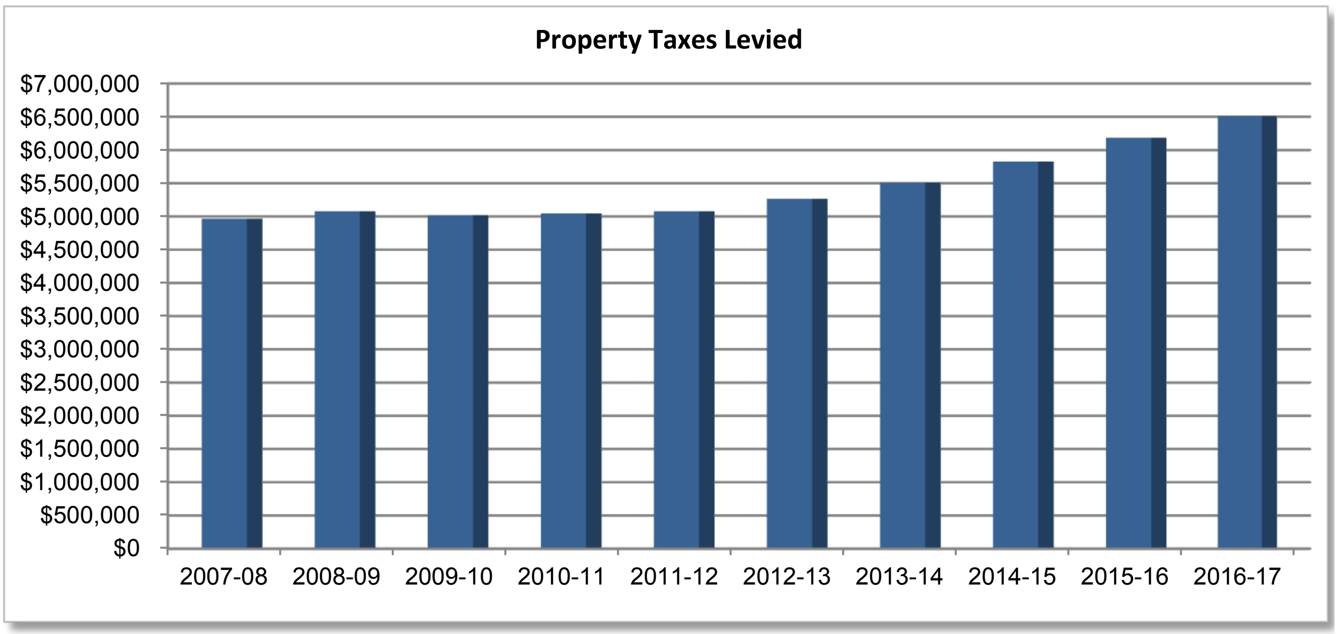
Note: The base used for the Percentage of Total Taxes Levied for 2017 includes total secured taxes of $6,082,465.

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
2016-17	$ 6,511,944	$ 6,446,780	99.00%	$ --	$ 6,446,780	99.00%
2015-16	6,183,862	6,119,771	98.96%	38,105	6,157,876	99.58%
2014-15	5,828,106	5,759,699	98.83%	49,442	5,809,141	99.67%
2013-14	5,509,379	5,444,912	98.83%	48,522	5,493,434	99.71%
2012-13	5,265,844	5,194,193	98.64%	55,393	5,249,586	99.69%
2011-12	5,079,589	5,002,490	98.48%	81,634	5,084,124	100.09%
2010-11	5,045,802	4,960,748	98.31%	33,682	4,994,430	98.98%
2009-10	5,019,061	4,904,188	97.71%	20,909	4,925,097	98.13%
2008-09	5,076,796	4,901,574	96.55%	15,648	4,917,222	96.86%
2007-08	4,965,990	4,784,438	96.34%	6,919	4,791,357	96.48%



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 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	SARI Line Loans	Civic Center Facilities Master Plan Financing
2016-17	$ --	$ --	$ 811	$ 11,220	$ --	$ 27,868	$ 23,900	$ 175,340
2015-16	--	--	1,262	19,140	--	30,191	28,022	--
2014-15	--	--	1,744	27,227	--	33,823	36,277	--
2013-14	19,172	--	2,262	32,193	--	39,830	47,410	--
2012-13	35,317	--	2,822	37,925	--	43,486	59,892	--
2011-12	51,600	--	3,422	47,523	--	--	40,328	--
2010-11	67,028	47,009	4,064	54,680	--	--	33,999	--
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	--	--	--

Notes:
(1) Details regarding the County's outstanding debt can be found in Note 10, 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 11, 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 does not include Interest Accretion on capital appreciation bonds (CAB), this was separated and numbers were restated.
(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.
(7) Lease Revenue bonds and Airport Revenue bonds include unamortized premiums and discounts.

Source: Auditor-Controller, County of Orange

(Dollar Amounts in Thousands)

Business-Type Activities							
Lease Revenue Bonds (6), (7)	Capital Lease Obligations (3)	Interest Accretion on CAB	Airport Revenue Bonds (7)	Waste Management System Revenue Bonds	Total Primary Government	Percentage of Personal Income (4)	Per Capita (4)
$ 88,352	$ 55,831	$ 46,641	$ 187,318	$ --	$ 617,281	0.31%	$ 193
141,145	67,928	73,926	195,127	--	556,741	0.29%	175
105,880	79,168	96,303	202,536	--	582,958	0.31%	185
137,115	62,446	103,377	209,804	--	653,609	0.34%	210
155,828	67,353	110,084	240,540	7,018	760,265	0.41%	247
181,097	71,755	--	248,900	13,666	658,291	0.40%	215
249,924	76,074	--	256,683	19,921	809,382	0.51%	269
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

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]
2016-17	$ --	$ 53,985	$ 53,985	$ --	0.00%	$ --
2015-16	--	87,521	87,521	--	0.00%	--
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

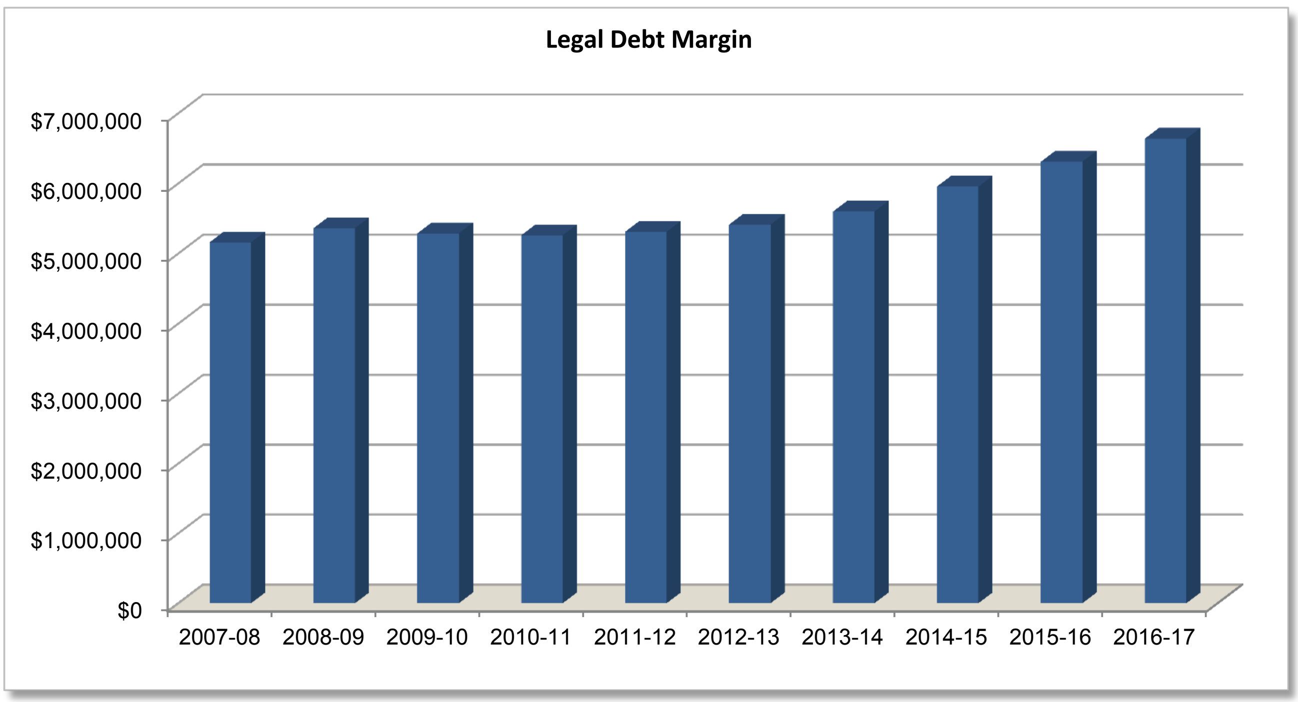
Notes:
(1) Details regarding the County's outstanding debt can be found in Note 10, Long-Term Obligations.
(2) See demographic and economic statistics schedule for population data. For years prior to FY 2012-13, the debt per capita amount was calculated using the population for the prior fiscal year.
(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]
2016-17	$ 531,052,158	$ 6,638,152	$ --	$ 6,638,152	0%
2015-16	504,650,360	6,308,130	--	6,308,130	0%
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%



Note:

(1) Starting from FY 2007-08, Assessed Value includes 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 requires the approval of 2/3 of the voting on the proposition.

Source: Auditor-Controller, County of Orange

(Dollar Amounts in Thousands)

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
2016-17	$ 10,465	$ --	$ 10,465	$ 7,335	$ 2,974	1.02
2015-16	5,828	271	5,557	4,920	906	0.95
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	--	--	--	--	--	--

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
2016-17	$ 2,405	$ 8	$ 2,397	$ 451	$ 2,157	0.92
2015-16	2,470	--	2,470	482	2,121	0.95
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

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
2016-17	$ 10,189	--	$ 10,189	$ 41,235	$ 1,587	0.24
2015-16	44,418	--	44,418	25,420	3,235	1.55
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

Teeter Plan Notes

Funding Source: Delinquent Property Taxes Collected

Fiscal Year (2)	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2016-17	$ 26,232	$ 154	$ 26,078	$ 33,859	$ 600	0.76
2015-16	316	210	106	74,561	347	0.00
2014-15	174	2,954	(2,780)(3)	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	--	--	--	--	--	--
2010-11	--	--	--	--	--	--
2009-10	--	--	--	--	--	--
2008-09	--	--	--	--	--	--
2007-08	--	--	--	--	--	--

Airport Revenue Bonds

Funding Source: Rents and Concessions, Other Charges for Services, Misc Revenue, Interest Earnings, and Available Passenger Facility Charge Revenue

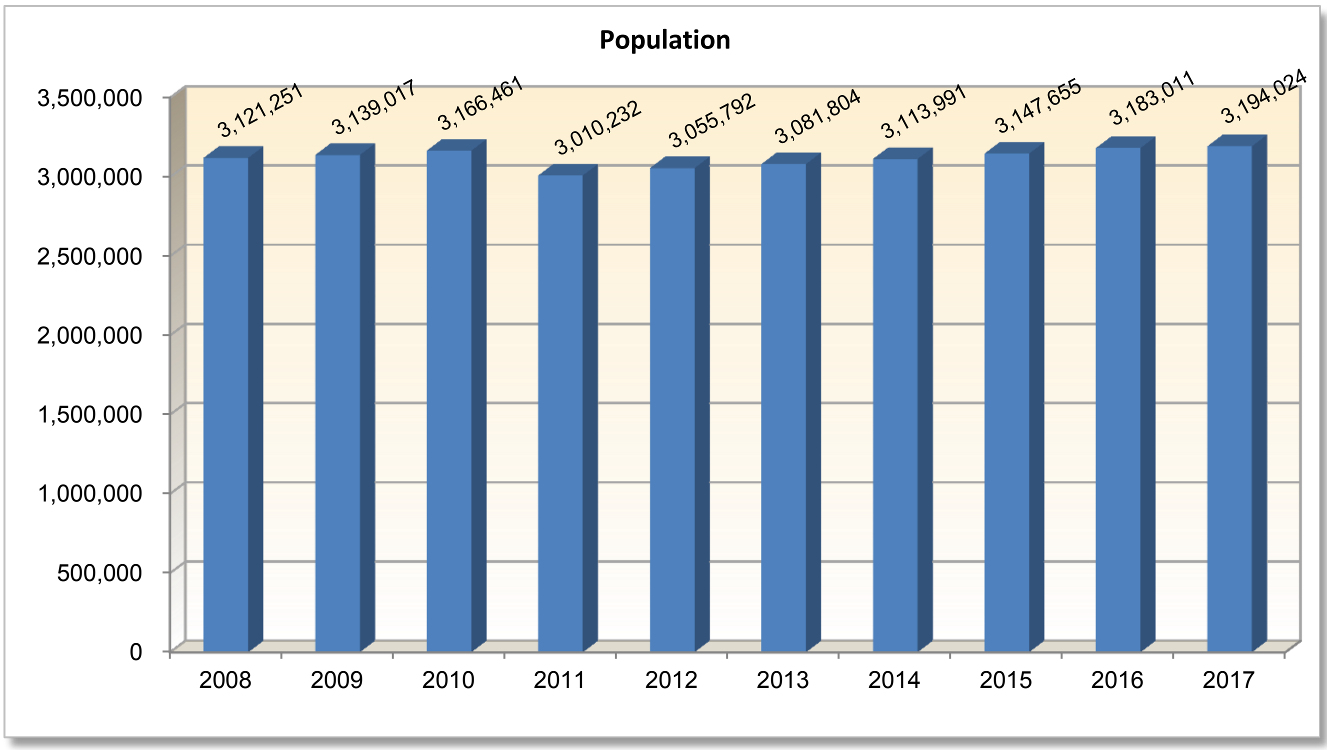
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2016-17	$ 143,707	$ 89,055	$ 54,652	$ 7,530	$ 9,999	3.12
2015-16	143,661	82,833	60,828	7,205	10,338	3.47
2014-15	135,491	82,558	52,933	6,995	10,603	3.01
2013-14	131,285	84,708	46,577	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

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) Teeter Plan Notes were converted from short-term commercial paper to long-term note in FY 2012-13, therefore, only long-term note information is presented.
(3) 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]
2017	3,194,024	$ 199,492,000	$ 62,458	N/A	490,430	4.2%
2016	3,183,011	190,978,000	59,999	37.1	493,030	4.4%
2015	3,147,655	185,500,000	58,933	36.7	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	6.7%
2012	3,055,792	166,345,500	54,436	36.7	502,195	8.1%
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%



N/A means Not Available

Sources:
(1) California Department of Finance, Demographic Research Unit, http://www.dof.ca.gov
(2) Chapman University Economic & Business Review.
(3) U.S. Census Bureau, American Community Survey, http://www.census.gov, 2017 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

2017

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	29,000	1	1.80%
University of California, Irvine	23,605	2	1.46%
County of Orange	18,264	3	1.13%
St. Joseph Health System	11,925	4	0.74%
Allied Universal	8,229	5	0.51%
Kaiser Permanente	7,694	6	0.48%
Boeing Co.	6,103	7	0.38%
Wal-Mart	6,000	8	0.37%
California State University, Fullerton	5,781	9	0.36%
Bank of America	5,500	10	0.34%

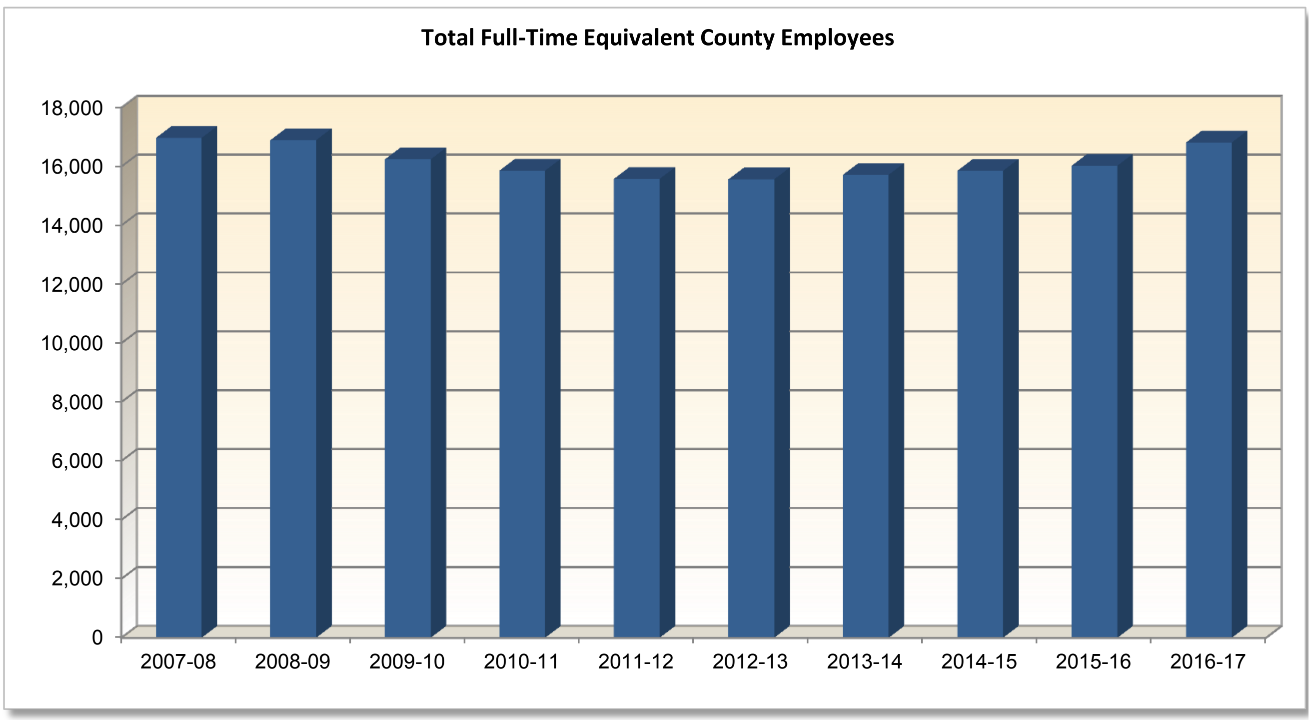
2008

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	20,000	1	1.22%
County of Orange	18,748	2	1.14%
University of California, Irvine	17,579	3	1.07%
St. Joseph Health System	10,047	4	0.61%
Boeing Co.	9,961	5	0.61%
Yum! Brands Inc.	7,200	6	0.44%
AT&T Incorporated	6,000	7	0.37%
California State University, Fullerton	5,634	8	0.34%
Home Depot, Incorporated	5,450	9	0.33%
Memorial Health Services Inc.	4,956	10	0.30%

Source: Orange County Business Journal Book of Lists - County of Orange
http://www.labormarketinfo.edd.ca.gov

Full-time Equivalent County Employees by Function
Last Ten Fiscal Years

Function/Program	2016-17	2015-16	2014-15	2013-14	2012-13 (2)	2011-12	2010-11	2009-10	2008-09	2007-08
General Government	1,511	1,419	1,341	1,322	1,273	1,279	1,314	1,346	1,383	1,377
Public Protection	6,915	6,642	6,674	6,760	6,781	6,653	6,692	6,879	7,298	7,226
Public Ways and Facilities	431	435	440	478	508	542	569	585	622	621
Health and Sanitation	2,409	2,253	2,198	2,128	2,137	2,209	2,292	2,346	2,507	2,550
Public Assistance	4,529	4,306	4,239	4,043	3,876	3,867	3,935	4,023	4,000	4,123
Education	309	302	286	290	286	307	324	325	350	360
Recreation and Cultural Services	298	272	265	274	268	283	289	285	277	264
Airport	153	154	159	162	167	168	168	169	168	161
Waste Management	249	233	241	249	255	257	261	267	272	270
CFCOC	9	11	11	11	11	13	14	16	17	17
Total Full-time Equivalent Employees (1)	16,813	16,027	15,854	15,717	15,562	15,578	15,858	16,241	16,894	16,969



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 2016-17	2015-16	2014-15	2013-14	2012-13
General Government					
Auditor-Controller					
Property Tax Bills Prepared	1,127,725	1,141,652	1,216,325	1,220,750	1,186,238
Assessor					
Number of Real Property Valued	937,630	930,470	924,791	918,672	914,489
Number of Unsecured Property Assessed	121,665	141,224	145,151	135,551	139,865
New Parcels Created and Mapped	9,053	6,665	6,918	4,519	8,175
New Construction Events	21,254	19,397	18,530	16,904	17,173
County Executive Office					
Volunteer Program Service Hours	645,482	613,277	638,230	700,759	815,407
Clerk-Recorder					
Marriage Licenses Issued	25,309	23,725	23,553	25,244	22,502
Marriage Ceremonies Performed	12,876	11,122	11,213	12,056	*
Copies of Birth Certificates Issued	85,051	74,508	79,826	82,268	81,775
Property-Related Document Recordings	640,243	617,914	651,866	580,899	839,353
Passport Applications Filed	9,437	7,093	5,016	2,686	*
Treasurer-Tax Collector					
Orange County Investment Pool Income (1)	$ 36,677	$ 24,877	$ 14,581	$ 11,298	$ 12,958
Assets Under Management (1)	$ 9,092,268	$ 8,271,502	$ 7,604,246	$ 6,566,145	$ 6,490,056
Number of Property Tax Bills	1,448,886	1,367,275	1,381,808	1,421,654	1,347,596
Percentage of Secured Tax Bill Collection	99.39%	99.26%	99.21%	99.16%	98.94%
Number of Incoming Phone Calls	108,061	111,948	121,461	115,123	150,830
Percentage of Electronic Payments	57.2%	54.9%	54.2%	53.8%	49.4%
Secured Tax Bill Reminders	40,898	38,213	35,917	31,988	28,664
Property Tax Payments by eCheck	348,961	309,977	285,932	248,908	213,146
Registrar of Voters					
Registered Voters	1,535,967	1,395,380	1,424,216	1,411,232	1,683,001
Highest Number of Ballots Cast	1,239,405	691,802	640,358	340,187	1,133,204
Elections Conducted	1	4	7	3	2
Public Protection					
Sheriff-Coroner					
Patrolled Cities Population	644,496	641,753	637,261	631,934	627,447
Patrolled Unincorporated Areas Population	125,792	125,420	124,014	121,473	120,396
Number of Bookings to Orange County Jail System	56,330	56,163	56,135	61,262	63,439
Average Daily Jail Head Count	6,220	6,028	6,055	7,039	6,805
District Attorney					
Defendants Prosecuted - Adult	61,219	61,521	56,233	55,906	57,873
Defendants Prosecuted - Juvenile	3,631	3,564	4,482	5,103	6,651
Probation					
Physical Arrests - Adult	*	*	*	*	2,947
Physical Arrests - Juvenile	*	*	*	*	640
Probationers under Supervision as of June 30th-Adult	11,189	11,714	10,725	14,425	14,186
Probationers under Supervision as of June 30th-Juvenile	2,290	2,550	3,124	4,156	4,984
Avg. Daily Juvenile Hall Population	150	130	150	229	320
Avg. Daily Camp Population	136	143	203	182	193
Public Defender					
Cases Appointed Annually	61,878	65,574	79,119	74,101	77,073

Note: (1) Dollar amounts in thousand
(2) * means Not Available
Sources: County Departments

Fiscal Year 2011-12	2010-11	2009-10	2008-09	2007-08	Function/Program
					General Government
					Auditor-Controller
1,153,816	1,189,320	1,144,933	1,148,720	1,149,007	Property Tax Bills Prepared
					Assessor
901,840	899,644	897,547	888,770	881,233	Number of Real Property Valued
159,464	161,005	168,208	169,821	176,584	Number of Unsecured Property Assessed
3,649	2,739	9,413	9,185	10,252	New Parcels Created and Mapped
17,129	9,372	13,172	16,565	19,380	New Construction Events
					County Executive Office
885,416	935,284	882,680	839,125	675,285	Volunteer Program Service Hours
					Clerk-Recorder
22,415	20,868	20,292	21,339	20,894	Marriage Licenses Issued
*	*	*	*	*	Marriage Ceremonies Performed
83,611	85,773	87,999	98,231	117,226	Copies of Birth Certificates Issued
741,935	725,323	669,332	629,373	658,005	Property-Related Document Recordings
*	*	*	*	*	Passport Applications Filed
					Treasurer-Tax Collector
$ 17,978	$ 22,295	$ 35,656	$ 67,242	$ 141,824	Orange County Investment Pool Income [1]
$ 5,922,768	$ 6,183,195	$ 5,975,392	$ 5,963,577	$ 6,064,067	Assets Under Management [1]
1,257,709	1,382,198	1,362,221	1,367,901	1,472,466	Number of Property Tax Bills
98.51%	98.35%	97.61%	96.30%	96.13%	Percentage of Secured Tax Bill Collection
148,463	162,955	160,067	178,420	175,149	Number of Incoming Phone Calls
51.1%	49.3%	43.8%	40.8%	41.2%	Percentage of Electronic Payments
25,451	21,027	*	*	*	Secured Tax Bill Reminders
181,151	143,136	126,942	112,114	105,396	Property Tax Payments by eCheck
					Registrar of Voters
1,612,145	1,621,934	1,603,312	1,607,989	1,566,951	Registered Voters
145,474	898,205	482,708	1,167,657	748,910	Highest Number of Ballots Cast
2	5	5	4	5	Elections Conducted
					Public Protection
					Sheriff-Coroner
557,403	553,148	584,947	581,109	575,909	Patrolled Cities Population
119,698	121,488	120,088	119,480	118,136	Patrolled Unincorporated Areas Population
65,256	63,615	58,322	61,778	64,596	Number of Bookings to Orange County Jail System
6,265	5,721	5,171	6,090	6,183	Average Daily Jail Head Count
					District Attorney
61,759	64,418	64,969	70,058	69,507	Defendants Prosecuted - Adult
6,743	7,907	6,894	7,740	9,076	Defendants Prosecuted - Juvenile
					Probation
2,307	1,926	1,822	1,725	2,470	Physical Arrests - Adult
467	488	685	595	1,051	Physical Arrests - Juvenile
14,788	13,243	13,476	15,022	16,223	Probationers under Supervision as of June 30th-Adult
5,399	5,792	6,527	6,492	6,569	Probationers under Supervision as of June 30th-Juvenile
315	417	428	455	490	Avg. Daily Juvenile Hall Population
169	194	191	310	438	Avg. Daily Camp Population
					Public Defender
73,487	77,661	76,191	83,029	79,052	Cases Appointed Annually

Operating Indicators by Function/Program
Last Ten Fiscal Years (Continued)

Function/Program	2016-17	2015-16	2014-15	2013-14	2012-13
	Fiscal Year				
Recreation and Cultural Services					
OC Community Resources					
Exotic Invasive Plant Removal (acres)	2,940	2,782	1,466	1,154	4,102
Native Vegetation Restoration (acres)	262	293	312	368	843
New Open Space Management (acres)	--	--	--	--	--
Dana Point Harbor					
Slip and Dry Storage Tenants	438	2,903	3,204	2,679	2,700
Boat Launches	16,303	17,695	15,511	15,606	15,037
Sailing and Event Center Participants	80,752	50,000	75,000	111,838	115,996
Ocean Institute Students/Visitors	127,361	192,384	41,000	100,000	108,668
Hotel Guests	39,140	43,515	43,073	42,887	41,141
Catalina Express Passengers	128,000	25,711	123,688	123,257	123,257
Special Events at the Harbor	6	8	12	15	16
Public Ways and Facilities					
OC Public Works (OCPW)					
Building and Home Inspections	39,056	40,662	30,324	31,772	19,368
Health and Sanitation					
OC Community Resources					
Animal Licenses	171,237	192,470	198,358	192,320	191,098
Health Care Agency					
911 Emergency Medical Services Responses	204,683	193,538	183,794	170,804	171,420
Retail Food Facility Inspections Conducted	32,305	26,195	31,397	32,689	34,953
Hazardous Waste Inspections Conducted	7,271	8,328	5,950	4,616	6,058
Number of Home Visits by Public Health Nurses	32,108	29,219	31,258	35,101	34,953
Number of Low Income Children Dental Health Services	311	496	755	1,225	1,107
Number of Ocean Water Days of Closure (In Beach-Miles)	17	22	24	20	8
Public Assistance					
OC Community Resources					
Adult Day Care Hours of Service	47,567	49,971	43,010	50,944	49,129
Elderly Nutrition Program Meals Delivered	1,417,361	1,374,275	1,406,526	1,347,251	1,360,601
One-Way Transportation Trips Provided to Seniors	190,534	198,851	180,899	187,864	155,003
Social Service Agency					
Average Monthly Medi-Cal Recipients	817,408	810,388	718,061	521,078	430,559
Average Monthly Child Abuse Hotline Calls	4,076	4,259	4,049	3,674	3,009
Average Monthly CalFresh (formerly Food Stamp) Recipients	250,772	263,556	258,676	247,517	230,964
Average Monthly In-Home Supportive Services	24,427	22,635	20,787	19,652	19,663
Average Persons Receiving Cash Assistance	46,369	52,081	55,921	55,225	55,008
Average Children in Foster Care/Relative Care	1,886	1,791	1,924	2,119	2,213
Average Elder and Adult Abuse Unduplicated Reports Received	995	942	815	710	636
Education					
OC Community Resources					
Total Volumes Borrowed at Library Branches	6,864,635	6,634,747	6,411,127	6,642,739	6,564,262
Airport					
Passengers	10,373,714	10,361,436	9,608,873	9,304,295	9,124,172
Air Cargo Tonnage	17,813	18,568	16,997	17,564	17,821
Takeoffs & Landings	285,704	276,817	264,726	252,166	252,506
Waste Management					
Solid Waste Tonnage	4,810,116	4,772,722	4,581,359	4,070,238	3,428,657
Gallons of Leachate and Impacted Ground Water Collected	5,599,757	3,542,736	5,510,821	3,854,530	3,116,108

* means Not Available
Sources: County Departments

Fiscal Year					
2011-12	2010-11	2009-10	2008-09	2007-08	Function/Program
					Recreation and Cultural Services
					OC Community Resources
4,042	629	61	1,475	*	Exotic Invasive Plant Removal (acres)
994	2,448	82	144	*	Native Vegetation Restoration (acres)
--	--	--	--	250	New Open Space Management (acres)
					Dana Point Harbor
2,237	2,748	2,750	2,836	2,932	Slip and Dry Storage Tenants
14,327	15,150	18,759	19,903	22,247	Boat Launches
111,959	108,070	83,738	66,163	54,371	Sailing and Event Center Participants
110,059	125,000	125,060	126,957	116,218	Ocean Institute Students/Visitors
36,800	26,972	25,252	28,650	26,940	Hotel Guests
120,945	114,176	106,305	111,648	114,000	Catalina Express Passengers
16	16	16	16	16	Special Events at the Harbor
					Public Ways and Facilities
					OC Public Works (OCPW)
15,591	13,215	11,222	24,731	31,363	Building and Home Inspections
					Health and Sanitation
					OC Community Resources
200,755	173,570	176,123	158,202	155,875	Animal Licenses
					Health Care Agency
168,172	156,638	158,863	160,369	150,545	911 Emergency Medical Services Responses
35,025	34,962	36,445	33,146	33,451	Retail Food Facility Inspections Conducted
5,444	6,237	6,600	5,847	6,194	Hazardous Waste Inspections Conducted
32,498	29,260	30,091	29,505	30,447	Number of Home Visits by Public Health Nurses
1,344	1,533	1,520	979	660	Number of Low Income Children Dental Health Services
0.93	61	20	26	11	Number of Ocean Water Days of Closure (In Beach-Miles)
					Public Assistance
					OC Community Resources
70,267	93,425	92,964	101,732	89,584	Adult Day Care Hours of Service
1,636,379	1,846,571	1,796,596	1,725,058	1,736,877	Elderly Nutrition Program Meals Delivered
184,476	287,611	213,832	233,382	225,783	One-Way Transportation Trips Provided to Seniors
					Social Service Agency
418,649	403,142	376,101	343,222	326,506	Average Monthly Medi-Cal Recipients
2,880	3,003	3,165	3,242	3,427	Average Monthly Child Abuse Hotline Calls
213,919	185,489	150,141	109,491	88,284	Average Monthly CalFresh (formerly Food Stamp) Recipients
19,240	18,335	17,595	16,364	14,425	Average Monthly In-Home Supportive Services
56,847	58,770	53,214	44,115	38,840	Average Persons Receiving Cash Assistance
2,128	2,148	2,336	2,466	2,797	Average Children in Foster Care/Relative Care
630	604	598	531	549	Average Elder and Adult Abuse Unduplicated Reports Received
					Education
					OC Community Resources
6,741,380	7,796,954	7,629,378	7,314,615	6,908,477	Total Volumes Borrowed at Library Branches
					Airport
8,642,116	8,611,054	8,812,169	8,552,590	9,566,043	Passengers
16,831	15,150	14,870	15,197	21,084	Air Cargo Tonnage
251,191	260,466	213,404	215,585	319,791	Takeoffs & Landings
					Waste Management
3,304,643	3,495,649	3,502,715	3,876,902	4,207,649	Solid Waste Tonnage
3,448,964	3,209,725	3,390,965	3,441,343	3,766,898	Gallons of Leachate and Impacted Ground Water Collected

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year 2016-17	2015-16	2014-15	2013-14	2012-13
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	4	4	3	3
Public Protection					
Sheriff-Coroner					
Crime/Forensic Lab	1	1	1	1	1
Jail Facilities	3	3	3	3	3
Vehicles	948	917	916	911	918
Buses	12	11	11	11	11
Helicopters	5	4	3	3	2
Boats	10	10	10	10	9
Robot Andros	3	3	3	3	3
Haz-mat Vehicles	4	4	4	4	4
K-9 units	26	28	22	18	13
District Attorney					
Justice Center Offices	5	5	5	5	5
Probation Department					
Juvenile Institutions	4	4	4	4	4
Vehicles/Trucks	159	155	159	156	*
Equipment	13	12	16	12	*
Recreation and Cultural Services					
OC Community Resources					
Park Land (acres)	62,900	62,900	62,900	60,500	59,318
Recreational Trails (in miles)	295	295	295	295	295
Zoo	1	1	1	1	1
Urban Regional Parks	15	15	15	15	15
Wilderness Parks	5	5	5	5	5
Nature Preserves	4	4	4	4	4
Harbors	3	3	3	3	3
Beaches	11	11	11	11	11
Historical Sites	7	7	7	7	7
Boats	10	8	7	7	9
Tractors	26	25	26	28	24
Trailers	33	31	27	29	33
Vehicles/Trucks	199	204	174	170	211
Dana Point Harbor					
Harbor	1	1	1	1	1
Marinas	2	2	2	2	2
Public Parking Areas	9	9	9	9	9

* means Not Available
Source: County Departments

Fiscal Year 2011-12	2010-11	2009-10	2008-09	2007-08	Function/Program
					General Government
					Auditor-Controller
1	1	1	1	1	Hall of Finance and Records
					Clerk-Recorder
1	1	1	1	1	OC Archives Building
					Registrar of Voters
1	1	1	1	1	Trailer
3	3	3	3	3	Vehicle/Truck
					Public Protection
					Sheriff-Coroner
1	1	1	1	1	Crime/Forensic Lab
3	3	3	3	3	Jail Facilities
838	844	844	859	855	Vehicles
11	13	13	13	12	Buses
2	2	2	2	2	Helicopters
9	5	5	5	5	Boats
3	3	3	3	3	Robot Andros
4	4	4	4	4	Haz-mat Vehicles
10	14	14	14	13	K-9 units
					District Attorney
5	5	5	5	6	Justice Center Offices
					Probation Department
5	5	5	5	6	Juvenile Institutions
*	*	*	*	*	Vehicles/Trucks
*	*	*	*	*	Equipment
					Recreation and Cultural Services
					OC Community Resources
57,688	57,688	39,490	39,490	32,000	Park Land (acres)
295	295	292	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	4	4	3	3	Nature Preserves
2	2	2	2	2	Harbors
9	9	9	9	9	Beaches
7	7	7	7	7	Historical Sites
21	15	14	14	15	Boats
26	22	18	17	9	Tractors
30	24	20	17	15	Trailers
188	233	208	176	165	Vehicles/Trucks
					Dana Point Harbor
1	1	1	1	1	Harbor
2	2	2	2	2	Marinas
9	9	9	9	9	Public Parking Areas

Capital Asset Statistics by Function
Last Ten Fiscal Years (Continued)

	Fiscal Year				
Function/Program	2016-17	2015-16	2014-15	2013-14	2012-13
Recreation and Cultural Services (Continued)					
Dana Point Harbor (Continued)					
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	24	24	23	23	23
Restaurants	16	16	16	16	16
Fuel Dock	1	1	1	1	1
Shipyard	1	1	1	1	1
Boater Service Buildings	15	15	15	15	15
Parcel 11 (Yacht Building Company)	1	1	*	*	*
Parcel 23 (Yacht Club)	1	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	46	50	51	60	60
Vehicles/Trucks	45	42	53	54	51
OC Flood Control District					
Watersheds	21	19	13	13	13
Dams	4	3	3	3	3
Dump Trucks	4	7	7	12	5
Tractors	20	20	14	19	5
Trailers	16	14	24	17	8
Vehicles/Trucks	97	79	156	156	156
Roads					
Street Miles	330	330	320	320	319
Dump Trucks	12	12	11	9	4
Tractors	30	30	18	9	6
Trailers	24	32	30	18	10
Vehicles/Trucks	174	147	146	165	151
Health and Sanitation					
Clinics (1)	4	4	4	3	3
Laboratories (1)	2	2	2	2	2
Trailers (1)	9	12	12	8	11
Vehicles and Trucks (1)	30	24	24	25	25
OC Community Resources					
Animal Care Center	1	1	1	1	1
Trailers	3	3	3	3	3

Note: (1) Presentation changed in FY 2014-15 to summarize by asset

(2) * means Not Available

Source: County Departments

Fiscal Year 2011-12	2010-11	2009-10	2008-09	2007-08	Function/Program
					Recreation and Cultural Services (Continued)
					Dana Point Harbor (Continued)
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	25	25	26	26	Shops
16	15	16	15	15	Restaurants
1	1	1	1	1	Fuel Dock
1	1	1	1	1	Shipyard
15	15	15	15	15	Boater Service Buildings
*	1	*	*	*	Parcel 11 (Yacht Building Company)
*	1	*	*	*	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	59	59	Alternate Fuel Vehicles
50	50	50	47	47	Vehicles/Trucks
					OC Flood Control District
13	19	11	11	11	Watersheds
3	3	3	3	3	Dams
5	13	13	13	14	Dump Trucks
5	10	19	19	20	Tractors
12	15	14	14	13	Trailers
165	161	122	166	162	Vehicles/Trucks
					Roads
320	320	320	320	320	Street Miles
11	9	1	8	8	Dump Trucks
3	4	3	12	13	Tractors
5	9	11	14	14	Trailers
146	151	144	158	157	Vehicles/Trucks
					Health and Sanitation
3	2	2	2	49	Clinics (1)
2	2	2	1	2	Laboratories (1)
27	27	27	27	25	Trailers (1)
24	27	26	25	68	Vehicles and Trucks (1)
					OC Community Resources
1	1	1	1	1	Animal Care Center
3	3	3	3	2	Trailers

Capital Asset Statistics by Function
Last Ten Fiscal Years (Continued)

Function/Program	Fiscal Year 2016-17	2015-16	2014-15	2013-14	2012-13
Public Assistance					
Social Service Agency					
Vehicles	4	5	5	5	6
Office Locations	20	20	20	19	20
Education					
Library Branches	33	33	33	33	33
Library Headquarters	*	*	*	*	*
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	3
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	6	8	7	7	7
Dump Trucks	10	10	10	10	12
Loaders	12	21	20	20	20
Scrapers	6	8	8	8	8
Excavators	2	2	2	2	2
Tractors	27	30	28	29	28
Graders	4	4	4	4	4
Compactors	7	8	8	8	8
Water/Fuel Trucks	14	13	13	13	11

* means Not Available

Source: County Departments

Fiscal Year					
2011-12	2010-11	2009-10	2008-09	2007-08	Function/Program
					Public Assistance
					Social Service Agency
10	10	8	7	8	Vehicles
20	19	20	21	27	Office Locations
					Education
33	33	33	33	33	Library Branches
*	1	1	1	1	Library Headquarters
					Airport
501	501	501	501	501	Acres
2	2	2	2	2	Runways
5	5	5	5	5	Public Parking Structures/Lots
3	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
8	8	10	10	10	Dozers
12	14	14	14	14	Dump Trucks
21	22	21	21	21	Loaders
8	11	13	13	15	Scrapers
2	2	--	--	--	Excavator
29	29	29	28	27	Tractors
4	4	3	6	5	Graders
8	8	5	5	6	Compactors
11	11	12	13	12	Water/Fuel Trucks

ORANGE COUNTY AUDITOR-CONTROLLER

CALIFORNIA

Orange County Auditor-Controller
12 Civic Center Plaza, Suite 200 Santa Ana, California 92701

OC Auditor-Controller: www.ac.ocgov.com • County of Orange: www.ocgov.com

EXHIBIT B

OFFICIAL STATEMENT

NEW ISSUE-FULL BOOK ENTRY

RATINGS: "AA" (S&P) (Insured Bonds)
"A-" (S&P) (Underlying/Uninsured Bonds)
(See "MISCELLANEOUS — Ratings" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described 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. 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 "LEGAL MATTERS — Tax Matters" herein with respect to tax consequences relating to the Bonds.

$51,940,000
SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(LADERA RANCH) 2018 SERIES A

Due: August 15 as shown on inside cover **Dated: Date of Delivery**

The South Orange County Public Financing Authority Special Tax Revenue Refunding Bonds (Ladera Ranch), 2018 Series A (the "Bonds") are being issued by the South Orange County Public Financing Authority (the "Authority") to: (i) refund the Authority's Special Tax Revenue Bonds 2005 Series A (Ladera Ranch) (the "2005 Bonds"); (ii) acquire certain special tax obligations (the "Local Obligations") of three community facilities districts (the "Districts") formed by the County of Orange (the "County") to the Authority; (iii) purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the Insured Bonds (defined below); (iv) purchase a debt service reserve insurance policy for deposit in the Reserve Fund; and (v) pay certain costs of issuing the Bonds. In accordance with the Mello-Roos Act (as defined herein), in consideration of the delivery of the Local Obligations of the Districts to the Authority, the Authority will agree to discharge certain prior local obligations issued by the Districts in connection with the Authority's 2005 Bonds. See "FINANCING PLAN."

The Bonds are payable solely from Revenues (defined herein) pledged by the Authority pursuant to that certain Indenture of Trust, dated as of February 1, 2018 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). Revenues consist primarily of special taxes levied in the Districts and paid to the Authority as debt service on the Local Obligations. Each Local Obligation is a limited obligation of the applicable District payable solely from Net Taxes (defined herein) collected in such District and amounts deposited by the applicable District in its Special Tax Fund. None of the Special Taxes levied in one District may be used to pay debt service on the Local Obligations issued for another District. See "SECURITY FOR THE BONDS — Revenues; Flow of Funds."

The scheduled payment of the principal of and interest on the Bonds maturing on August 15, 2029 through August 15, 2032, inclusive (the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. See "BOND INSURANCE" herein.

ASSURED GUARANTY® MUNICIPAL

The Bonds will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 15 and August 15, commencing August 15, 2018. The Bonds will be initially issued only in book-entry form and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which is to remit such payments to its Participants (defined herein) for subsequent distribution to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and — Book-Entry Only System" herein.

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

CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE AUTHORITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. THE PURCHASE OF THE BONDS INVOLVES SIGNIFICANT INVESTMENT RISKS, AND THE BONDS MAY NOT BE SUITABLE INVESTMENTS FOR MANY INVESTORS. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

Maturity Schedule
(see inside cover)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel and for the Authority and the County by County Counsel. Certain legal matters will be passed on for the Underwriter by Best Best & Krieger LLP, Riverside, California, for the Insurer by its counsel and for the Trustee by its counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC or its agent on or about February 7, 2018.

STIFEL

Dated: January 24, 2018

MATURITY SCHEDULE

SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(LADERA RANCH) 2018 SERIES A

Maturity (August 15)	Principal Amount	Interest Rate	Yield	CUSIP† No.
2018	$1,065,000	5.00%	1.30%	839100 JZ8
2019	2,665,000	5.00	1.46	839100 KA1
2020	2,895,000	5.00	1.57	839100 KB9
2021	3,150,000	5.00	1.65	839100 KC7
2022	3,420,000	5.00	1.72	839100 KD5
2023	3,665,000	5.00	1.82	839100 KE3
2024	3,925,000	5.00	1.95	839100 KF0
2025	4,160,000	5.00	2.09	839100 KG8
2026	4,410,000	5.00	2.23	839100 KH6
2027	4,655,000	5.00	2.33	839100 KJ2
2028	4,930,000	5.00	2.43	839100 KK9
2029*	5,205,000	5.00	2.50[C]	839100 KL7
2030*	3,730,000	5.00	2.60[C]	839100 KM5
2031*	1,985,000	5.00	2.65[C]	839100 KN3
2032*	2,080,000	3.00	3.14	839100 KP8

C Yield to the optional redemption date of August 15, 2028 at par.

* Insured Bonds.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the County, the Districts or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. None of the Authority, the County, the Districts or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY

Andrew Do, Chair
Shawn Nelson, Vice Chair
Michelle Steel, Director
Todd Spitzer, Director
Lisa A. Bartlett, Director

AUTHORITY OFFICIALS

Frank Kim, Executive Director
Shari L. Freidenrich, Treasurer
Eric Woolery, Auditor-Controller
Leon J. Page, Authority Counsel
Robin Stieler, Secretary

COUNTY OF ORANGE, CALIFORNIA
BOARD OF SUPERVISORS

Andrew Do (First District), Chair
Shawn Nelson (Fourth District), Vice Chair
Michelle Steel (Second District)
Todd Spitzer (Third District)
Lisa A. Bartlett (Fifth District)

BOND COUNSEL AND DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

SPECIAL TAX CONSULTANT

David Taussig & Associates, Inc.
Newport Beach, California

TRUSTEE AND ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, Minnesota

Investment in the Bonds involves risks which are not appropriate for certain investors. Therefore, only persons with substantial financial resources (in net worth or income) who understand those risks should consider such an investment.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the Authority, the County and the Districts. No dealer, broker, salesperson or other person has been authorized by the Authority, the County, the Districts, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the County, the Districts, the Trustee or the Underwriter. 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 a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the Districts, the County or the Authority. This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such are not to be construed as representations of fact.

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 of completeness of such information.

The information and expressions of opinion herein are subject to change without notice and neither the 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, the County, the Districts or any other party described herein since the date hereof. All summaries of the Indenture and other documents are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the County for further information in connection therewith.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The Authority is obligated to provide continuing disclosure for certain historical information only. See the caption "MISCELLANEOUS — Continuing Disclosure" herein.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 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 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and Appendix G —"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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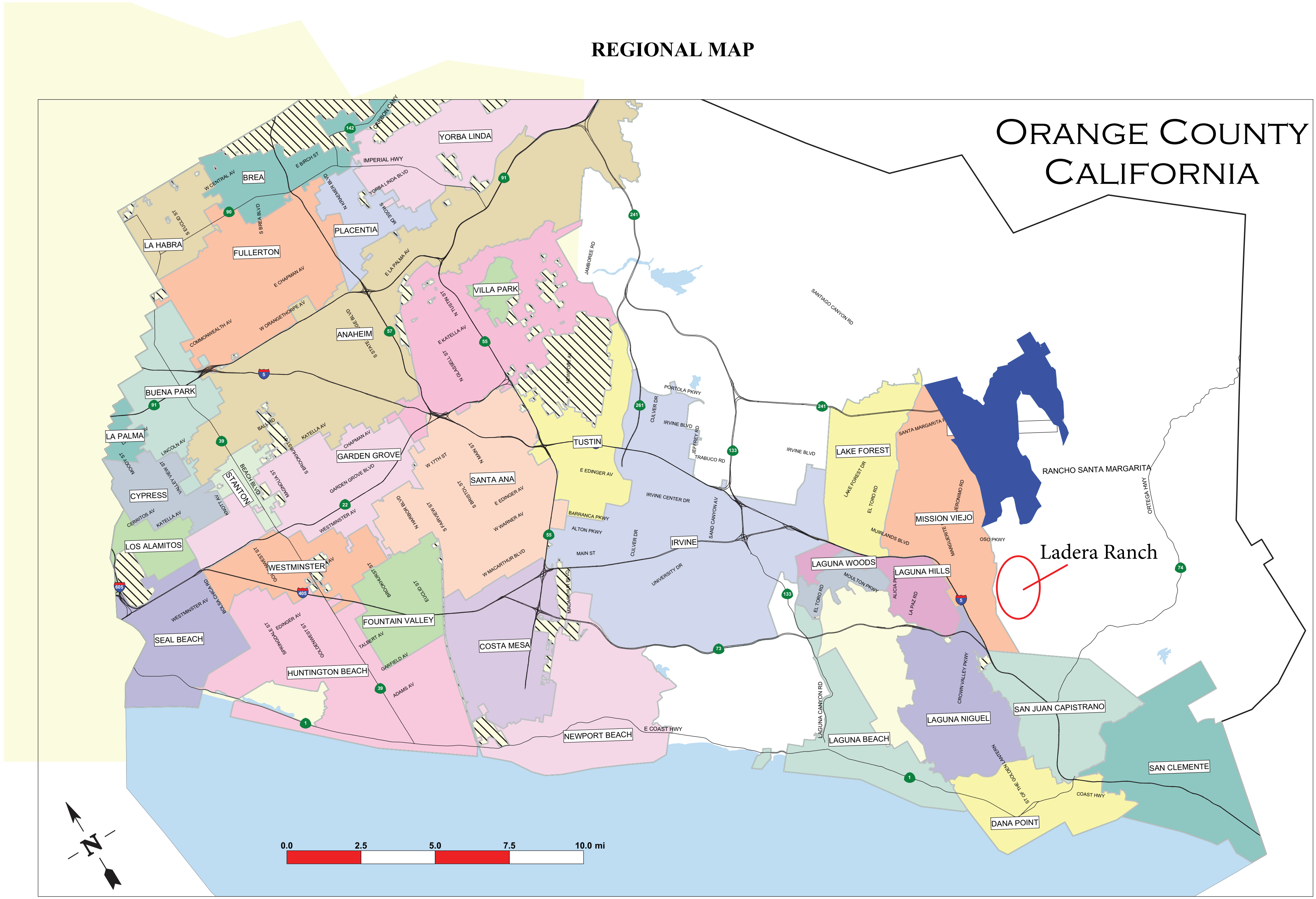
REGIONAL MAP



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OFFICIAL STATEMENT

$51,940,000
SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(LADERA RANCH) 2018 SERIES A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the "Official Statement"), is to provide certain information concerning the sale and issuance of the South Orange County Public Financing Authority Special Tax Revenue Refunding Bonds (Ladera Ranch) 2018 Series A (the "Bonds"). The Bonds will be issued under the Indenture (defined below).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms not defined herein shall have the meaning set forth in Appendix A hereto. See Appendix A — "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

Financing Purpose

Purpose of the Bonds. The Bonds are being issued by the South Orange County Public Financing Authority (the "Authority") pursuant to an Indenture of Trust dated as of February 1, 2018 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be used to: (i) refund the Authority's Special Tax Revenue Bonds 2005 Series A (Ladera Ranch) (the "2005 Bonds"); (ii) acquire certain special tax obligations (the "Local Obligations") of three community facilities districts (the "Districts") formed by the County of Orange (the "County"); (iii) purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the Bonds maturing on August 15, 2029 through August 15, 2032, inclusive (the "Insured Bonds"); (iv) purchase a debt service reserve insurance policy for deposit in the Reserve Fund; and (v) pay certain costs of issuing the Bonds. The principal and interest payments on the Local Obligations to be received by the Authority are the primary source of repayment for the Bonds. See "FINANCING PLAN" herein.

Purpose of the Local Obligations. The Local Obligations are being issued by the Districts. In accordance with the Mello-Roos Act (as defined herein), in consideration of the delivery of the Local Obligations to the Authority, the Authority will agree to discharge certain prior local obligations issued by the Districts in connection with the Authority's 2005 Bonds.

The Bonds; The Local Obligations

The Bonds. The Bonds are payable from Revenues (as defined in the Indenture), which consist primarily of revenues received by the Authority from the payment of debt service on the

Local Obligations and amounts held in certain funds and accounts established and held for the benefit of the Bonds under the Indenture. The debt service on each series of Local Obligations is paid from the proceeds of Special Taxes levied on the taxable property in the respective District which remain after the payment of administrative expenses. See "SECURITY FOR THE LOCAL OBLIGATIONS" and Appendix B — "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS."

Local Obligations. The Local Obligations consist of the following three separate series of bonds issued by three community facilities districts formed by the County:

> ***CFD No. 99-1 Bonds***: $13,235,000 Community Facilities District No. 99-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds (the "CFD No. 99-1 Bonds") are being issued by Community Facilities District No. 99-1 of the County of Orange (Ladera Ranch) ("CFD No. 99-1"). Upon the delivery of the CFD No. 99-1 Bonds to the Authority, the outstanding Community Facilities District No. 99-1 of the County of Orange (Ladera Ranch) Series A of 2005 Special Tax Refunding Bonds (the "Prior CFD No. 99-1 Bonds") will be discharged. The CFD No. 99-1 Bonds are payable from Special Taxes levied on taxable property in CFD No. 99-1 in accordance with the Rate and Method of Apportionment of Special Tax for CFD No. 99-1. See "THE COMMUNITY FACILITIES DISTRICTS — Community Facilities District No. 99-1" and Appendix B — "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS" herein.
>
> ***CFD No. 2000-1 Bonds***: $17,225,000 Community Facilities District No. 2000-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds (the "CFD No. 2000-1 Bonds") are being issued by Community Facilities District No. 2000-1 of the County of Orange (Ladera Ranch) ("CFD No. 2000-1"). Upon the delivery of the CFD No. 2000-1 Bonds to the Authority, the outstanding Community Facilities District No. 2000-1 of the County of Orange (Ladera Ranch) Series A of 2005 Special Tax Refunding Bonds (the "Prior CFD No. 2000-1 Bonds") will be discharged. The CFD No. 2000-1 Bonds are payable from Special Taxes levied on taxable property in CFD No. 2000-1 in accordance with the Rate and Method of Apportionment of Special Taxes for CFD No. 2000-1. See "THE COMMUNITY FACILITIES DISTRICTS — Community Facilities District No. 2000-1" and Appendix B — "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS" herein.
>
> ***CFD No. 2001-1 Bonds***: $21,480,000 Community Facilities District No. 2001-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds (the "CFD No. 2001-1 Bonds") are being issued by Community Facilities District No. 2001-1 of the County of Orange (Ladera Ranch) ("CFD No. 2001-1"). Upon the delivery of the CFD No. 2001-1 Bonds to the Authority, the outstanding Community Facilities District No. 2001-1 of the County of Orange (Ladera Ranch) Series A of 2005 Special Tax Refunding Bonds (the "Prior CFD No. 2001-1 Bonds") will be discharged. The CFD No. 2001-1 Bonds are payable from Special Taxes levied on taxable property in CFD No. 2001-1 in accordance with the Rate and Method of Apportionment of Special Taxes for CFD No. 2001-1. See "THE COMMUNITY FACILITIES DISTRICTS — Community Facilities District No. 2001-1" and Appendix B — "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS" herein.

CFD No. 99-1, CFD No. 2000-1 and CFD No. 2001-1 are referred to collectively as the "Districts." The CFD No. 99-1 Bonds, the CFD No. 2000-1 Bonds and the CFD No. 2001-1 Bonds are collectively referred to in this Official Statement as the "Local Obligations." The Prior CFD No. 99-1 Bonds, the Prior CFD No. 2000-1 Bonds and the Prior CFD No. 2001-1 Bonds are collectively referred to in this Official Statement as the "Prior CFD Bonds." The Rate and Method of Apportionment of Special Taxes for each District is referred to herein as a "Rate and Method."

Legal Authority

The Bonds. The Bonds are being issued under Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and the Indenture.

The Local Obligations. The Local Obligations are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Mello-Roos Act"), and three separate bond indentures, dated as of February 1, 2018, each by and between a District and U.S. Bank National Association, as trustee (each, a "Local Obligation Indenture").

Sources of Payment for the Bonds and the Local Obligations

The Bonds. The Bonds are secured by a first lien on and pledge of all of the Revenues pledged under the Indenture. "Revenues" are defined in the Indenture to include:

(a) all amounts received from the Local Obligations;

(b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than the Rebate Fund and the Surplus Fund); and

(c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than investment income on moneys held in the Administrative Expense Fund, the Rebate Fund and the Surplus Fund).

Certain Funds Not Pledged. Amounts held in the Administrative Expense Fund, the Rebate Fund and the Surplus Fund are not pledged to the repayment of the Bonds.

See "SECURITY FOR THE BONDS — Revenues; Flow of Funds" herein.

Reserve Fund for the Bonds. A Reserve Fund for the Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement. The Reserve Requirement for the Bonds, as of the date of issuance of the Bonds, equals $5,813,400.00. The Indenture establishes within the Reserve Fund an account with respect to each series of Local Obligations (each a "Reserve Account"). The amount of the Reserve Requirement allocated to a Reserve Account may be applied to pay the principal of and interest on the Bonds only following a delinquency in the payment of the Local Obligations of the District for which such Reserve Account was established. Amounts in a Reserve Account for a District may not be drawn upon as a result of a delinquency in payment in another District. Assured Guaranty Municipal Corp. has made a commitment to issue, simultaneously with the initial issuance of the Bonds, a debt service reserve insurance policy (the "Reserve Surety Policy") in the amount equal to the Reserve Requirement for deposit in the Reserve Fund, effective as of the date of issuance of the Bonds. There will be no cash deposits to the Reserve

Fund upon the issuance of the Bonds. See "SECURITY FOR THE BONDS — Revenues; Flow of Funds" and "— Reserve Fund" herein.

Bond Insurance. Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy (the "Policy") for the Insured Bonds. See the caption "BOND INSURANCE." A specimen of the Policy is set forth in Appendix G. The Policy secures only the Insured Bonds and may not be drawn upon to pay interest or principal due on the remaining Bonds.

Local Obligations. Each series of Local Obligations will be payable from Net Taxes collected in the applicable District as a result of the levy of Special Taxes. Net Taxes are the Gross Taxes which remain after the payment of Administrative Expenses up to the amount permitted by the applicable Local Obligation Indenture. See "SECURITY FOR THE LOCAL OBLIGATIONS — Special Taxes; Gross Taxes; Net Taxes.

The Local Obligations are not cross-collateralized. In other words, Special Taxes from one District cannot be used to cover any shortfall in the payment of debt service on the Local Obligation of any other District.

Description of the Bonds

Payments. Interest on the Bonds is payable semiannually on each February 15 and August 15, commencing August 15, 2018. Principal of and premium, if any, on the Bonds shall be payable by the Trustee. See "THE BONDS — General Provisions" and "— Book-Entry Only System" herein.

Denominations. The Bonds will be issued in denominations of $5,000 each or integral multiples thereof.

Redemption. The Insured Bonds are subject to optional redemption prior to their maturity. See "THE BONDS — Redemption" herein.

Registration, transfers and exchanges. The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") under the book-entry system maintained by DTC. See "THE BONDS— Book-Entry Only System."

Neither the Bonds nor the Local Obligations are a debt of the County, and no revenues of the County are pledged to repayment of the Bonds or the Local Obligations.

The Authority

The Authority is a joint exercise of powers authority organized and existing pursuant to the Act. Its members are the County and Community Facilities District No. 88-2 of the County of Orange, and its Board of Directors consists of the members of the County Board of Supervisors from time to time, and various County officials perform services for the Authority.

Professionals Involved in the Offering

Certain proceedings in connection with the issuance of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel. David Taussig & Associates, Inc. is acting as Special Tax Consultant to the County. U.S. Bank National Association, Los Angeles, California, will act as the Trustee for the Bonds. Stifel, Nicolaus & Company, Incorporated (the "Underwriter") is acting as underwriter in connection with the issuance and delivery of the Bonds. Best Best & Krieger LLP, Riverside, California, will act as counsel to the Underwriter. Grant Thornton LLP, Minneapolis, Minnesota, will provide escrow verification services.

Stradling Yocca Carlson & Rauth, a Professional Corporation, the Underwriter, and Best Best & Krieger LLP, Riverside, California will receive compensation contingent upon issuance of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, represents the Underwriter in connection with financings unrelated to the Bonds.

Continuing Disclosure

The Authority will execute a Continuing Disclosure Certificate and will covenant therein for the benefit of the Underwriter and the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Authority and the Districts in an annual report (the "Annual Report") to be filed by March 1 following the end of its fiscal year commencing with the Annual Report for the 2017-18 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report due on March 1, 2018, will consist of this Official Statement and the audited financial statements for the Authority and the Districts, if any, for Fiscal Year 2016-17. Thereafter, the Annual Report shall contain or include by reference the information set forth in the Continuing Disclosure Certificate. The Annual Report and notices of enumerated events will be filed by the Authority with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system at http://emma.msrb.org/. The specific nature of the information to be contained in the Annual Report and any notices of enumerated events is set forth in Appendix D — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

During the last five years, the County and certain of its related entities, including the Authority, failed to comply in certain respects with their continuing disclosure obligations related to outstanding bonded indebtedness. The Authority, the County and its related entities are now current in all filings. See "MISCELLANEOUS — Continuing Disclosure."

FINANCING PLAN

Purpose of Issue and the Refunding Plan

Refunding of 2005 Bonds and Discharge of the Prior CFD Bonds. The Authority will deposit a portion of the proceeds of the Bonds into an escrow fund established under the escrow agreement, dated as of February 1, 2018, in an amount sufficient to redeem on or about February 16, 2018, all of the outstanding 2005 Bonds at a redemption price equal to the principal amount to be redeemed, plus interest accrued thereon to the date of redemption.

In accordance with the Mello-Roos Act, in consideration of the delivery of the Local Obligations by the Districts to the Authority, the Authority will agree to relinquish to the Districts the Prior CFD Bonds which will be discharged and canceled.

See "— Estimated Sources and Uses of Funds" and "MISCELLANEOUS — Verification of Mathematical Accuracy" below.

Estimated Sources and Uses of Funds

The Bonds. The anticipated sources and uses of funds relating to the Bonds and the refunding of the Prior CFD Bonds are as follows:

	Total
Sources:	
Principal Amount of the Bonds	$ 51,940,000.00
Plus Net Original Issue Premium	9,008,289.80
Funds Held with Respect to the 2005 Bonds(1)	4,141,823.01
Total Sources	$ 65,090,112.81
Uses(2):	
Escrow Fund	$ 64,449,208.17
Underwriter's Discount	158,950.00
Cost of Issuance(3)	481,954.64
Total Uses	$ 65,090,112.81

(1) Reflects amounts transferred to the Authority from funds held with respect to the Prior CFD Bonds.
(2) The Authority will acquire the Local Obligations and in consideration of the purchase, the Districts and the Authority will agree to the application of the purchase price of the Local Obligations and the existing funds of the Districts as set forth below under the caption "*Local Obligations*."
(3) Includes Trustee and Escrow Agent fees, verification agent fees, Bond Counsel and other legal fees, printing costs, rating agency fees, premiums on the Policy and Reserve Surety Policy, and other related costs.

Local Obligations. The anticipated sources and uses of funds relating to the Local Obligations are as follows:

Sources	***CFD No. 99-1***	***CFD No. 2000-1***	***CFD No. 2001-1***	***Total***
Principal Amount	$ 13,235,000.00	$ 17,225,000.00	$ 21,480,000.00	$ 51,940,000.00
Plus Original Issue Premium	2,363,714.55	3,099,330.65	3,545,244.60	9,008,289.80
Prior Funds of the Districts(1)	1,181,048.55	1,463,464.74	1,497,309.72	4,141,823.01
Total Sources	$ 16,779,763.10	$ 21,787,795.39	$ 26,522,554.32	$ 65,090,112.81

Uses	***CFD No. 99-1***	***CFD No. 2000-1***	***CFD No. 2001-1***	***Total***
Redemption of 2005 Bonds	$ 16,626,373.78	$ 21,851,685.37	$ 26,241,149.02	$ 64,449,208.17
Costs of Issuance Fund(2)	153,389.32	206,110.02	281,405.30	640,904.64
Total Uses	$ 16,779,763.10	$ 21,787,795.39	$ 26,522,554.32	$ 65,090,112.81

(1) Includes funds held in the special tax fund for each series of the Prior CFD Bonds.
(2) Represents each District's allocated share of the Costs of Issuance (including Underwriter's discount) of the Bonds.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery, and the Bonds will mature in the amounts and on the dates set forth on the inside front cover hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the inside front cover hereof, calculated on the basis of a 360-day year of twelve 30-day months, payable semiannually on each February 15 and August 15, commencing August 15, 2018 (each, an "Interest Payment Date"). The Bonds will be issued in fully registered form in denominations of $5,000 each and any integral multiple of $5,000 in excess thereof and ownership interests in the Bonds may be purchased in book-entry form only in such denominations. See the subsection hereof entitled "Book-Entry Only System."

Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner as of the Record Date immediately preceding each Interest Payment Date. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date (with respect to any Interest Payment Date the first calendar day of the month in which such Interest Payment Date occurs, whether or not such day is a Business Day) and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before the first Record Date, in which event it will bear interest from the Dated Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon, or from the Dated Date if no interest has been paid or made available for payment. Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Trust Office of the Trustee. The principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

So long as the Bonds are registered in the name of DTC or its nominee, principal of and interest on and any redemption premium with respect to the Bonds will be paid to DTC for disbursement through the DTC system. See the subsection hereof entitled "Book-Entry Only System."

Redemption

Optional Redemption. The Bonds maturing on or before August 15, 2028 are not subject to optional call and redemption prior to maturity. The Bonds maturing on or after August 15, 2029 may be redeemed at the option of the Authority, from any source of available funds, prior to maturity on any Interest Payment Date on or after August 15, 2028 as a whole, or in part from maturities of the Local Obligations simultaneously redeemed, if any redemption of Local Obligations is being made in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

If the source of funds to optionally redeem the Bonds is to be from a redemption of a Local Obligation, then, prior to consenting to the optional redemption of any Local Obligation, the Authority will deliver to the Trustee a certificate of an Independent Accountant or an Independent

Financial Consultant verifying that, following such optional redemption of the Local Obligations and redemption of Bonds, the principal and interest generated from the remaining Local Obligations is adequate to make the timely payment of principal and interest due on the Bonds that will remain Outstanding under the Indenture following such optional redemption.

Notice of Redemption. So long as the Bonds are held by DTC, all notices of redemption will be sent only to DTC in accordance with its procedures and will not be delivered to any Beneficial Owner.

The Trustee shall give notice, in the name of the Authority, of any redemption of the Bonds. At least 30 days but no more than 45 days prior to the redemption date, the Trustee shall mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register; provided, however, so long as the Bonds are registered in the name of the Nominee, notice shall be given in such manner as complies with the requirements of DTC. Such notice of redemption shall (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all the Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (ii) state the date fixed for redemption and surrender of the Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds are to be redeemed; (v) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (vi) state the date of issue of the Bonds as originally issued; (vii) state the rate of interest borne by each Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Trustee. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable.

So long as notice has been provided as set forth above, the actual receipt by the Owner of any Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as provided in the Indenture shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect or omission in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the legality or effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent not later than the date that notice of redemption is sent to the Owners pursuant to the first paragraph of this subsection (c) by registered or certified mail or overnight delivery service to the Depository (if the Depository has not already received such notice of redemption as the registered owner of the Bonds) and to any other registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds as determined by the Authority and to one or more of the national information services that the Authority determines are in the business of disseminating notice of redemption of obligations such as the Bonds.

With respect to any notice of optional redemption of the Bonds, such notice may state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the principal of, premium if any, and interest on the Bonds to be redeemed and upon other conditions set forth therein and that, if such money is not so received and such other conditions are not satisfied, said notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. If any condition stated in the redemption notice for an optional redemption has not been satisfied on or prior to the redemption date: (i) the redemption notice will be of no force and effect, (ii) the Authority will not be required to redeem such Bonds, (iii) the redemption will not be made, and (iv) the Trustee will within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

Selection of Bonds of a Maturity for Redemption. Unless otherwise provided under the Indenture, whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee shall select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate $5,000 authorized denominations, and such separate authorized denominations shall be treated as separate Bonds which may be separately redeemed.

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 will 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 maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice.

Book-Entry Only System

The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to the Beneficial Owners purchasing interests in the Bonds in the authorized denominations, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined herein) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. **The Authority gives no assurance that DTC or the DTC Participants will distribute payments or notices to Beneficial Owners.** See Appendix E — "DTC AND THE BOOK-ENTRY ONLY SYSTEM." In the event that the book-entry-only system is no longer used with respect to the Bonds, the Bonds will be registered and transferred and the principal, interest and any redemption premium will be paid in accordance with the Indenture.

Estimated Debt Service Schedules: Bonds and Local Obligations

Table 1 below presents the debt service schedule for the Bonds assuming there is no optional redemption of Bonds prior to maturity.

TABLE 1

DEBT SERVICE SCHEDULE FOR THE BONDS

Year Ending August 15	*Principal*	*Interest*	*Total Debt Service*	*Annual Debt Service*
8/15/2018	$1,065,000	$ 1,334,486.67	$ 2,399,486.67	$ 2,399,486.67
2/15/2019	--	1,251,075.00	1,251,075.00	--
8/15/2019	2,665,000	1,251,075.00	3,916,075.00	5,167,150.00
2/15/2020	--	1,184,450.00	1,184,450.00	--
8/15/2020	2,895,000	1,184,450.00	4,079,450.00	5,263,900.00
2/15/2021	--	1,112,075.00	1,112,075.00	--
8/15/2021	3,150,000	1,112,075.00	4,262,075.00	5,374,150.00
2/15/2022	--	1,033,325.00	1,033,325.00	--
8/15/2022	3,420,000	1,033,325.00	4,453,325.00	5,486,650.00
2/15/2023	--	947,825.00	947,825.00	--
8/15/2023	3,665,000	947,825.00	4,612,825.00	5,560,650.00
2/15/2024	--	856,200.00	856,200.00	--
8/15/2024	3,925,000	856,200.00	4,781,200.00	5,637,400.00
2/15/2025	--	758,075.00	758,075.00	--
8/15/2025	4,160,000	758,075.00	4,918,075.00	5,676,150.00
2/15/2026	--	654,075.00	654,075.00	--
8/15/2026	4,410,000	654,075.00	5,064,075.00	5,718,150.00
2/15/2027	--	543,825.00	543,825.00	--
8/15/2027	4,655,000	543,825.00	5,198,825.00	5,742,650.00
2/15/2028	--	427,450.00	427,450.00	--
8/15/2028	4,930,000	427,450.00	5,357,450.00	5,784,900.00
2/15/2029	--	304,200.00	304,200.00	--
8/15/2029	5,205,000	304,200.00	5,509,200.00	5,813,400.00
2/15/2030	--	174,075.00	174,075.00	--
8/15/2030	3,730,000	174,075.00	3,904,075.00	4,078,150.00
2/15/2031	--	80,825.00	80,825.00	--
8/15/2031	1,985,000	80,825.00	2,065,825.00	2,146,650.00
2/15/2032	--	31,200.00	31,200.00	--
8/15/2032	2,080,000	31,200.00	2,111,200.00	2,142,400.00
Total	**$51,940,000**	**$20,051,836.67**	**$71,991,836.67**	**$71,991,836.67**

Source: The Underwriter.

Table 2 below summarizes the scheduled debt service payments to be received by the Authority as the result of its ownership of the Local Obligations, assuming there is no default in payment and no optional redemption of Local Obligations prior to maturity.

TABLE 2

DEBT SERVICE SCHEDULE FOR THE LOCAL OBLIGATIONS

Bond Year Ending August 15	*CFD No. 99-1 Principal*	*CFD No. 99-1 Interest*	*CFD No. 2000-1 Principal*	*CFD No. 2000-1 Interest*	*CFD No. 2001-1 Principal*	*CFD No. 2001-1 Interest*	*Total Revenues* [1]
8/15/2018	$ 280,000	$ 345,580.56	$ 370,000	$ 449,763.89	$ 415,000	$ 539,142.22	$ 2,399,486.67
2/15/2019	--	323,875.00	--	421,375.00	--	505,825.00	1,251,075.00
8/15/2019	775,000	323,875.00	965,000	421,375.00	925,000	505,825.00	3,916,075.00
2/15/2020	--	304,500.00	--	397,250.00	--	482,700.00	1,184,450.00
8/15/2020	840,000	304,500.00	1,050,000	397,250.00	1,005,000	482,700.00	4,079,450.00
2/15/2021	--	283,500.00	--	371,000.00	--	457,575.00	1,112,075.00
8/15/2021	915,000	283,500.00	1,140,000	371,000.00	1,095,000	457,575.00	4,262,075.00
2/15/2022	--	260,625.00	--	342,500.00	--	430,200.00	1,033,325.00
8/15/2022	990,000	260,625.00	1,235,000	342,500.00	1,195,000	430,200.00	4,453,325.00
2/15/2023	--	235,875.00	--	311,625.00	--	400,325.00	947,825.00
8/15/2023	1,070,000	235,875.00	1,305,000	311,625.00	1,290,000	400,325.00	4,612,825.00
2/15/2024	--	209,125.00	--	279,000.00	--	368,075.00	856,200.00
8/15/2024	1,155,000	209,125.00	1,370,000	279,000.00	1,400,000	368,075.00	4,781,200.00
2/15/2025	--	180,250.00	--	244,750.00	--	333,075.00	758,075.00
8/15/2025	1,240,000	180,250.00	1,440,000	244,750.00	1,480,000	333,075.00	4,918,075.00
2/15/2026	--	149,250.00	--	208,750.00	--	296,075.00	654,075.00
8/15/2026	1,340,000	149,250.00	1,510,000	208,750.00	1,560,000	296,075.00	5,064,075.00
2/15/2027	--	115,750.00	--	171,000.00	--	257,075.00	543,825.00
8/15/2027	1,435,000	115,750.00	1,585,000	171,000.00	1,635,000	257,075.00	5,198,825.00
2/15/2028	--	79,875.00	--	131,375.00	--	216,200.00	427,450.00
8/15/2028	1,545,000	79,875.00	1,670,000	131,375.00	1,715,000	216,200.00	5,357,450.00
2/15/2029	--	41,250.00	--	89,625.00	--	173,325.00	304,200.00
8/15/2029	1,650,000	41,250.00	1,750,000	89,625.00	1,805,000	173,325.00	5,509,200.00
2/15/2030	--	--	--	45,875.00	--	128,200.00	174,075.00
8/15/2030	--	--	1,835,000	45,875.00	1,895,000	128,200.00	3,904,075.00
2/15/2031	--	--	--	--	--	80,825.00	80,825.00
8/15/2031	--	--	--	--	1,985,000	80,825.00	2,065,825.00
2/15/2032	--	--	--	--	--	31,200.00	31,200.00
8/15/2032	--	--	--	--	2,080,000	31,200.00	2,111,200.00
Total	**$13,235,000**	**$4,713,330.56**	**$17,225,000**	**$6,478,013.89**	**$21,480,000**	**$8,860,492.22**	**$71,991,836.67**

(1) Equals the total scheduled debt service on the Local Obligations in each Bond Year ending August 15.
Source: The Underwriter.

Debt Service Coverage on the Bonds

Table 3 below sets forth the projected debt service coverage for the Bonds from Revenues assuming timely payment of debt service on all of the Local Obligations while the Bonds are outstanding. In the event of delinquencies in the payment of the Local Obligations, the coverage level will not be realized and amounts would need to be drawn from the Reserve Fund to pay the Bonds.

TABLE 3

DEBT SERVICE COVERAGE FOR THE BONDS

Bond Year Ending August 15	*CFD No. 99-1 Bonds Debt Service*	*CFD No. 2000-1 Bonds Debt Service*	*CFD No. 2001-1 Bonds Debt Service*	*Total Local Obligations Revenues[(1)]*	*Total Bonds Debt Service*	*Bonds Debt Service Coverage[(1)]*
2018	$ 625,581	$ 819,764	$ 954,142	$ 2,399,487	$ 2,399,487	100.00%
2019	1,422,750	1,807,750	1,936,650	5,167,150	5,167,150	100.00
2020	1,449,000	1,844,500	1,970,400	5,263,900	5,263,900	100.00
2021	1,482,000	1,882,000	2,010,150	5,374,150	5,374,150	100.00
2022	1,511,250	1,920,000	2,055,400	5,486,650	5,486,650	100.00
2023	1,541,750	1,928,250	2,090,650	5,560,650	5,560,650	100.00
2024	1,573,250	1,928,000	2,136,150	5,637,400	5,637,400	100.00
2025	1,600,500	1,929,500	2,146,150	5,676,150	5,676,150	100.00
2026	1,638,500	1,927,500	2,152,150	5,718,150	5,718,150	100.00
2027	1,666,500	1,927,000	2,149,150	5,742,650	5,742,650	100.00
2028	1,704,750	1,932,750	2,147,400	5,784,900	5,784,900	100.00
2029	1,732,500	1,929,250	2,151,650	5,813,400	5,813,400	100.00
2030	0	1,926,750	2,151,400	4,078,150	4,078,150	100.00
2031	0	0	2,146,650	2,146,650	2,146,650	100.00
2032	0	0	2,142,400	2,142,400	2,142,400	100.00

(1) Calculated by dividing Total Local Obligation Revenues by Total Bonds Debt Service, expressed as a percentage.
Source: The Underwriter; David Taussig & Associates, Inc.

Potential Debt Service Coverage on the Local Obligations

Limitation on Special Tax Levy and Potential Impact on Coverage. Pursuant to Section 53321(d) of the Mello-Roos Act and the Rates and Methods for the Districts, under no circumstances may Special Taxes levied against any parcel of property used for private residential purposes be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other parcel within a District. As a result of this limitation, Special Taxes may not be levied up to the maximum Assigned Special Tax rates in any particular fiscal year should there be Special Tax delinquencies in the Districts.

Given the foregoing, investors in the Bonds should assume that the maximum amount of Special Taxes that could be levied in each Bond Year in each District would result in Special Taxes of not more than 110% of debt service plus the applicable Administrative Expenses Cap on the CFD No. 99-1 Bonds, the CFD No. 2000-1 Bonds, and the CFD No. 2001-1 Bonds, respectively, in each Bond Year.

CFD No. 99-1. The Special Taxes levied within CFD No. 99-1 in Fiscal Year 2017-18 equaled the sum of the budgeted Administrative Expenses of $48,956 plus the debt service due on the Prior CFD No. 99-1 Bonds on February 15, 2018 and on August 15, 2018. For each subsequent Fiscal Year, assuming no delinquencies in the payment of the Special Taxes, CFD No. 99-1 expects to levy an amount equal to the sum of the amount required for Administrative Expenses for such Fiscal Year (not to exceed the Administrative Expenses Cap) plus the debt service due on the CFD No. 99-1 Bonds to be paid for from such levy. Table 4 below depicts the maximum assumed debt service coverage of 110% on the CFD No. 99-1 Bonds which would require a Special Tax levy of approximately 66% of the Assigned Special Tax rate (which rate escalates at 2% per year), based on development status in CFD No. 99-1 as of January 1, 2017. As described above, assuming no delinquencies, the actual amounts levied will be less than what is shown in Table 4.

TABLE 4

COUNTY OF ORANGE
CFD NO. 99-1 (LADERA RANCH)
POTENTIAL BOND DEBT SERVICE COVERAGE

Bond Year Ending August 15	*Developed Property Special Tax Revenues*	*Undeveloped Property Special Tax Revenues*[(2)]	*Annual Administrative Expenses*	*Net Special Tax Revenues*	*CFD No. 99-1 Bonds Debt Service*	*CFD No. 99-1 Bonds Debt Service Coverage*[(3)]
2018[(1)]	$1,652,027	$0	$48,956	$1,603,071	$1,024,737	156.44%
2019	1,641,525	0	76,500	1,565,025	1,422,750	110.00
2020	1,671,930	0	78,030	1,593,900	1,449,000	110.00
2021	1,709,791	0	79,591	1,630,200	1,482,000	110.00
2022	1,743,557	0	81,182	1,662,375	1,511,250	110.00
2023	1,778,731	0	82,806	1,695,925	1,541,750	110.00
2024	1,815,037	0	84,462	1,730,575	1,573,250	110.00
2025	1,846,701	0	86,151	1,760,550	1,600,500	110.00
2026	1,890,224	0	87,874	1,802,350	1,638,500	110.00
2027	1,922,782	0	89,632	1,833,150	1,666,500	110.00
2028	1,966,650	0	91,425	1,875,225	1,704,750	110.00
2029	1,999,003	0	93,253	1,905,750	1,732,500	110.00

(1) Developed Property Special Tax revenues for the Bond Year ending August 15, 2018, is equal to the Fiscal Year 2017-18 Special Tax levy. Debt service for the Bond Year ending August 15, 2018 is equal to the debt service on the Prior CFD No. 99-1 Bonds due on February 15, 2018 and debt service on the CFD No. 99-1 Bonds due on August 15, 2018.
(2) There is no longer any Undeveloped Property within CFD No. 99-1.
(3) Calculated by dividing Net Special Tax Revenues by Total Bonds Debt Service, expressed as a percentage.
Source: The Underwriter; David Taussig & Associates, Inc.

CFD No. 2000-1. The Special Taxes levied within CFD No. 2000-1 in Fiscal Year 2017-18 equaled the sum of the budgeted Administrative Expenses of $51,231 plus the debt service due on the Prior CFD No. 2000-1 Bonds on February 15, 2018 and on August 15, 2018. For each subsequent Fiscal Year, assuming no delinquencies in the payment of the Special Taxes, CFD No. 2000-1 expects to levy an amount equal to the sum of the amount required for Administrative Expenses for such Fiscal Year (not to exceed the Administrative Expenses Cap) plus the debt service due on the CFD No. 2000-1 Bonds to be paid for from such levy. Table 5 below depicts the maximum assumed debt service coverage of 110% on the CFD No. 2000-1 Bonds which would require a Special Tax levy of not more than 64% of the Assigned Special Tax rate on Developed Property (which rate escalates at 2% per year), based on development status in CFD No. 2000-1 as of January 1, 2017. As described above, assuming no delinquencies, the actual amounts levied will be less than what is shown in Table 5.

TABLE 5

COUNTY OF ORANGE
CFD NO. 2000-1 (LADERA RANCH)
POTENTIAL BOND DEBT SERVICE COVERAGE

Bond Year Ending August 15	*Developed Property Special Tax Revenues*	*Undeveloped Property Special Tax Revenues*[(2)]	*Annual Administrative Expenses*	*Net Special Tax Revenues*	*CFD 2000-1 Bonds Debt Service*	*CFD No. 2000-1 Bonds Debt Service Coverage*[(3)]
2018[(1)]	$2,051,688	$0	$51,231	$2,000,456	$1,338,567	149.45%
2019	2,065,025	0	76,500	1,988,525	1,807,750	110.00
2020	2,106,980	0	78,030	2,028,950	1,844,500	110.00
2021	2,149,791	0	79,591	2,070,200	1,882,000	110.00
2022	2,193,182	0	81,182	2,112,000	1,920,000	110.00
2023	2,203,881	0	82,806	2,121,075	1,928,250	110.00
2024	2,205,262	0	84,462	2,120,800	1,928,000	110.00
2025	2,208,601	0	86,151	2,122,450	1,929,500	110.00
2026	2,208,124	0	87,874	2,120,250	1,927,500	110.00
2027	2,209,332	0	89,632	2,119,700	1,927,000	110.00
2028	2,217,450	0	91,425	2,126,025	1,932,750	110.00
2029	2,215,428	0	93,253	2,122,175	1,929,250	110.00
2030	2,214,543	0	95,118	2,119,425	1,926,750	110.00

(1) Developed Property Special Tax revenues for the Bond Year ending August 15, 2018 is equal to the Fiscal Year 2017-18 Special Tax levy. Debt service for the Bond Year ending August 15, 2018 is equal to the debt service on the Prior CFD No. 2000-1 Bonds due on February 15, 2018 and debt service on the CFD No. 2000-1 Bonds due on August 15, 2018.
(2) CFD No. 2000-1 did not levy any Special Taxes on Undeveloped Property within CFD No 2000-1 and does not expect to do so in future fiscal years.
(3) Calculated by dividing Net Special Tax Revenues by Total Bonds Debt Service, expressed as a percentage.
Source: The Underwriter; David Taussig & Associates, Inc.

CFD No. 2001-1. The Special Taxes levied within CFD No. 2001-1 in Fiscal Year 2017-18 equaled the sum of the budgeted Administrative Expenses of $53,791 plus the debt service due on the Prior CFD No. 2001-1 Bonds on February 15, 2018 and on August 15, 2018. For each subsequent Fiscal Year, assuming no delinquencies in the payment of the Special Taxes, CFD No. 2001-1 expects to levy an amount equal to the sum of the amount required for Administrative Expenses for such Fiscal Year (not to exceed the Administrative Expenses Cap) plus the debt service due on the CFD No. 2001-1 Bonds to be paid for from such levy. Table 6 below depicts the maximum assumed debt service coverage of 110% on the CFD No. 2001-1 Bonds which would require a Special Tax levy of not more than 68% of the Assigned Special Tax rate (which rate escalates at 2% per year), based on development status in CFD No. 2001-1 as of January 1, 2017. As described above, assuming no delinquencies, the actual amounts levied will be less than what is shown in Table 6.

TABLE 6

COUNTY OF ORANGE
CFD NO. 2001-1 (LADERA RANCH)
POTENTIAL BOND DEBT SERVICE COVERAGE

Bond Year Ending August 15	***Developed Property Special Tax Revenues***	***Undeveloped Property Special Tax Revenues***(2)	***Annual Administrative Expenses***	***Net Special Tax Revenues***	***CFD 2001-1 Bonds Debt Service***	***CFD No. 2001-1 Bonds Debt Service Coverage***(3)
2018(1)	$2,263,546	$0	$53,791	$2,209,755	$1,586,777	139.26%
2019	2,206,815	0	76,500	2,130,315	1,936,650	110.00
2020	2,245,470	0	78,030	2,167,440	1,970,400	110.00
2021	2,290,756	0	79,591	2,211,165	2,010,150	110.00
2022	2,342,122	0	81,182	2,260,940	2,055,400	110.00
2023	2,382,521	0	82,806	2,299,715	2,090,650	110.00
2024	2,434,227	0	84,462	2,349,765	2,136,150	110.00
2025	2,446,916	0	86,151	2,360,765	2,146,150	110.00
2026	2,455,239	0	87,874	2,367,365	2,152,150	110.00
2027	2,453,697	0	89,632	2,364,065	2,149,150	110.00
2028	2,453,565	0	91,425	2,362,140	2,147,400	110.00
2029	2,460,068	0	93,253	2,366,815	2,151,650	110.00
2030	2,461,658	0	95,118	2,366,540	2,151,400	110.00
2031	2,458,335	0	97,020	2,361,315	2,146,650	110.00
2032	2,455,601	0	98,961	2,356,640	2,142,400	110.00

(1) Developed Property Special Tax revenues for the Bond Year ending August 15, 2018 is equal to the Fiscal Year 2017-18 Special Tax levy. Debt service for the Bond Year ending August 15, 2018 is equal to the debt service on the Prior CFD No. 2001-1 Bonds due on February 15, 2018 and debt service on the CFD No. 2001-1 Bonds due on August 15, 2018.
(2) There is no longer any Undeveloped Property within CFD No. 2001-1.
(3) Calculated by dividing Net Special Tax Revenues by Total Bonds Debt Service, expressed as a percentage.
Source: The Underwriter; David Taussig & Associates, Inc.

SECURITY FOR THE BONDS

General

As described below, the Bonds are payable from Revenues, consisting primarily of amounts received by the Authority from the debt service payments on the Local Obligations and amounts on deposit in the Reserve Fund (which will be initially funded by depositing the Reserve Surety Policy therein), respectively. See "SECURITY FOR THE BONDS — Reserve Fund." Debt service on the Local Obligations is paid from the Net Taxes, and the Special Taxes are currently paid to the Districts in accordance with the County's Teeter Plan. See "SECURITY FOR THE LOCAL OBLIGATIONS—Special Taxes; Gross Taxes; Net Taxes" and "—Teeter Plan."

The Bonds are special obligations of the Authority payable solely from and secured solely by the Revenues pledged therefor in the Indenture. The Bonds are not a debt or liability of the County, the State of California or any political subdivisions thereof other than the Authority to the limited extent described herein. The faith and credit of the Authority are not

pledged to secure the payment of Bonds, nor is any other political subdivision liable therefor, nor in any event shall the Bonds or any interest or redemption premium thereon be payable out of any funds or properties other than those of the Authority as set forth in the Indenture. The Authority has no taxing power.

Revenues; Flow of Funds

Bonds; Revenues. The Bonds are secured by a first lien on and pledge of all of the Revenues. So long as any of the Bonds are Outstanding, the Revenues will not be used for any purpose except as is expressly permitted by the Indenture.

Collection by the Trustee. The Trustee shall be entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will 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. The Trustee also shall be entitled to and, subject to the provisions of the Indenture, will take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Districts under the Local Obligations.

Deposit of Revenues. All Revenues derived from the Local Obligations will be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund for application in the order described under the caption "— Application of Revenues" below. Any Revenues which represent the payment of delinquent principal of or interest on an issue of Local Obligations and amounts due under a Local Obligation Indenture to pay for Policy Costs and reimbursement of amounts with respect to any Additional Reserve Policy ("Local Obligations Delinquency Revenues") will be applied first to cure any event of default on the Bonds resulting from a default in payment of the Local Obligations of such District and then will be deposited to the Reserve Account of the Reserve Fund for such District to the extent necessary to pay Policy Costs due with respect to the Reserve Surety Policy and reimbursement of amounts with respect to any Additional Reserve Policy and to replenish such Reserve Account of the Reserve Fund for any deficiency that resulted from the delinquency in the payment of scheduled debt service on such Local Obligations. Any amount in excess of that needed to replenish the Reserve Fund to the extent described above will be deposited to the Revenue Fund for transfer as provided in the Indenture.

Application of Revenues. On each Interest Payment Date, the Trustee shall transfer from the Revenue Fund, and deposit into the following respective accounts for the Bonds, 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 each Interest Payment Date, the Trustee will 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 on such date. Moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). In the event that the amounts on deposit in the Interest Account on any Interest Payment Date, after any transfers from the Reserve Fund, are insufficient for any reason to

pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee will apply such amounts to the payment of interest on each of the Outstanding Bonds and any Additional Bonds on a pro rata basis.

Principal Account. On each August 15 on which principal of the Bonds will be payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date at maturity. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds due at maturity or required to be redeemed on such date pursuant to the Indenture.

Reserve Fund. On each Interest Payment Date on which the balance in the Reserve Fund is less than the Reserve Requirement, after making deposits required into the Interest Account and the Principal Account, subject to the limitations described under the caption "—Reserve Fund" below, the Trustee shall transfer from the Revenue Fund an amount sufficient to increase the balance in the Reserve Fund to the Reserve Requirement by depositing the amount necessary to make the various accounts therein equal to, together, the Reserve Requirement, provided the value of the moneys deposited therein, as invested, will be valued at market value on such transfer date for purposes of making such determination.

Application of Delinquent Revenues. If on any Interest Payment Date or date for redemption the amount on deposit in the Revenue Fund is inadequate to make the transfers described above as a result of a payment default on an issue of Local Obligations, the Trustee will immediately notify the issuer of such Local Obligations of the amount needed to make the required deposits described above under "—Application of Revenues." In the event that following such notice the Trustee receives Local Obligations Delinquency Revenues from the issuer of such Local Obligation to cure such shortfall, the Trustee shall deposit such amounts to the Revenue Fund for application in accordance with the Indenture. The Trustee shall disburse or transfer all Revenues representing Local Obligations Delinquency Revenues of a District first to cure any event of default on the Bonds caused by the nonpayment of the Local Obligations of such District and then to replenish the amount in the Reserve Fund to the Reserve Requirement, subject to the limitations described under the caption "—Reserve Fund" below.

Deposit into Rebate Fund. Annually within 55 days after each August 15, upon receipt of a Request of the Authority to do so, the Trustee will transfer from the Administrative Expense Fund or the Surplus Fund or from amounts other than Revenues as specified in the Request of the Authority to the Rebate Fund for deposit in the accounts therein the amounts specified in such Request. Amounts in the Rebate Fund are not pledged to repay the Bonds.

Administrative Expense Fund and Surplus Fund. On August 15 of each year, after making the deposits described above, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Administrative Expense Fund. Notwithstanding the foregoing, the Authority may direct the Trustee to transfer such amounts remaining on deposit in the Revenue Fund to the Surplus Fund. Amounts in the Administrative Expense Fund and the Surplus Fund are not pledged to repay the Bonds.

Reserve Fund

Reserve Fund. An account for each issue of Local Obligations will be established in the Reserve Fund (each, an "Account"). There shall be maintained in each of such Accounts an amount equal to the Reserve Requirement multiplied by the Proportionate Share for such Account and in the event of a draw on an Account, such Account shall be returned to its Proportionate Share of the Reserve Requirement as described below. In the event that the amount of the Reserve Requirement is changed, the Trustee will, upon receipt of a Request of the Authority, adjust the shares of each Account to reflect the new Reserve Requirement. The Reserve Requirement will initially be allocated to the following Accounts in an amount equal to the portion of the Reserve Requirement initially allocable to each such Account:

- $1,481,331.32 to the CFD No. 99-1 Account;
- $1,927,913.27 to the CFD No. 2000-1 Account; and
- $2,404,155.41 to the CFD No. 2001-1 Account.

The Indenture defines "Proportionate Share" to mean, as of the date of calculation for any issue of the Local Obligations, the ratio derived by dividing the outstanding principal amount of such Local Obligations by the principal amount of the Outstanding Bonds.

AGM has made a commitment to issue, simultaneously with the initial issuance of the Bonds, the Reserve Surety Policy in the amount equal to the Reserve Requirement for deposit in the Reserve Fund, effective as of the date of issuance of the Bonds. Under the terms of the Reserve Surety Policy, AGM will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority, to the extent set forth below. See Appendix A — "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF THE INDENTURE—REVENUES; FLOW OF FUNDS—Reserve Fund" for provisions relating to the Reserve Surety Policy.

Subject to the limitations set forth in the following paragraph, moneys in the Reserve Fund will be used to pay the principal of and interest on the Bonds when the moneys in the Interest Account and the Principal Account of the Revenue Fund are insufficient therefor. In addition, moneys in the Reserve Fund not constituting funds drawn on the Reserve Surety Policy or any Additional Reserve Policy may be applied: (i) in connection with an optional redemption of Bonds or a defeasance thereof, (ii) when the balance therein equals the principal and interest due on the Bonds to and including maturity, or (iii) when amounts in certain accounts of the Reserve Fund are transferred to the Interest Account and the Principal Account as a credit against the final payments due on the Local Obligations as specified below.

If the amounts in the Interest Account or the Principal Account of the Revenue Fund are insufficient to pay the principal of or interest on the Bonds when due, the Trustee shall withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account, as applicable, moneys necessary for such purposes in the following priority and subject to the following limitations: if the insufficiency was caused by a delinquency in the payment of a Local Obligation, the moneys necessary to make up the deficiency in the Interest Account or the Principal Account caused by the delinquency on the Local Obligation shall be transferred from the Account of the Reserve Fund established for the District which issued such Local Obligation. Amounts in an Account of the Reserve Fund established for a District may be transferred to the Interest Account or Principal

Account only to the extent necessary to cure any default on the Local Obligation of such District and may not be transferred to cure any default on any other Local Obligation.

Upon the transfer by the Trustee to the Reserve Fund of Local Obligations Delinquency Revenues of a District, such Revenues shall be allocated to the Reserve Accounts as follows:

First, to the Bond Insurer to reimburse it for all Policy Costs due as a result of a draw on the Reserve Surety Policy and to reimburse amounts with respect to any Additional Reserve Policy due to delinquencies on the Local Obligations of such District;

Second, to the Reserve Account established for such District that amount necessary to increase the amount on deposit in such account to the applicable Proportionate Share of the Reserve Requirement; and

Third, the remaining Local Obligations Delinquency Revenues, if any, shall be transferred to the Revenue Fund.

When amounts in an Account of the Reserve Fund are equal to or more than the remaining principal and interest due on the related Local Obligations that will be applied to the Bonds, such amounts will be transferred to the Interest Account and the Principal Account as a credit against the payments due on such Local Obligations, with the amount transferred from an Account being deposited first to the Interest Account as a credit on the interest due on such Local Obligations on such date and the balance being deposited to the Principal Account as a credit on the principal due on such Local Obligations on such date.

Surplus Fund

Any amounts transferred to the Surplus Fund will no longer be considered Revenues and are not pledged to repay the Bonds. So long as Local Obligations are outstanding, on August 15 of each year after setting aside any amount specified in a Request of the Authority as necessary to pay Administrative Expenses, all of the remaining balance, if any, in the Surplus Fund will (i) as set forth in a Request of the Authority, be transferred by the Trustee to the Local Obligations Trustee for credit to the special tax fund of one or more the Districts, and (ii) as set forth in a Request of the Authority be applied to the redemption of Local Obligations pursuant to the terms of one or more of the Local Obligations Indentures.

In the event that the Local Obligations have been redeemed or defeased in whole, then any amounts in the Surplus Fund may be used by the Authority for any lawful purpose, including, but not limited to, the payment of expenses of the Authority, the County or the Districts, relating to the Bonds, the Local Obligations, the Districts, or any other purpose as specified in a Request of the Authority delivered to the Trustee.

On August 15 of the year preceding the year of the final maturity of the Bonds, the remaining balance in the Surplus Fund shall be credited by the Trustee as set forth in a Request of the Authority, to each remaining special tax fund established with respect to Local Obligations of the Districts. Such amounts shall be applied to reduce debt service payments on the Local Obligations.

Additional Bonds

The Authority may issue Additional Bonds secured on a parity with Bonds ("Additional Bonds") in such principal amount as shall be determined by the Authority, pursuant to a Supplemental Indenture adopted or entered into by the Authority but only for the purpose of refunding the Bonds or Additional Bonds. If issued, Additional Bonds shall be secured and paid under the Indenture in the same manner and on a parity with the Bonds and any other Additional Bonds then Outstanding, and the Indenture may be amended and modified without the consent of the Owners of the Bonds to secure and pay such Additional Bonds on a parity with the Bonds and any Additional Bonds then Outstanding.

Additional Bonds may only be issued subject to the following conditions precedent established by the Indenture:

(a) The Authority shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures;

(b) The proceeds of such Additional Bonds will be applied to accomplish a refunding of a portion of the Bonds Outstanding as specified in a Request of the Authority;

(c) The Supplemental Indenture providing for the issuance of such Additional Bonds must provide that interest thereon will be payable on August 15 and February 15, and principal thereof will be payable on August 15 in any year in which principal is payable;

(d) Prior to the delivery of any Additional Bonds, a written certificate must be provided to the Authority and the Trustee by an Independent Financial Consultant which certifies that following the issuance of the Series of Additional Bonds, the principal and interest generated from the Local Obligations is adequate to make the timely payment of principal and interest due on the Bonds and Additional Bonds previously issued and Outstanding and the Series of Additional Bonds to be issued under the Indenture;

(e) The Supplemental Indenture providing for the issuance of Additional Bonds may provide for the establishment of separate funds and accounts;

(f) No Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) shall have occurred and be continuing with respect to the Bonds or any of the Local Obligations unless such Event of Default shall be cured upon the issuance of the Additional Bonds; and

(g) The Authority will deliver to the Trustee a written Certificate of the Authority certifying that the conditions precedent to the issuance of such Additional Bonds set forth in subsections (a), (b), (c), (d) and (f) above have been satisfied and that, upon the issuance of such Additional Bonds an amount equal to the Reserve Requirement, as adjusted (if necessary) to reflect the issuance of such Additional Bonds will be on deposit in the Reserve Fund.

Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth above, no such issuance may occur if the Reserve Fund is not fully funded at the Reserve Requirement.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. will issue its Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy attached as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On January 23, 2018, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2017, S&P issued a research update report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Capitalization of AGM. At September 30, 2017:

- The policyholders' surplus of AGM was approximately $2,322 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,371 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately $1,681 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed by AGL with the SEC on May 5, 2017);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (filed by AGL with the SEC on August 3, 2017); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 (filed by AGL with the SEC on November 3, 2017).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under this caption "BOND INSURANCE" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters. AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under this heading "BOND INSURANCE."

SECURITY FOR THE LOCAL OBLIGATIONS

General

The Local Obligations issued by a District are limited obligations of such District payable solely from Net Taxes collected in such District and from amounts on deposit in the Special Tax Fund of such District. Each District's limited obligation to pay the principal of, premium, if any, and interest on its Local Obligations from Net Taxes collected in the District and amounts in the Special Tax Fund of such District is absolute and unconditional.

No Local Obligation issued by a District (and no Parity Bonds issued under a Local Obligation Indenture relating to the Local Obligations, each a "Local Obligation Parity Bond") is a legal or equitable pledge, charge, lien or encumbrance upon any of such District's property, or upon any of its income, receipts or revenues, except the Net Taxes collected in such District and other amounts in the Special Tax Fund of such District.

None of the Special Taxes levied in one District may be used to pay debt service on the Local Obligations of any other District. Except for the Net Taxes, neither the credit nor the taxing power of the Districts, except as described below, or the County is pledged for the payment of the Local Obligations or related interest, and no Owner of the Bonds may compel the exercise of taxing power by the County or a District or the forfeiture of any of its property. The principal of and interest on the Local Obligations and premiums upon the redemption thereof, if any, are not a debt of the Districts or the County, the State of California or any of its political subdivisions in contravention of any constitutional or statutory limitation or restriction.

Special Taxes; Gross Taxes; Net Taxes

The "Special Taxes" for each District are the special taxes authorized to be levied and collected by the District according to the Rate and Method established for such District. The Special Taxes are collected in the manner and at the same time as ad valorem property taxes are collected and are subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes. See "THE COMMUNITY FACILITIES DISTRICTS" and Appendix B — "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS."

The "Net Taxes" pledged by each District to its Local Obligations (and any related Local Obligation Parity Bonds) is defined in the Local Obligation Indentures as "Gross Taxes" minus amounts set aside prior to the payment of the principal of and interest on the Local Obligations to pay Administrative Expenses, but in no case to exceed the Administrative Expenses Cap in each Fiscal Year.

"Gross Taxes" is defined as the amount of all Special Taxes received by the District from the Treasurer-Tax Collector of the County, the ("Treasurer"), together with all payments made with respect to tax-defaulted parcels (including all delinquent and redemption penalties, fees and costs), and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Local Obligation Indenture, but excluding any payment of Special Taxes on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the related Local Obligation Indenture, so long as the County has paid to the District the Special Taxes levied for a tax-defaulted parcel pursuant to the Teeter Plan.

Each District will covenant in the Local Obligation Indenture relating to its Local Obligations that it will receive all Special Taxes in trust for the Owners of its Local Obligations and will instruct the Treasurer to deposit all Special Taxes in a fund established solely for the purpose of holding Special Taxes of such District immediately upon their apportionment to the District. Except for the amounts held by the Treasurer in such fund that are retained by the District to pay Administrative Expenses as described below, all amounts in such fund shall be subject to the lien and pledge set forth in the Local Obligation Indenture for the benefit of the Owners of the Local Obligations and any Local Obligation Parity Bonds issued under its Local Obligation Indenture. From Special Taxes deposited by the Treasurer in the fund established for such purpose in each Fiscal Year, the District may retain up to an amount equal to the Administrative Expenses Cap for such Fiscal Year for the purpose of paying Administrative Expenses. Each District will further covenant that it will instruct the Treasurer to transfer all Net Taxes held in such fund to the trustee under its Local Obligation Indenture as soon as reasonably practicable following their apportionment to the District and such Net Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in its Local Obligation Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The Trustee, under the Local Obligation Indenture will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund and shall also deposit therein all amounts paid to the Trustee by the Authority to be held in trust for the Authority as the owner of the related Local Obligations. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Local Obligation Indenture, in the following order of priority, to:

(1) The Interest Account of the Special Tax Fund;

(2) The Principal Account of the Special Tax Fund;

(3) The Redemption Account of the Special Tax Fund;

(4) The Reserve Account of the Special Tax Fund;

(5) The Administrative Expense Fund to fund Administrative Expenses; and

(6) The Surplus Fund.

Teeter Plan

The Districts are included in the County's Teeter Plan and, as described below, so long as the Teeter Plan remains in effect with respect to the Districts, the Districts will be paid 100% of the amount of Special Taxes levied regardless of whether the County has actually collected the levies. To the extent that the County's Teeter Plan continues in existence and is carried out as adopted, the County's Teeter Plan may help to protect the Owners of the Bonds from the risk of delinquencies in Special Taxes. The County currently administers over 18 community facilities districts and assessment districts, all of which are included in the County's Teeter Plan.

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Section 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. A county benefits from the Teeter Plan by retaining penalties associated with these delinquent taxes when they are paid and the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of the county generally must elect to do so by July 15 of the fiscal year in which it is to apply. The Board of Supervisors adopted the Teeter Plan on June 29, 1993 and has elected to include in its Teeter Plan special taxes levied in certain community facilities districts, including the Districts, on the secured roll.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. See "SPECIAL RISK FACTORS – Teeter Plan Termination." The County has never discontinued the Teeter Plan with respect to any levying agency.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

Local Obligation Parity Bonds

Each Local Obligation Indenture authorizes the applicable District to issue additional bonds secured by Net Taxes on a parity with the related Local Obligations for such District but only for the purpose of refunding all or a portion of the Local Obligations or Local Obligation Parity Bonds of such District. For a description of the conditions established in each Local Obligation Indenture for the issuance of Local Obligation Parity Bonds, see Appendix A — "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

Priority of Lien of Special Taxes

Each installment of the Special Taxes and any interest and penalties thereon, constitutes a lien on the parcel of land on which it was imposed until the same is paid. Such lien is co-equal to and independent of the lien for general taxes, any other community facilities district special taxes. See "THE COMMUNITY FACILITIES DISTRICTS — The Districts in the Aggregate" herein.

Covenants of the Districts

In each Local Obligation Indenture, the applicable District will covenant as follows, among other things:

Punctual Payment. It will duly and punctually pay or cause to be paid the principal of and interest on each Local Obligation (and any Local Obligation Parity Bond) issued under its Local Obligation Indenture, together with the premium, if any, to the extent that Net Taxes and other amounts pledged under the Local Obligation Indenture are available therefor.

Against Encumbrance. It will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes or any amounts in the Special Tax Fund except as provided in the Local Obligation Indenture, and will not issue any obligation or security having a lien, charge, pledge or encumbrance upon the Net Taxes senior or superior to or on a parity with the Local Obligations (other than Local Obligation Parity Bonds). Nothing in the Local Obligation Indenture prevents the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes and amounts in the Special Tax Fund to repay the related Local Obligations and the related Local Obligation Parity Bonds.

Levy of Special Tax. So long as any Local Obligations or Local Obligations Parity Bonds are Outstanding, the legislative body of the District covenants to cause the levy of the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and amounts on deposit in the Revenue Fund under the Authority Indenture on August 16 of each year which have been transferred from the Surplus Fund to the Revenue Fund to the credit of the District and available for such purpose, to pay (1) the principal of and interest on the Local Obligations and any Local Obligations Parity Bonds when due, (2) the Administrative Expenses, (3) any amounts required to maintain the Reserve Account of the Special Tax Fund at the Reserve Requirement, (4) with respect to the Local Obligations and any Local Obligation Parity Bonds owned by the Authority, an amount equal to any defaulted principal or interest payments on such Local Obligations or Local Obligation

Parity Bonds remaining unpaid, (5) any amounts required to pay all Policy Costs and to replenish the Reserve Account under the Reserve Fund resulting from the delinquency in the payment of scheduled debt service on the Local Obligations or any Local Obligations Parity Bonds; and (6) any amounts due to the Insurer not included in (1) through (5) above attributable to the District.

Commence Foreclosure Proceedings. The District covenants for the benefit of the Trustee as the Owner of the Local Obligations and the Owners of any Local Obligation Parity Bonds that, subject to the limitation in the following paragraph, it:

(i) will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of $25,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, and

(ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Taxes levied, and

(iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are collected.

Notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as both (1) the amount in the Reserve Account held under the Local Obligation Indenture is at its required balance, if any, and the amount in the Account of the Reserve Fund established for the District under the Indenture is at least equal to its Proportionate Share of the Reserve Requirement, and (2) with respect to the Local Obligations, or any Local Obligation Parity Bonds purchased by the Authority, the District has not defaulted in the payment of the principal of or interest on such Local Obligations or Local Obligation Parity Bonds.

Each District may, but is not obligated to, advance funds from any source of legally available funds in order to maintain its Proportionate Share in the applicable Account of the Reserve Fund or to avoid a default in payment on the Local Obligations and any Local Obligation Parity Bonds owned by the Authority.

Each District covenants that it will deposit to the Special Tax Fund any Gross Taxes of any foreclosure that remain after the payment of the Administrative Expenses related to such foreclosure and such Gross Taxes shall be applied in accordance with the Local Obligation Indenture, to make current payments of principal and interest on the Local Obligations of the District and any Local Obligation Parity Bonds of the District, to bring the amounts in the Account of the Reserve Fund held under the Indenture up to the Proportionate Share and, in the event a separate Reserve Requirement has been established for Local Obligation Parity Bonds, then also to bring the amount on deposit in the Reserve Account held under the Local Obligation Indenture up to the Reserve Requirement.

Reduction of Maximum Special Taxes. Each District covenants that it will not initiate proceedings to reduce the maximum Special Tax rates for a District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method then in effect in the District) in each Bond Year for any Local Obligations and Local Obligations Parity Bonds Outstanding will equal at least 110% of the sum of the Administrative Expenses Cap and gross debt service in each Bond Year on all Local Obligations and Local Obligations Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Local Obligations and Local Obligations Parity Bonds, (iii) no Policy Costs or amounts under the Policy are due and payable to the Insurer, and (iv) the District is not delinquent in the payment of the principal of or interest on the Local Obligations or any Local Obligations Parity Bonds.

Notwithstanding the foregoing, a District may modify, alter or amend its Rate and Method in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on Developed Property below the amounts which will equal at least one hundred ten percent (110%) of the sum of the Administrative Expenses Cap and gross debt service in each Bond Year as of the date of such amendment.

THE COMMUNITY FACILITIES DISTRICTS

Ladera Ranch Development

The Districts consist of the first three phases of development within the master planned development known as Ladera Ranch. Ladera Ranch is an approximately 4,000 acre planned community located in the unincorporated southeast portion of the County. Ladera Ranch is substantially built out (with the exception of custom lots) with more than 6,700 homes and approximately 1,332,000 square feet of commercial and office space. The Ladera Ranch community has its own chamber of commerce and civic council.

Ladera Ranch is surrounded by a number of planned communities, including Rancho Santa Margarita, Mission Viejo, and Coto de Caza, as well as business parks and commercial/retail developments. The Districts encompass approximately 22% (based on gross acreage) of the Ladera Ranch master planned development. See Appendix F attached hereto for certain economic and demographic information with respect to the County.

The Districts in the Aggregate

Introduction. Set forth under this caption is certain information describing the Districts in the aggregate and separately. Although the Authority believes the information with respect to the Districts in the aggregate is relevant to an informed decision to purchase the Bonds, investors should be aware that the debt service on one Local Obligation may not be used to make up any shortfall in the debt service on another Local Obligation. Moreover, the parcels in each of the Districts are taxed according to that District's specific Rate and Method, and the Special Taxes may only be applied to pay the debt service on the Local Obligations of the District in which they are levied and not on the debt service of any other Local Obligations.

Potential investors should further be aware that Special Taxes are levied against individual parcels within each District and that any such parcel may have a value-to-lien ratio less than the overall value-to-lien ratio for such District and less than the value-to-lien ratio of the Districts in the aggregate.

Development Status. As of January 1, 2017, there were 960 single family residential units and 180 apartment units within CFD No. 99-1.

As of such date, there were 978 single family residential units, 284 apartment units, 19 parcels of nonresidential property (totaling approximately 26 acres) and two parcels of undeveloped property (totally approximately 0.22 acres) within CFD No. 2000-1.

As of such date, there were 1,318 single family residential units, 220 apartment units and one parcel of non-residential property within CFD No. 2001-1. The parcel of non-residential property within CFD No. 2001-1 was previously used as the site of Stoneybrooke Christian School, a private school. In December 2015, CRP/CDG Ladera Ranch purchased the site and on June 2, 2017, a final tract map for 36 residential lots was recorded for such property. As of January 1, 2018, eighteen building permits have been issued for the 36 homes planned to be constructed on such property.

Assessed Value-To-Lien Ratios. The assessed value of all of the taxable property in the Districts (3,282 parcels in total), as established by the County Assessor for Fiscal Year 2017-18, was \$2,245,370,611. The direct and overlapping indebtedness payable from taxes and assessments levied on the parcels within the Districts is approximately \$109,579,316 based on the principal amount of the Local Obligations and the overlapping indebtedness as of September 2, 2017. Table 7 below sets forth the aggregate assessed value-to-lien ratio of all the taxable property in the Districts based on the Fiscal Year 2017-18 assessed values within each of the Districts and the direct and overlapping debt described above. The assessed value-to-lien ratio of the Districts taken together including the direct and overlapping debt is 20.49 to 1. The assessed value-to-lien ratio of the Districts is 23.71 to 1 when general obligation bonds are excluded from the lien calculation.

TABLE 7

SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
THE DISTRICTS IN AGGREGATE
ASSESSED VALUE-TO-LIEN RATIOS

District	*Local Obligations*	*Total Overlapping Debt*	*Total Direct and Overlapping Debt*	*Assessed Value*(1)	*Assessed Value-to-Lien Ratio*(2)
CFD No. 99-1	\$ 13,235,000	\$ 16,867,886	\$ 30,102,886	\$ 676,695,358	22.48:1
CFD No. 2000-1	17,225,000	19,785,004	37,010,004	731,028,878	19.75:1
CFD No. 2001-1	21,480,000	20,986,426	42,466,426	837,646,375	19.72:1
Total	**\$ 51,940,000**	**\$ 57,639,316**	**\$ 109,579,316**	**\$ 2,245,370,611**	**20.49:1**

(1) Based on Fiscal Year 2017-18 assessed value provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.
(2) Assessed Value column divided by Total Direct and Overlapping Debt column.
Source: David Taussig & Associates, Inc.

Largest Taxpayers. The ten largest taxpayers within the Districts in the aggregate are responsible for approximately 13.2% of the total Fiscal Year 2017-18 Special Tax levies within the Districts. No single individual owner owns more than five residential parcels or is responsible for more than 0.15% of the combined Fiscal Year 2017-18 levy in all Districts. See Tables 12, 19 and 26 below for the largest taxpayers within each District.

Special Tax Levies and Delinquencies. Table 8 sets forth each District's Special Tax levies, delinquencies and delinquency rates for Fiscal Year 2007-08 through the first installment for Fiscal Year 2017-18.

TABLE 8

SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
THE DISTRICTS IN AGGREGATE
HISTORICAL SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES[1]

District	*Fiscal Year*	*Special Tax Levy*[1]	*Delinquent Special Tax at Fiscal Year End*[2]	*Delinquency Rate at Fiscal Year End*[2]	*Delinquent Special Tax as of 1/10/18*[3]	*Delinquency Rate as of 1/10/18*[3]
CFD No. 99-1	2007-08	$1,377,859	$45,532	3.30%	$ 0	0.00%
	2008-09	1,437,011	50,242	3.50	0	0.00
	2009-10	1,464,669	44,894	3.07	0	0.00
	2010-11	1,493,957	21,398	1.43	0	0.00
	2011-12	1,402,357	27,840	1.99	0	0.00
	2012-13	1,517,942	18,070	1.19	0	0.00
	2013-14	1,559,864	11,886	0.76	0	0.00
	2014-15	1,583,374	12,556	0.79	1,249	0.08
	2015-16	1,558,207	18,823	1.21	1,230	0.08
	2016-17	1,583,923	6,011	0.38	1,781	0.11
	2017-18	1,652,027	N/A	N/A	10,676[4]	1.29[4]
CFD No. 2000-1	2007-08	$1,745,405	$71,192	4.08%	$ 0	0.00%
	2008-09	1,796,911	61,474	3.42	0	0.00
	2009-10	1,821,759	54,953	3.02	0	0.00
	2010-11	1,856,463	28,919	1.56	0	0.00
	2011-12	1,790,386	28,879	1.61	0	0.00
	2012-13	1,940,188	7,568	0.39	2,645	0.14
	2013-14	1,979,779	11,336	0.57	1,721	0.09
	2014-15	2,013,645	13,996	0.70	1,750	0.09
	2015-16	1,941,404	10,767	0.55	5,426	0.28
	2016-17	1,973,102	18,415	0.93	11,245	0.57
	2017-18	2,051,688	N/A	N/A	20,469[4]	2.00[4]
CFD No. 2001-1	2007-08	$1,861,992	$82,992	4.46%	$ 0	0.00%
	2008-09	1,926,161	78,616	4.08	0	0.00
	2009-10	1,949,455	69,935	3.59	0	0.00
	2010-11	1,987,971	41,808	2.10	0	0.00
	2011-12	1,886,268	46,633	2.47	0	0.00
	2012-13	2,087,042	22,859	1.10	0	0.00
	2013-14	2,124,618	16,632	0.78	0	0.00
	2014-15	2,153,608	22,004	1.02	0	0.00
	2015-16	2,142,108	20,280	0.95	3,980	0.19
	2016-17	2,183,482	16,124	0.74	5,294	0.24
	2017-18	2,263,546	N/A	N/A	22,196[4]	1.96[4]

(1) The Districts are included in the County's Teeter Plan pursuant to which the County pays the Districts 100.00% of the amount levied without regard to delinquencies. See "SECURITY FOR THE LOCAL OBLIGATIONS—Teeter Plan."
(2) As of approximately June 30 of year based on information provided by the County Tax Collector.
(3) As of January 10, 2018, based on information provided by the County Tax Collector.
(4) Reflects delinquencies for the first installment for Fiscal Year 2017-18.
Source: The County; David Taussig & Associates, Inc.

Community Facilities District No. 99-1

Location and Description. CFD No. 99-1 was formed in 1999 by the County to finance various public improvements needed to develop property located within CFD No. 99-1. As of January 1, 2017, CFD No. 99-1 consisted of 960 single-family homes and 180 apartment units and is fully built-out. CFD No. 99-1 consists of approximately 287 gross acres, of which approximately 115 acres are subject to the Special Tax levy.

Assigned Special Taxes. Table 9 below sets forth the current Assigned Special Taxes that may be levied on the property within CFD No. 99-1 in Fiscal Year 2017-18 based on the development status within CFD No. 99-1 as of January 1, 2017. Special Taxes may be levied on each Assessor's Parcel for a period not to exceed 40 years from the fiscal year in which such Assessor's Parcel first becomes Developed Property. Special Taxes may be levied in CFD No. 99-1 on all taxable parcels until Fiscal Year 2039-40 at which time certain of the parcels will reach the 40 year limit. The final maturity of the CFD No. 99-1 Bonds is August 15, 2029.

TABLE 9

COUNTY OF ORANGE
CFD NO. 99-1 (LADERA RANCH)
FISCAL YEAR 2017-18 ASSIGNED / ACTUAL TAX RATES

Tax Class	*Land Use*	*Fiscal Year 2017-18 Assigned Special Tax Rate*[(1)]	*Fiscal Year 2017-18 Building Square Footage/Acres*	*Fiscal Year 2017-18 Actual Special Tax*	*Percent of Assigned Special Tax*[(2)]
1	Residential Property	\$0.9881 per bldg. sf.	2,475,925 sq. ft.	\$0.6672 per bldg. sf.	67.52%
2	Non-Residential Property	\$21,145 per acre	0	\$0 per acre	0.00

(1) Based on the Assigned Special Tax rate for Residential and Non-Residential Property. The Maximum Special Tax for Developed Property is the greater of the amount derived from the application of the Assigned Special Tax rate or the Backup Special Tax.
(2) Calculated by dividing the Fiscal Year 2017-18 Actual Special Tax column by the Fiscal Year 2017-18 Assigned Special Tax Rate column.
Source: David Taussig & Associates, Inc.

The Special Taxes will be levied in each Fiscal Year within CFD No. 99-1 in accordance with the CFD No. 99-1 Rate and Method. For the complete text of the CFD No. 99-1 Rate and Method, see Appendix B — "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS."

Direct and Overlapping Debt. The property within CFD No. 99-1 is subject to taxation by a number of taxing agencies, some of which have issued debt secured by taxes and assessments levied on such property. Table 10 below sets forth the overlapping debt for CFD No. 99-1 as of September 2, 2017 and the direct debt for CFD No. 99-1 which consists of the CFD No. 99-1 Bonds.

TABLE 10

COUNTY OF ORANGE
CFD NO. 99-1 (LADERA RANCH)
DIRECT AND OVERLAPPING DEBT SUMMARY

Overlapping District	*Actual Fiscal Year 2017-18 Total Levy*	*Amount of Levy on Parcels in CFD No. 99-1*	*Percent of Levy on Parcels in CFD No. 99-1*	*Total Debt Outstanding*[1]	*CFD No. 99-1 Share of Total Debt Outstanding*
Capistrano Unified School District CFD No. 98-2	$ 7,725,646	$961,272	12.4426%	$ 98,603,542	$ 12,268,858
Metropolitan Water District G.O. Bonds	121,647,024	23,552	0.0194	74,905,000	14,503
Santa Margarita Water District ID No. 4B [2]	785,844	79,510	10.1178	8,245,000	834,211
Santa Margarita Water District ID No. 4	2,630,392	353,378	13.4344	27,915,731	3,750,315
Estimated Share of Overlapping Debt Allocable to the District					$ 16,867,886
Plus the CFD No. 99-1 Bonds					13,235,000
Estimated Share of Direct and Overlapping Debt Allocable to the District					$ 30,102,886

(1) As of September 2, 2017.
(2) Based on allocation by the Santa Margarita Water District to the Ladera Ranch area for Fiscal Year 2017-18 and on information provided by the Santa Margarita Water District staff.
Source: David Taussig & Associates, Inc.

Table 11 below sets forth an estimated property tax bill for a typical single family residential unit in CFD No. 99-1. The estimated tax rates and amounts presented herein are based on information for Fiscal Year 2017-18. The actual amounts charged may vary and may increase in future years. For Fiscal Year 2017-18, the projected total effective tax rate is estimated to be approximately 1.43618% of the average assessed value of single family residential units within CFD No. 99-1. If the Special Taxes were levied at the full amount of the Assigned Special Tax, the total effective tax rate would be approximately 1.62263% of the average assessed value. It is not expected that the maximum percentage will be reached. See "THE BONDS — Potential Debt Service Coverage on the Local Obligations."

TABLE 11

COUNTY OF ORANGE
CFD NO. 99-1 (LADERA RANCH)
ESTIMATED FISCAL YEAR 2017-18 SAMPLE TAX BILL
TAX RATE AREA 82-372

Assessed Valuation and Property Taxes		*Percent of Net Assessed Value*	*Expected Amount*
TOTAL ASSESSED VALUE[1]	$678,991		
NET ASSESSED VALUE[1]	$671,991		
LAND ASSESSED VALUE[1]	$362,431		
Unit Size for Single Family Property[2]	2,413 sq. ft.		
Lot Size for Single Family Property[3]	4,901 sq. ft.		
AD VALOREM PROPERTY TAXES[4]			
Basic Levy		1.00000%	$ 6,719.91
Metropolitan Water District		0.00350%	23.52
Santa Margarita Water District ID No. 4	0.10000% of land value	0.05393%	362.43
Santa Margarita Water District ID No. 4D	0.02250% of land value	0.01214%	88.55
Total General Property Taxes and Overrides		1.06957%	$ 7,187.41
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
Mosquito & Fire Ant Assessment[5]			$ 6.72
Vector Control Charge[6]			1.92
Metropolitan Water District West Standby Charge[7]			10.08
Capistrano Unified School District CFD No. 98-2[8]			935.46
County of Orange CFD No. 99-1[9]			1,609.95
Total Assessments and Parcel Charges			$ 2,564.13
ESTIMATED TOTAL PROPERTY TAXES			**$ 9,751.54**
Estimated Total Effective Tax Rate (as % of Assessed Value)			**1.43618%**

(1) Based on average assessed value of the 960 single family units in the CFD No. 99-1 as of January 1, 2017 provided by the County Assessor. Net Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.

(2) Based on the average unit size for 960 single family units in CFD No. 99-1.

(3) Based on the average lot size for 960 single family units in CFD No. 99-1.

(4) Estimated based on the Fiscal Year 2017-18 *ad valorem* rates for property within Tax Rate Area 82-372.

(5) Estimated based on the Fiscal Year 2017-18 rate of $6.72 per benefit unit. Single family residential parcels are assessed at 1 benefit unit.

(6) Estimated based on the Fiscal Year 2017-18 Rate of $1.92 per benefit unit. Single family residential parcels are assessed at 1 benefit unit.

(7) Estimated based on the Fiscal Year 2017-18 rate of $10.08 per parcel or per acre, whichever is greater.

(8) Expected amount based on the Capistrano Unified School District CFD No. 98-2 average Fiscal Year 2017-18 special tax levy of $935.46 per unit for the 960 single family units in CFD No. 99-1. The average Fiscal Year 2017-18 maximum special tax amount is $1,427.07 per unit for the 960 single family units in CFD No. 99-1. The maximum special rates escalate at 2% per year.

(9) Based on the CFD No. 99-1 Fiscal Year 2017-18 Special Tax rate of $0.6672 per square foot of building area. The maximum Special Tax rate is the greater of the Assigned Special Tax or the Backup Special Tax. The Fiscal Year 2017-18 Assigned Special Tax rate is $0.9881 per square foot of building area and the Fiscal Year 2017-18 Backup Special Tax rate is $21,145.18 per parcel acre. The Assigned and Backup Special Tax rates escalate at 2% per year.

Source: David Taussig & Associates, Inc.; County Tax Collector; County Assessor.

Table 12 below sets forth the largest taxpayers within CFD No. 99-1 for Fiscal Year 2017-18, based on ownership information as of January 1, 2017. In Fiscal Year 2017-18, the single largest taxpayer (consisting of the property on which the 180-unit apartment complex is located) within CFD No. 99-1 was responsible for 6.42% of the total Special Tax levy in CFD No. 99-1.

TABLE 12

COUNTY OF ORANGE
CFD NO. 99-1 (LADERA RANCH)
FISCAL YEAR 2017-18
LARGEST TAXPAYERS

Owner[1]	*Land Use*	*Number of Parcels*	*Fiscal Year 2017-18 Special Tax Levy*[2]	*Percent of Total Levy (CFD No. 99-1)*	*Percent of Total Levy (All Districts)*[3]
Ladera WNG Seniors	Apartment Property[5]	1	$ 106,117	6.42%	1.78%
Individual Owners[4]	Single Family Residential	960	1,545,910	93.58	25.91
Total	**N/A**	**961**	**$ 1,652,027**	**100.00%**	**27.68%**

(1) Based on ownership as of January 1, 2017 provided by the County Assessor.
(2) Fiscal Year 2017-18 levy equal to 67.52% of the Assigned Special Tax rates for Developed Property.
(3) Calculated as a percentage of the combined total Fiscal Year 2017-18 Special Tax levy for CFD No. 99-1, CFD No. 2000-1 and CFD No. 2001-1.
(4) No single individual owner owns more than four parcels or is responsible for more than 0.30% of the Fiscal Year 2017-18 levy for CFD No. 99-1.
(5) Consists of an apartment complex of 180 units.
Source: David Taussig & Associates, Inc.

Assessed Value-To-Lien Ratios. Table 13 below provides the assessed value of the Taxable Property within CFD No. 99-1 between Fiscal Year 2005-06 and 2017-18.

TABLE 13

COUNTY OF ORANGE
CFD NO. 99-1 (LADERA RANCH)
SUMMARY OF ASSESSED VALUES

As of January 1	***Taxable Property Assessed Value*** [(1)]	***Percent Change***
2005	$509,822,541	N/A
2006	559,842,034	9.81%
2007	593,060,337	5.93
2008	578,108,456	(2.52)
2009	546,411,499	(5.48)
2010	546,827,352	0.08
2011	545,808,029	(0.19)
2012	546,411,033	0.11
2013	554,456,940	1.47
2014	602,487,912	8.66
2015	628,328,425	4.29
2016	650,114,463	3.47
2017	676,695,358	4.09

(1) Based on assessed value as of January 1 provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.
Source: David Taussig & Associates, Inc.

Table 14 below sets forth the estimated assessed value-to-lien ratios for various property classifications in CFD No. 99-1 and for CFD No. 99-1 as a whole (22.48 to 1) based on the estimated direct and overlapping indebtedness of $30,102,886 within CFD No. 99-1 (which includes overlapping general obligation debt) and the Fiscal Year 2017-18 assessed values. Excluding the overlapping general obligation debt, the ratio of the assessed value of such property within CFD No. 99-1 to the total principal amount of all direct and overlapping special tax bonds payable from taxes levied within CFD No. 99-1 ($25,503,858, inclusive of the CFD No. 99-1 Bonds) is approximately 26.5 to 1.

Table 15 below sets forth the estimated assessed value-to-lien ratios for parcels within CFD No. 99-1 by various ranges based upon the principal amount of the CFD No. 99-1 Bonds and the overlapping debt information included in Table 10.

TABLE 14

COUNTY OF ORANGE
CFD NO. 99-1 (LADERA RANCH)
ASSESSED VALUE-TO-LIEN RATIOS (BY PROPERTY CLASSIFICATION)

Property Classification/Land Use[(1)]	*Number of Parcels*	*CFD No. 99-1 Fiscal Year 2017-18 Special Tax Levy*[(2)]	*CFD No. 99-1 Bonds Outstanding*[(3)]	*Capistrano Unified School District CFD No. 98-2 Bonds Outstanding*[(4)]	*Metropolitan Water District Bonds Outstanding*[(4)]	*Santa Margarita Water District ID No. 4B Bonds Outstanding*[(4)]	*Santa Margarita Water District ID No. 4 Bonds Outstanding*[(4)]	*Total Direct and Overlapping Debt*	*Assessed Value*[(5)]	*Assessed Value-to-Lien Ratio*[(6)]
Developed Property										
Residential Property										
Single-Family Residential	960	$ 1,545,910	$ 12,384,861	$ 11,461,782	$ 13,967	$ 821,359	$ 3,692,537	$ 28,374,506	$ 651,830,918	22.97:1
Apartment Property[(7)]	1	106,117	850,139	807,076	536	12,852	57,777	1,728,380	24,864,440	14.39:1
Total	**961**	**$ 1,652,027**	**$ 13,235,000**	**$ 12,268,858**	**$ 14,503**	**$ 834,211**	**$ 3,750,315**	**$ 30,102,886**	**$ 676,695,358**	**22.48:1**

(1) Per the Rate and Method, Developed Property is property for which a building permit was issued as of January 1, 2017.
(2) Fiscal Year 2017-18 levy equal to 67.52% of the Assigned Special Tax rates for Developed Property.
(3) Allocated based on Fiscal Year 2017-18 levy.
(4) As of September 2, 2017. Allocated based on Fiscal Year 2017-18 levy.
(5) Based on Fiscal Year 2017-18 assessed value provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.
(6) Calculated by dividing Assessed Value column by Total Direct and Overlapping Debt column.
(7) Consists of a 180-unit apartment complex.

Source: David Taussig & Associates, Inc.

TABLE 15

COUNTY OF ORANGE
CFD NO. 99-1 (LADERA RANCH)
ASSESSED VALUE-TO-LIEN RATIOS (BY RANGES)

Assessed Value-to-Lien Ratio Range	*Number of Parcels*	*Assessed Value*[(1)]	*CFD No. 99-1 Fiscal Year 2017-18 Special Tax Levy*[(2)]	*CFD No. 99-1 Bonds Outstanding*[(3)]	*Total Overlapping Debt*	*Total Direct and Overlapping Debt*
Less and 3:1	0	$ 0	$ 0	$ 0	$ 0	$ 0
Between 3:1 and 4.99:1	0	0	0	0	0	0
Between 5:1 and 9.99:1	2	226,920	2,606	20,874	20,179	41,053
Between 10:1 and 14.99:1	1	24,864,440	106,117	850,139	878,240	1,728,380
Between 15:1 and 19.99:1	277	146,230,376	465,778	3,731,522	4,235,095	7,966,617
Greater than 20:1	681	505,373,622	1,077,526	8,632,464	11,734,372	20,366,836
Total	961	$ 676,695,358	$ 1,652,027	$ 13,235,000	$ 16,867,886	$ 30,102,886

(1) Based on Fiscal Year 2017-18 assessed value provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.
(2) Fiscal Year 2017-18 levy equal to 67.52% of the Assigned Special Tax rates for Developed Property.
(3) Allocated based on Fiscal Year 2017-18 levy.
Source: David Taussig & Associates, Inc.

Community Facilities District No. 2000-1

Location and Description. CFD No. 2000-1 was formed by the County in 2000 to finance various public improvements needed to develop property located within CFD No. 2000-1. As of January 1, 2017, CFD No. 2000-1 consisted of 978 single-family homes, two apartment projects consisting of 201 and 83 units, respectively, 19 parcels of non-residential property (totaling approximately 26 acres) which are currently used for commercial purposes, and two parcels (totally approximately 0.22 acres) of Undeveloped Property. CFD No. 2000-1 consists of approximately 321 gross acres, of which approximately 137 acres are subject to the Special Tax levy.

Assigned Special Taxes. Table 16 below sets forth the current Assigned Special Taxes that may be levied on the property within CFD No. 2000-1 in Fiscal Year 2017-18 based on the development status within CFD No. 2000-1 as of January 1, 2017. Special Taxes may be levied on each Assessor's Parcel for a period not to exceed 40 years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property. Special Taxes may be levied in CFD No. 2000-1 on all taxable parcels until Fiscal Year 2040-41 at which time certain of the parcels will reach the 40 year limit. The final maturity of the CFD No. 2000-1 Bonds is August 15, 2030.

TABLE 16

COUNTY OF ORANGE
CFD NO. 2000-1 (LADERA RANCH)
FISCAL YEAR 2017-18 ASSIGNED / ACTUAL TAX RATES

Tax Class	*Land Use*	*Fiscal Year 2017-18 Assigned Special Tax*[(1)]	*Fiscal Year 2017-18 Building Square Footage/Acres*	*Fiscal Year 2017-18 Actual Special Tax*	*Percent of Assigned Special Tax*[(2)]
1	Single Family Residential	$1.1229 per bldg. sf.	2,172,353 sq. ft.	$0.7282 per bldg. sf.	64.85%
2	Apartment Property	$1.0363 per bldg. sf.	259,305 sq. ft.	$0.6721 per bldg. sf.	64.85
3	Non-Residential Property	$17,555 per acre	25.96 acres	$11,385 per acre	64.85
0	Undeveloped Property	$21,862 per acre	0.22 acres	$0 per Acre	0.00

(1) Based on the Assigned Special Tax rate for Residential and Non-Residential Property. The Maximum Special Tax for Developed Property is the greater of the amount derived from the application of the Assigned Special Tax rate or the Backup Special Tax.
(2) Calculated by dividing the Fiscal Year 2017-18 Actual Special Tax column by the Fiscal Year 2017-18 Assigned Special Tax column.
Source: David Taussig & Associates, Inc.

The Special Taxes will be levied in each Fiscal Year within CFD No. 2000-1 in accordance with the CFD No. 2000-1 Rate and Method. For the complete text of the CFD No. 2000-1 Rate and Method, see Appendix B — "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS."

Direct and Overlapping Debt. The property within CFD No. 2000-1 is subject to taxation by a number of taxing agencies, some of which have issued debt secured by taxes and assessments levied on such property. Table 17 below sets forth the overlapping debt for CFD No. 2000-1 as of September 2, 2017 and the direct debt for CFD No. 2000-1 which consists of the CFD No. 2000-1 Bonds.

TABLE 17

COUNTY OF ORANGE
CFD NO. 2000-1 (LADERA RANCH)
DIRECT AND OVERLAPPING DEBT

Overlapping District	*Actual Fiscal Year 2017-18 Total Levy*	*Amount of Levy on Parcels in CFD No. 2000-1*	*Percent of Levy on Parcels in CFD No. 2000-1*	*Total Debt Outstanding*(1)	*CFD No. 2000-1 Share of Total Debt Outstanding*
Capistrano Unified School District CFD No. 98-2	$ 7,725,646	$1,176,512	15.2287%	$98,603,542	$ 15,015,993
Metropolitan Water District G.O. Bonds	121,647,024	25,464	0.0209	74,905,000	15,680
Santa Margarita Water District ID No. 4B (2)	785,844	82,438	10.4903	8,245,000	864,927
Santa Margarita Water District ID No. 4	2,630,392	366,389	13.9291	27,915,731	3,888,403
				Estimated Share of Overlapping Debt Allocable to the District	$ 19,785,004
				Plus the CFD No. 2000-1 Bonds	17,225,000
				Estimated Share of Direct and Overlapping Debt Allocable to the District	$ 37,010,004

(1) As of September 2, 2017.
(2) Based on allocation by the Santa Margarita Water District to the Ladera Ranch area for Fiscal Year 2017-18 and on information provided by the Santa Margarita Water District staff.
Source: David Taussig & Associates, Inc.

Table 18 below sets forth an estimated property tax bill for a typical single family residential unit in CFD No. 2000-1. The estimated tax rates and amounts presented herein are based on information for Fiscal Year 2017-18. The actual amounts charged may vary and may increase in future years. For Fiscal Year 2017-18, the projected total effective tax rate is estimated to be approximately 1.44846% of the average assessed value of single family residential units within CFD No. 2000-1. If the Special Taxes were levied at the full amount of the Assigned Special Tax, the total effective tax rate would be approximately 1.65368% of the average assessed value. It is not expected that the maximum percentage will be reached. See “THE BONDS — Potential Debt Service Coverage on the Local Obligations.”

TABLE 18

COUNTY OF ORANGE
CFD NO. 2000-1 (LADERA RANCH)
ESTIMATED FISCAL YEAR 2017-18 SAMPLE TAX BILL
TAX RATE AREA 82-373

Assessed Valuation and Property Taxes			*Percent of Net Assessed Value*	*Expected Amount*
TOTAL ASSESSED VALUE[1]		$640,841		
NET ASSESSED VALUE[1]		$633,841		
LAND ASSESSED VALUE[1]		$339,805		
Unit Size for Single Family Property[2]		2,221 sq. ft.		
Lot Size for Single Family Property[3]		4,296 sq. ft.		
AD VALOREM PROPERTY TAXES[4]				
Basic Levy			1.00000%	$ 6,338.41
Metropolitan Water District			0.00350%	22.18
Santa Margarita Water District ID No. 4	0.10000% of land value		0.05361%	339.81
Santa Margarita Water District ID No. 4D	0.02250% of land value		0.01206%	76.46
Total General Property Taxes and Overrides			1.06917%	$ 6,776.86
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES				
Mosquito & Fire Ant Assessment[5]				$ 6.72
Vector Control Charge[6]				1.92
Metropolitan Water District West Standby Charge[7]				10.08
Capistrano Unified School District CFD No. 98-2[8]				869.39
County of Orange CFD No. 2000-1[9]				1,617.33
Total Assessments and Parcel Charges				$ 2,505.44
ESTIMATED TOTAL PROPERTY TAXES				**$ 9,282.30**
Estimated Total Effective Tax Rate (as % of Assessed Value)				**1.44846%**

(1) Based on average assessed value of the 978 single family units in CFD No. 2000-1 as of January 1, 2017 provided by the County Assessor. Net Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.
(2) Based on the average unit size for 978 single family units in CFD No. 2000-1.
(3) Based on the average lot size for 978 single family units in CFD No. 2000-1.
(4) Estimated based on the Fiscal Year 2017-18 *ad valorem* rates for property within Tax Rate Area 82-373.
(5) Estimated based on the Fiscal Year 2017-18 rate of $6.72 per benefit unit. Single family residential parcels are assessed at 1 benefit unit.
(6) Estimated based on the Fiscal Year 2017-18 rate of $1.92 per benefit unit. Single family residential parcels are assessed at 1 benefit unit.
(7) Estimated based on the Fiscal Year 2017-18 rate of $10.08 per parcel or per acre, whichever is greater.
(8) Expected amount based on the Capistrano Unified School District CFD No. 98-2 average Fiscal Year 2017-18 special tax of $869.39 per unit for the 978 single family units in CFD No. 2000-1. The average Fiscal Year 2017-18 maximum special tax amount is $1,307.93 per unit for 978 single family units in CFD No. 2000-1. The maximum special rates escalate at 2% per year.
(9) Based on CFD No. 2000-1 Fiscal Year 2017-18 Special Tax rate of $0.7282 per square foot of building area. The maximum Special Tax rate is the greater of the Assigned Special Tax or the Backup Special Tax. The Fiscal Year 2017-18 Assigned Special Tax rate is $1.1229 per square foot of building area and the Fiscal Year 2017-18 Backup Special Tax rate is $21,000.82 per parcel acre. The Assigned and Backup Special Tax rates escalate at 2% per year.

Source: David Taussig & Associates, Inc.; County Tax Collector; County Assessor

Table 19 below sets forth the largest taxpayers within CFD No. 2000-1 for Fiscal Year 2017-18, based on ownership information as of January 1, 2017. In Fiscal Year 2017-18 the owners of the non-residential and apartment property within CFD No. 2001-1 were responsible for 22.9% of the Special Tax levy with the single largest taxpayer of non-residential property responsible for 8.25% of the total Special Tax levy.

TABLE 19

COUNTY OF ORANGE
CFD 2000-1 (LADERA RANCH)
FISCAL YEAR 2017-18 LARGEST TAXPAYERS

Owner[(1)]	***Land Use***	***Number of Parcels***	***Fiscal Year 2017-18 Special Tax Levy***[(2)]	***Percent of Total Levy (CFD No. 2000-1)***	***Percent of Total Levy (All Districts)***[(3)]
Mercantile West Ladera	Non-Residential Property	9	$ 169,195	8.25%	2.84%
Ladera WNG LLC	Apartment Property	1	124,476	6.07	2.09
Ladera Retail I	Non-Residential Property	9	115,127	5.61	1.93
Ladera WNG Seniors	Apartment Property	1	49,801	2.43	0.83
M & D Burke Properties LP	Non-Residential Property	1	11,203	0.55	0.19
Individual Owners[(4)]	Single Family Residential	978	1,581,887	77.10	26.51
Total	**N/A**	**999**	**$ 2,051,688**	**100.00%**	**34.38%**

(1) Based on ownership as of January 1, 2017 provided by the County Assessor.
(2) Fiscal Year 2017-18 levy equal to 64.85% of the Assigned Special Tax rates for Developed Property.
(3) Calculated as a percentage of the combined total Fiscal Year 2017-18 Special Tax levy for CFD No. 99-1, CFD No. 2000-1 and CFD No. 2001-1.
(4) No single individual owner owns more than three parcels or is responsible for more than 0.18% of the Fiscal Year 2017-18 levy.

Source: David Taussig & Associates, Inc.

Assessed Value-To-Lien Ratios. Table 20 below provides the assessed value of all Taxable Property within CFD No. 2000-1 between Fiscal Year 2005-06 and 2017-18.

TABLE 20

COUNTY OF ORANGE
CFD NO. 2000-1 (LADERA RANCH)
SUMMARY OF ASSESSED VALUES

As of January 1	*Taxable Property Assessed Value* [(1)]	*Percent Change*
2005	$569,404,133	N/A
2006	618,390,584	8.60%
2007	661,099,212	6.91
2008	643,487,184	(2.66)
2009	595,441,539	(7.47)
2010	598,400,910	0.50
2011	601,846,492	0.58
2012	597,783,384	(0.68)
2013	603,819,188	1.01
2014	651,976,712	7.98
2015	682,073,088	4.62
2016	703,300,784	3.11
2017	731,028,878	3.94

(1) Based on Fiscal Year 2017-18 assessed value provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.
Source: David Taussig & Associates, Inc.

Table 21 below sets forth the estimated assessed value-to-lien ratios for various property classifications in CFD No. 2000-1 and for CFD No. 2000-1 as a whole (19.75 to 1) based on the estimated direct and overlapping indebtedness of $37,010,004 within CFD No. 2000-1 (which includes overlapping general obligation debt) and the Fiscal Year 2017-18 assessed values. Excluding the overlapping general obligation debt, the ratio of the assessed value of such property within CFD No. 2000-1 to the total principal amount of all direct and overlapping special tax bonds payable from taxes levied within CFD No. 2000-1 ($32,240,993, inclusive of the CFD No. 2000-1 Bonds) is approximately 22.7 to 1.

Table 22 below sets forth the estimated assessed value-to-lien ratios for Developed Property within CFD No. 2000-1 by various ranges based upon the principal amount of the CFD No. 2000-1 Bonds and the overlapping debt information included in Table 17.

TABLE 21

COUNTY OF ORANGE
CFD NO. 2000-1 (LADERA RANCH)
ASSESSED VALUE-TO-LIEN RATIOS (BY PROPERTY CLASSIFICATION)

Property Classification/Land Use(1)	*Number of Parcels*	*CFD No. 2000-1 Fiscal Year 2017-18 Special Tax Levy*(2)	*CFD No. 2000-1 Bonds Outstanding*(3)	*Capistrano Unified School District CFD No. 98-2 Bonds Outstanding*(4)	*Metropolitan Water District Bonds Outstanding*(4)	*Santa Margarita Water District ID No. 4B Bonds Outstanding*(4)	*Santa Margarita Water District ID No. 4 Bonds Outstanding*(4)	*Total Direct and Overlapping Debt*	*Assessed Value*(5)	*Assessed Value-to-Lien Ratio*(6)
Developed Property(4)										
Residential Property										
Single Family Residential	978	$ 1,581,887	$ 13,280,775	$ 10,852,002	$ 13,432	$ 784,522	$ 3,526,931	$ 28,457,663	$ 626,742,682	22.02 to 1
Apartment Property(7)	2	174,277	1,463,144	1,299,342	954	24,438	109,865	2,897,744	44,281,419	15.28 to 1
Non-Residential Property	19	295,524	2,481,081	2,864,649	1,289	55,461	249,334	5,651,815	59,790,661	10.58 to 1
Subtotal Developed Property	**999**	$ 2,051,688	$ 17,225,000	$ 15,015,993	$ 15,675	$ 864,422	$ 3,886,131	$ 37,007,221	$ 730,814,762	19.75 to 1
Undeveloped Property	**2**	**0**	**0**	**0**	**5**	**505**	**2,272**	**2,783**	**214,116**	**76.95 to 1**
Total	**1,001**	**$ 2,051,688**	**$ 17,225,000**	**$ 15,015,993**	**$ 15,680**	**$ 864,927**	**$ 3,888,403**	**$ 37,010,004**	**$ 731,028,878**	**19.75 to 1**

(1) Per the Rate and Method, Developed Property is property for which a building permit was issued as of January 1, 2017. Undeveloped Property is property for which a building permit was not issued as of January 1, 2017.

(2) Fiscal Year 2017-18 levy equal to 64.85% of the Assigned Special Tax rates for Developed Property.

(3) Allocated based on Fiscal Year 2017-18 levy.

(4) As of September 2, 2017. Allocated based on Fiscal Year 2017-18 levy.

(5) Based on Fiscal Year 2017-18 assessed value provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.

(6) Calculated by dividing Assessed Value column by Total Direct and Overlapping Debt column.

(7) Includes two apartment complexes consisting of 201 and 83 units, respectively.

Source: David Taussig & Associates, Inc.

TABLE 22

COUNTY OF ORANGE
CFD NO. 2000-1 (LADERA RANCH)
ASSESSED VALUE-TO-LIEN RATIOS (BY RANGES) FOR DEVELOPED PROPERTY ONLY

Assessed Value-to-Lien Range	*Number of Parcels*	*Assessed Value* [1]	*CFD No. 2000-1 Fiscal Year 2017-18 Special Tax Levy* [2]	*CFD No. 2000-1 Bonds Outstanding*[3]	*Total Overlapping Debt*	*Total Direct and Overlapping Debt*
Less than 3:1	0	$ 0	$ 0	$ 0	$ 0	$ 0
Between 3:1 and 4.99:1	0	0	0	0	0	0
Between 5:1 and 9.99:1	16	25,183,915	161,832	1,358,664	1,683,613	3,042,278
Between 10:1 and 14.99:1	16	47,279,958	193,292	1,622,784	1,950,213	3,572,997
Between 15:1 and 19.99:1	303	184,922,746	618,225	5,190,322	5,289,581	10,479,903
Greater than 20:1	664	473,428,143	1,078,340	9,053,229	10,858,814	19,912,043
Total	**999**	**$ 730,814,762**	**$ 2,051,688**	**$ 17,225,000**	**$ 19,782,221**	**$ 37,007,221**

(1) Based on Fiscal Year 2017-18 assessed value provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.
(2) Fiscal Year 2017-18 levy equal to 64.85% of the Assigned Special Tax rates for Developed Property.
(3) Allocated based on Fiscal Year 2017-18 levy.
Source: David Taussig & Associates, Inc.

Community Facilities District No. 2001-1

Location and Description. CFD No. 2001-1 was formed in 2001 by the County to finance various public improvements needed to develop property located within CFD No. 2001-1. As of January 1, 2017, CFD No. 2001-1 consisted of 1,318 single-family homes and one parcel with 220 apartment units, and one parcel of non-residential property (consisting of approximately 5.34 acres). CFD No. 2001-1 consists of approximately 306 gross acres, of which approximately 125 acres are subject to the Special Tax levy.

The parcel of non-residential property within CFD No. 2001-1 was previously used as the site of Stoneybrooke Christian School, a private school. In December 2015, CRP/CDG Ladera Ranch purchased the site and on June 2, 2017, a final tract map for 36 residential lots was recorded for such property. As of January 1, 2018, eighteen building permits have been issued for the 36 homes planned to be constructed on such property. Such property was taxed as non-residential property in Fiscal Year 2017-18 in the amount of $65,584. Beginning in Fiscal Year 2018-19, the 36 residential lots will be taxed as Single Family Residential Developed Property for the lots for which building permits have been issued as of January 1, 2018 with the remaining lots being categorized as Undeveloped Property.

Assigned Special Taxes. Table 23 below sets forth the current Assigned Special Taxes that may be levied on the property within CFD No. 2001-1 in Fiscal Year 2017-18 based on the development status within CFD No. 2001-1 as of January 1, 2017. Special Taxes may be levied on each Assessor's Parcel for a period not to exceed 40 years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property. Special Taxes may be levied in CFD No. 2001-1 on all taxable parcels until Fiscal Year 2041-42 at which time certain of the parcels will reach the 40 year limit. The final maturity of the CFD No. 2001-1 Bonds is August 15, 2032.

TABLE 23

COUNTY OF ORANGE
CFD NO. 2001-1 (LADERA RANCH)
FISCAL YEAR 2017-18 ASSIGNED / ACTUAL TAX RATES

Tax Class	*Land Use*	*Fiscal Year 2017-18 Assigned Special Tax*(1)	*Fiscal Year 2017-18 Building Square Footage/Acres*	*Fiscal Year 2017-18 Actual Special Tax*	*Percent of Assigned Special Tax*(2)
1	Single Family Residential	$1.0462 per bldg. sf.	2,746,055 sq. ft.	$0.7472 per bldg. sf.	71.42%
2	Apartment Property	$1.0235 per bldg. sf.	199,975 sq. ft.	$0.7310 per bldg. sf.	71.42
3	Non-Residential Property	$17,187 per acre	5.34 acres	$12,275 per acre	71.42

(1) Based on the Assigned Special Tax rate for Residential and Non-Residential Property. The Maximum Special Tax for Developed Property is the greater of the amount derived from the application of the Assigned Special Tax rate or the Backup Special Tax.
(2) Calculated by dividing the Fiscal Year 2017-18 Actual Special Tax column by the Fiscal Year 2017-18 Assigned Special Tax column.
Source: David Taussig & Associates, Inc.

The Special Taxes will be levied in each Fiscal Year within CFD No. 2001-1 in accordance with the CFD No. 2001-1 Rate and Method. For the complete text of the CFD No. 2001-1 Rate and

Method, see Appendix B — "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS."

Direct and Overlapping Debt. The property within CFD No. 2001-1 is subject to taxation by a number of taxing agencies, some of which have issued debt secured by taxes and assessments levied on such property. Table 24 below sets forth the overlapping debt for CFD No. 2001-1 as of September 2, 2017 and the direct debt for CFD No. 2001-1 which consists of the CFD No. 2001-1 Bonds.

TABLE 24

COUNTY OF ORANGE
CFD NO. 2001-1 (LADERA RANCH)
DIRECT AND OVERLAPPING DEBT

Overlapping District	*Actual Fiscal Year 2017-18 Total Levy*	*Amount of Levy on Parcels in CFD No. 2001-1*	*Percent of Levy on Parcels in CFD No. 2001-1*	*Total Debt Outstanding*[1]	*CFD No. 2001-1 Share of Total Debt Outstanding*
Capistrano Unified School District CFD No. 98-2	$ 7,725,646	$1,211,724	15.6844%	$98,603,542	$ 15,465,410
Metropolitan Water District G.O. Bonds	121,647,024	29,151	0.0240	74,905,000	17,950
Santa Margarita Water District ID No. 4B [2]	785,844	95,440	12.1449	8,245,000	1,001,351
Santa Margarita Water District ID No. 4	2,630,392	424,179	16.1261	27,915,731	4,501,715
Estimated Share of Overlapping Debt Allocable to the District					$ 20,986,426
Plus the CFD No. 2001-1 Bonds					21,480,000
Estimated Share of Direct and Overlapping Debt Allocable to the District					$ 42,466,426

(1) As of September 2, 2017.
(2) Based on allocation by the Santa Margarita Water District to the Ladera Ranch area for Fiscal Year 2017-18 and on information provided by the Santa Margarita Water District staff.
Source: David Taussig & Associates, Inc.

Table 25 below sets forth an estimated property tax bill for a typical single family residential unit in CFD No. 2001-1. The estimated tax rates and amounts presented herein are based on information for Fiscal Year 2017-18. The actual amounts charged may vary and may increase in future years. For Fiscal Year 2017-18, the projected total effective tax rate is estimated to be approximately 1.45774% of the average assessed value of single family residential units within CFD No. 2001-1. If the Special Taxes were levied at the full amount of the Assigned Special Tax, the total effective tax rate would be approximately 1.74232% of the average assessed value. It is not expected that the maximum percentage will be reached. See "THE BONDS — Potential Debt Service Coverage on the Local Obligations."

TABLE 25

COUNTY OF ORANGE
CFD NO. 2001-1 (LADERA RANCH)
ESTIMATED FISCAL YEAR 2017-18 SAMPLE TAX BILL
TAX RATE AREA 82-374

Assessed Valuation and Property Taxes			*Percent of Net Assessed Value*	*Expected Amount*
TOTAL ASSESSED VALUE[1]		$595,386		
NET ASSESSED VALUE[1]		$588,386		
LAND ASSESSED VALUE[1]		$305,310		
Unit Size for Single Family Property[2]		2,084 sq. ft.		
Lot Size for Single Family Property[3]		4,071 sq. ft.		
AD VALOREM PROPERTY TAXES[4]				
Basic Levy			1.00000%	$ 5,883.86
Metropolitan Water District			0.00350%	20.59
Santa Margarita Water District ID No. 4	0.10000% of land value		0.05189%	305.31
Santa Margarita Water District ID No. 4D	0.02250% of land value		0.01168%	68.69
Total General Property Taxes and Overrides			1.06706%	$ 6,278.46
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES				
Mosquito & Fire Ant Assessment[5]				$ 6.72
Vector Control Charge[6]				1.92
Metropolitan Water District West Standby Charge[7]				10.08
Capistrano Unified School District CFD No. 98-2[8]				824.81
County of Orange CFD No. 2001-1[9]				1,557.16
Total Assessments and Parcel Charges				$ 2,400.69
ESTIMATED TOTAL PROPERTY TAXES				**$ 8,679.15**
Estimated Total Effective Tax Rate (as % of Assessed Value)				**1.45774%**

(1) Based on average assessed value of the 1,318 single family units in CFD No. 2001-1 as of January 1, 2017 provided by the County Assessor. Net Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.

(2) Based on the average unit size for 1,318 single family units in CFD No. 2001-1.

(3) Based on the average lot size for 1,318 single family units in CFD No. 2001-1.

(4) Estimated based on the Fiscal Year 2017-18 *ad valorem* rates for property within Tax Rate Areas 82-360 and 82-374.

(5) Estimated based on the Fiscal Year 2017-18 rate of $6.72 per benefit unit. Single family residential parcels are assessed at 1 benefit unit.

(6) Estimated based on the Fiscal Year 2017-18 rate of $1.92 per benefit unit. Single family residential parcels are assessed at 1 benefit unit.

(7) Estimated based on the Fiscal Year 2017-18 rate of $10.08 per parcel or per acre, whichever is greater.

(8) Expected amount based on the Capistrano Unified School District CFD No. 98-2 average Fiscal Year 2017-18 special tax of $824.81 per unit for the 1,318 single family units in CFD No. 2001-1. The average Fiscal Year 2017-18 maximum special tax amount is $1,243.98 per unit for the 1,318 single family units in CFD No. 2001-1. The maximum special rates escalate at 2% per year.

(9) Based on CFD No. 2001-1 Fiscal Year 2017-18 Special Tax rate of $0.7472 per square foot of building area. The maximum Special Tax rate is the greater of the Assigned Special Tax or the Backup Special Tax. The Fiscal Year 2017-18 Assigned Special Tax rate is $1.0462 per square foot of building area and the Fiscal Year 2017-18 Backup Special Tax rate is $30,308.36 per parcel acre. The Assigned and Backup Special Tax rates escalate at 2% per year.

Source: David Taussig & Associates, Inc.; County Tax Collector; County Assessor

Table 26 below sets forth the largest taxpayers within CFD No. 2001-1 for Fiscal Year 2017-18, as of January 1, 2017. In Fiscal Year 2017-18, the single largest taxpayer (consisting of the property on which the 220-unit apartment complex is located) within CFD No. 2001-1 was responsible for 6.46% of the total Special Tax levy in CFD No. 2001-1.

TABLE 26

COUNTY OF ORANGE
CFD NO. 2001-1 (LADERA RANCH)
FISCAL YEAR 2017-18 LARGEST TAXPAYERS

Owner[(1)]	*Land Use*	*Number of Parcels*	*Fiscal Year 2017-18 Special Tax Levy*[(2)]	*Percent of Total Levy (CFD No. 2001-1)*	*Percent of Total Levy (All Districts)*[(3)]
Ladera WNG II LLC	Apartment Property	1	$ 146,181	6.46%	2.45%
CRP/CDG Ladera Ranch LLC[(4)]	Non-Residential Property	1	65,584	2.90	1.10
Individual Owners[(5)]	Single Family Residential	1,318	2,051,781	90.64[(4)]	34.38
Total	**N/A**	**1,320**	**$ 2,263,546**	**100.00%**	**37.93%**

(1) Based on ownership as of January 1, 2017 provided by the County Assessor.
(2) Fiscal Year 2017-18 levy equal to 71.42% of the Assigned Special Tax rates for Developed Property.
(3) Calculated as a percentage of the combined total Fiscal Year 2017-18 Special Tax levy for CFD No. 99-1, CFD No. 2000-1 and CFD No. 2001-1.
(4) For Fiscal Year 2017-18, parcel is taxed as Non-Residential Property. Such property was the former site of the Stoneybrooke Christian School. CRP/CDG Ladera Ranch LLC purchased the site on December 18, 2015 and a residential tract map consisting of 36 residential lots was recorded on June 2, 2017. As of January 1, 2018, building permits have been issued for 18 of out the 36 residential lots. Beginning in Fiscal Year 2018-19, these lots will be categorized and taxed as residential property in accordance with the Rate and Method.
(5) No single individual owner owns more than three parcels or is responsible for more than 0.24% of the Fiscal Year 2017-18 levy.

Source: David Taussig & Associates, Inc.

Assessed Value-To-Lien Ratios. Table 27 below provides the assessed value of all Taxable Property within CFD No. 2001-1 between Fiscal Year 2004-05 and 2016-17.

TABLE 27

COUNTY OF ORANGE
CFD NO. 2001-1 (LADERA RANCH)
SUMMARY OF ASSESSED VALUES

As of January 1	*Taxable Property Assessed Value* (1)	*Percent Change*
2005	$618,657,645	N/A
2006	692,656,658	11.96%
2007	736,444,966	6.32
2008	708,709,420	(3.77)
2009	659,776,450	(6.90)
2010	659,438,321	(0.05)
2011	694,653,816	5.34
2012	685,000,400	(1.39)
2013	692,227,371	1.06
2014	750,317,775	8.39
2015	778,541,612	3.76
2016	809,075,850	3.92
2017	837,646,375	3.53

(1) Based on assessed value as of January 1 provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.
Source: David Taussig & Associates, Inc.

Table 28 below sets forth the estimated assessed value-to-lien ratios for various property classifications in CFD No. 2001-1 and for CFD No. 2001-1 as a whole (19.72 to 1) based on the estimated direct and overlapping indebtedness of $42,466,426 within CFD No. 2001-1 (which includes overlapping general obligation debt) and the Fiscal Year 2017-18 assessed values. Excluding the overlapping general obligation debt, the ratio of the assessed value of such property within CFD No. 2001-1 to the total principal amount of all direct and overlapping special tax bonds payable from taxes levied within CFD No. 2001-1 ($36,945,410, inclusive of the CFD No. 2001-1 Bonds) is approximately 22.7 to 1.

Table 29 below sets forth the estimated assessed value-to-lien ratios for parcels within CFD No. 2001-1 by various ranges based upon the principal amount of the CFD No. 2001-1 Bonds and the overlapping debt information included in Table 24.

TABLE 28

COUNTY OF ORANGE
CFD NO. 2001-1 (LADERA RANCH)
ASSESSED VALUE-TO-LIEN RATIOS (BY PROPERTY CLASSIFICATION)

Property Classification/Land Use[(1)]	*Number of Parcels*	*CFD No. 2001-1 Fiscal Year 2017-18 Special Tax Levy*[(2)]	*CFD No. 2001-1 Bonds Outstanding*[(3)]	*Capistrano Unified School District CFD No. 98-2 Bonds Outstanding*[(4)]	*Metropolitan Water District Bonds Outstanding*[(4)]	*Santa Margarita Water District ID No. 4B Bonds Outstanding*[(4)]	*Santa Margarita Water District ID No. 4 Bonds Outstanding*[(4)]	*Total Direct and Overlapping Debt*	*Assessed Value*[(5)]	*Assessed Value-to-Lien Ratio*[(6)]
Developed Property										
Residential Property										
Single Family Residential	1,318	$ 2,051,781	$ 19,470,446	$ 13,874,886	$ 16,809	$ 949,935	$ 4,270,565	$ 38,582,640	$ 784,718,648	20.34:1
Apartment Property[(7)]	1	146,181	1,387,191	997,466	875	22,281	100,167	2,507,979	40,585,727	16.18:1
Non-Residential Property	1	65,584	622,364	593,059	266	29,135	130,983	1,375,806	12,342,000	8.97:1
Total	**1,320**	**$ 2,263,546**	**$ 21,480,000**	**$ 15,465,410**	**$ 17,950**	**$ 1,001,351**	**$ 4,501,715**	**$ 42,466,426**	**$ 837,646,375**	19.72:1

(1) Per the Rate and Method, Developed Property is property for which a building permit was issued as of January 1, 2017.
(2) Fiscal Year 2017-18 levy equal to 71.42% of the Assigned Special Tax rates for Developed Property.
(3) Allocated based on Fiscal Year 2017-18 levy.
(4) As of September 2, 2017. Allocated based on Fiscal Year 2017-18 levy.
(5) Based on Fiscal Year 2017-18 assessed value provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.
(6) Calculated by dividing Assessed Value column by Total Direct and Overlapping Debt column.
(7) Consists of a 220-unit apartment complex.
Source: David Taussig & Associates, Inc.

TABLE 29

COUNTY OF ORANGE
CFD NO. 2001-1 (LADERA RANCH)
ASSESSED VALUE-TO-LIEN RATIOS (BY RANGES)

Assessed Value-to-Lien Range	*Number of Parcels*	*Assessed Value* [1]	*CFD No. 2001-1 Fiscal Year 2017-18 Special Tax Levy* [2]	*CFD No. 2001-1 Bonds Outstanding*[3]	*Total Overlapping Debt*	*Total Direct and Overlapping Debt*
Less than 3:1	0	$ 0	$ 0	$ 0	$ 0	$ 0
Between 3:1 and 4.99:1	2	290,980	4,713	44,726	33,059	77,784
Between 5:1 and 9.99:1	9	13,603,101	76,342	724,450	831,589	1,556,039
Between 10:1 and 14.99:1	15	5,955,297	23,701	224,912	190,985	415,897
Between 15:1 and 19.99:1	572	342,246,576	1,077,599	10,225,915	9,116,821	19,342,736
Greater than 20:1	722	475,550,421	1,081,191	10,259,997	10,813,972	21,073,969
Total	**1,320**	**$ 837,646,375**	**$ 2,263,546**	**$ 21,480,000**	**$ 20,986,426**	**$ 42,466,426**

(1) Based on Fiscal Year 2017-18 assessed value provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.
(2) Fiscal Year 2017-18 levy equal to 71.42% of the Assigned Special Tax rates for Developed Property.
(3) Allocated based on Fiscal Year 2017-18 levy.
Source: David Taussig & Associates, Inc.

SPECIAL RISK FACTORS

The purchase of the Bonds involves certain investment risks which are discussed throughout this Official Statement. Each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. Particular attention should be given to the factors described below which, among others, could affect the payment of debt service on the Bonds.

Risks of Real Estate Secured Investments Generally

Because the timely payment of debt service on the Bonds will be dependent upon the timely payment of the Local Obligations and the timely payment of the Local Obligations will be dependent upon the timely payment of Special Taxes, which are secured ultimately by the Taxable Property within the Districts, the Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in and around the vicinity of the Districts, the supply of or demand for competitive properties in such area, and the market value of residential and non-residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and tax laws, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors.

The Bonds are Limited Obligations of the Authority

The Bonds are limited obligations of the Authority payable only from amounts pledged under the Indenture, which consist primarily of payments made to the Trustee on the Local Obligations and amounts in the Reserve Fund. Funds for the payment of the principal of and the interest on the Local Obligations are derived only from payments of Special Taxes. The amount of Special Taxes that are collected could be insufficient to pay principal of and interest on the Local Obligations due to non-payment of the Special Taxes levied or, in the event that the County has not paid the delinquent Special Taxes to the Districts pursuant to the Teeter Plan, due to insufficient proceeds received from a judicial foreclosure sale of property within the Districts following delinquency. A District's legal obligation with respect to any delinquent Special Taxes is limited to the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes is delinquent. The Bonds cannot be accelerated in the event of any default.

Failure by owners of the parcels within the Districts to pay Special Tax installments when due, delay in foreclosure proceedings, or the inability of the Districts to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Special Taxes levied against such parcels may result in the inability of the Districts to make full or timely payments of debt service on the Local Obligations, which may, in turn, result in the depletion of the Reserve Fund and the inability of the Authority to make full or timely payment on the Bonds.

No Obligation of County

The Local Obligations and the interest thereon, and in turn, the Bonds, are not payable from the general funds of the County. Except for the Special Taxes, neither the credit nor the taxing power of the Districts or the County is pledged for the payment of the Local Obligations or the interest thereon, and except to compel a levy of the Special Taxes securing the Local Obligations, no Owner of the Bonds may compel the exercise of any taxing power by the Districts or the County or force the forfeiture of any property of the County or the Districts. The Bonds are not a debt of the County or the Districts or a legal or equitable pledge, charge, lien or encumbrance upon any of the County's or the Districts' property or upon any of the County's or the Districts' income, receipts or revenues, except the Revenues and other amounts pledged under the Indenture.

Property Values

The value of the Taxable Property within the Districts is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of a Special Tax installment, a District's only remedy is to judicially foreclose on that property. Prospective purchasers of the Bonds should not assume that the property within the Districts could be sold for the assessed values described herein at a foreclosure sale for delinquent Special Tax installments or for an amount adequate to pay delinquent Special Tax installments.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, increased or decreased annually by an amount determined by the Orange County Assessor based on current market conditions, generally not to exceed an increase of more than 2% per fiscal year from the date of purchase (except in the case of new construction subsequent to such acquisition). No assurance can be given that a parcel could actually be sold for its assessed value.

The actual market value of the property is subject to future events such as downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the land in the Districts which is the security for the Local Obligations, which secure the Bonds. As discussed herein, many factors could adversely affect property values within the Districts.

Natural Disasters

The land within the Districts, like all California communities, may be subject to unpredictable seismic activity, wildfires, floods or other natural disasters. The occurrence of one of these natural disasters in a District could result in significant damage to properties in such District which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special Taxes. No assurance can be given that in the event of a natural disaster within a District the Special Taxes paid by property owners would be sufficient to make timely payment of the debt service on the Local Obligations and, in turn, the Bonds.

The land within the Districts is not included within an area designated by the State as an earthquake fault zone under the Alquist-Priolo Earthquake Fault Zoning Act. However, there are mapped earthquake faults as defined by the Alquist-Priolo Earthquake Fault Zoning Act off the coast of the County and located east of the Districts in the County of Riverside. As such, land within the County does experience ground movement from earthquakes occurring on these and other faults within the region. There is a risk of significant damage to structures within the Districts due to a major earthquake and no assurance can be given as to the magnitude or frequency of any such earthquake.

In recent years, wildfires have caused extensive damage throughout the State, including within the County. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future. The Ladera Ranch community is surrounded by open space terrain which the Department of Forestry and Fire Protection of the State of California has designated as a very high fire hazard severity zone. The Districts also experience high winds known as Santa Ana winds which frequently accompany and magnify the intensity of wildfires. There is a risk of residential and non-residential property within the Districts being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the vicinity of the Districts.

Hazardous Substances

The value of a parcel may be reduced as a result of the presence of a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a foreclosure sale following a Special Tax delinquency.

None of the Authority, the Districts or the County has knowledge of any hazardous substances being located on the property within the Districts; however, such entities have not conducted any investigation with respect to hazardous substances within the Districts.

Parity Taxes and Special Assessments

Property within the Districts is subject to taxes and other charges levied by several other public agencies. See the discussion of direct and overlapping indebtedness under the heading “THE COMMUNITY FACILITIES DISTRICTS.”

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with the lien of all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general *ad valorem* property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. See "— Bankruptcy and Foreclosure" below.

None of the Authority, the Districts or the County has control over the ability of other entities and districts to issue indebtedness secured by special taxes, ad valorem taxes or assessments payable from all or a portion of the property within the Districts. In addition, the property owners within the Districts may, without the consent or knowledge of the Authority, the Districts or the County, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within the Districts described herein.

Payment of the Special Tax is not a Personal Obligation of the Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the proceeds received from the sale of a taxable parcel following a Special Tax delinquency are not sufficient, taking into account other liens imposed by public agencies, to pay the full amount of the Special Tax delinquency, the District has no recourse against the owner of the parcel.

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The County has caused a notice of the Special Tax that may be levied against the taxable parcels in each District to be recorded in the Office of the Recorder for the County. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the Districts or lending of money thereon.

The Mello-Roos Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Teeter Plan Termination

In 1993, the County implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to pay to local agencies and taxing areas, including the Districts, the full amount of the tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County's Teeter Plan may protect the Owners of the Bonds from the risk of delinquencies in the payment of Special Taxes. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to a District would eliminate such protection from delinquent Special Taxes. See "SECURITY FOR THE LOCAL OBLIGATIONS — Teeter Plan."

Special Tax Delinquencies

Special Taxes are the primary source for the repayment of the Local Obligations, which are the only source of Revenues to repay the Bonds. Delinquencies could result in one or more draws on the Reserve Fund and, if the Reserve Fund was depleted, in a default in payment on the Bonds.

Under provisions of the Mello-Roos Act, the Special Taxes, from which funds necessary for the payment of principal of and interest on the Local Obligations and, thus, the Bonds are derived, are customarily billed to the properties within each District on the *ad valorem* property tax bills sent by the County to owners of such properties. The Mello-Roos Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

As set forth in Table 8 under the heading "THE COMMUNITY FACILITIES DISTRICTS," as of January 10, 2018, the delinquency rates in each of the Districts was less than 1.0% for prior 10 fiscal years.

See "SECURITY FOR THE LOCAL OBLIGATIONS — Covenants of the Districts - Commence Foreclosure Proceedings," for a discussion of the provisions which apply, and procedures which each District is obligated to follow under the Local Obligation Indentures, in the event of delinquencies in the payment of Special Taxes. See "— Bankruptcy and Foreclosure" below for a discussion of the policy of the Federal Deposit Insurance Corporation (the "FDIC") regarding the payment of special taxes and assessment and limitations on the District's ability to foreclose on the lien of the Special Taxes in certain circumstances.

Insufficiency of Special Taxes

Notwithstanding that the maximum Special Taxes that may be levied in the Districts exceeds debt service due on the Local Obligations, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation.

The Rate and Method governing the levy of the Special Taxes within each District expressly exempts up to a specified number of acres of property owned by public entities, homeowner associations, churches and other specified owners. If for any reason property within a District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, another public agency or other organization determined to be exempt, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within such District. This could result in certain owners of property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Mello-Roos Act provides that, if any property within a District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Mello-Roos Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Mello-Roos Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within a District became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Taxes which could be levied upon the remaining taxable property therein might not be sufficient to pay the principal of and interest on the related Local Obligations when due and a default could occur with respect to the payment of such principal and interest, and, in turn, a default could occur in the payment of the principal and interest on the Bonds.

FDIC/Federal Government Interests in Properties

The ability of the Districts to collect interest and penalties specified by the Mello-Roos Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the FDIC, or other federal government entities such as Fannie Mae, Freddie Mac, the Drug Enforcement Agency, the Internal Revenue Service or other federal agency, has or obtains an interest.

In the case of the FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the Districts may be constrained. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

Neither the Authority nor the Districts are able to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution "this Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding." In the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the Districts wish to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. For a discussion of risks associated with taxable parcels within the Districts becoming owned by the federal government, federal government entities or federal government sponsored entities, see "— Insufficiency of Special Taxes."

The Districts' remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

Funds Invested in the County Investment Pool

Funds held under the Indenture and the Local Obligations Indentures are required to be invested in Permitted Investments in accordance with the Indenture the Local Obligations Indentures. See Appendix A attached hereto for the definitions of Permitted Investments. Included as a Permitted Investment under the Indenture and Local Obligations Indentures is the Orange County Investment Pool (the "Pool") which is operated by the County Treasurer. Information regarding the Pool, including the Investment Policy for the Pool, the current investments held in the Pool and the recent performance measurements for the Pool may be obtained at the County Treasurer's website at http://ttc.ocgov.com/investments/. The Pool includes several separate funds, including the County Money Market Fund and an Extended Fund. S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its 'AAAm' principal stability fund rating to the County Money Market Fund, the part of the Pool into which the Special Tax proceeds collected by the Districts may be invested. The rating reflects only the view of S&P, and explanation of the significance of the rating may be obtained from S&P, 55 Water Street, New York, New York 10041; (212) 438-2124. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. All investments, including the Permitted Investments, and those authorized by law from time to time for investments by municipalities, including the types of investments permitted to be held in the Pool, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

The County Treasurer's website referenced above is not in any way incorporated into this Official Statement and is cited for informational purposes only. The Authority makes no representation whatsoever as to the accuracy or completeness of any of the information on such website.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in the Pool following a bankruptcy proceeding filed on behalf of the Pool. In the event of a petition or bankruptcy filing on behalf of the Pool or the adjustment of County debts under Chapter 9 of the Federal Bankruptcy Code, a court might hold that the Bond Owners do not have a valid and/or prior lien on the Special Taxes where such amounts are deposited in the Pool and may not provide the Bond Owners with a priority interest in such amounts. In that circumstance, unless the Bond Owners could "trace" the funds that have been deposited in the Pool, the Bond Owners would be unsecured (rather than secured) creditors. There can be no assurance that the Bond Owners could successfully so trace the Special Taxes. Neither the Authority nor the Districts can predict the effects on the receipt of Special Taxes if the Pool were to suffer significant losses in its portfolio of investments or if the County or the Pool was to become insolvent or declare bankruptcy. See also "SPECIAL RISK FACTORS—Bankruptcy and Foreclosure."

Bankruptcy and Foreclosure

In the event of a delinquency in the payment of the Special Taxes, a District, under certain circumstances, is required to commence enforcement proceedings as described under the heading "SECURITY FOR THE LOCAL OBLIGATIONS — Covenants of the Districts." However, prosecution of such proceedings could be delayed due to crowded local court calendars, dilatory legal tactics, or bankruptcy. It is also possible that a District will be unable to realize proceeds in an amount sufficient to pay the applicable delinquency. Moreover, the ability of the Districts to commence and prosecute enforcement proceedings may be limited by bankruptcy, insolvency and other laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940) and by the laws of the State relating to judicial and non-judicial foreclosure. Although bankruptcy proceedings would not cause the liens of the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in the enforcement proceedings because federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings. Any such delay could increase the likelihood of delay or default in payment of the principal of and interest on the Local Obligations. The various legal opinions delivered in connection with the issuance of the Bonds, including Bond Counsel's approving legal opinion, are qualified as to the enforceability of the Bonds, the Indenture, the Local Obligations and the Local Obligation Indentures by reference to bankruptcy, reorganization, moratorium, insolvency and other laws affecting the rights of creditors generally or against public corporations such as the Districts.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture. Pursuant to the

Indenture, an Owner of the Bonds is given the right for the equal benefit and protection of all owners similarly situated to pursue certain remedies described in APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS — SUMMARY OF THE INDENTURE — EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS" following the occurrence of an Event of Default.

Limitations on Remedies

Remedies available to the Owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Bond Counsel will limit its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion and by limitations on remedies against public agencies in the State. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS — 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, the County or the Districts in violation of covenants in the Indenture or the Local Obligation Indentures, respectively. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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 "LEGAL MATTERS — Tax Matters" below.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Although the Authority has committed to provide certain financial information and operating data on an annual basis, there can be no assurance that such information will be available to Beneficial Owners of the Bonds on a timely basis. The failure to provide the required annual information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating, or adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes available to the Districts to pay the principal of and interest on the Local Obligations as described below.

Among other things, Section 3 of Article XIII states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Mello-Roos Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Mello-Roos Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Mello-Roos Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On August 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

> Section 3 of Article XIIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Local Obligations.

It may be possible, however, for voters or the Board of Supervisors of the County, acting as the legislative body of each District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Local Obligations, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Local Obligations. Nevertheless, to the maximum extent that the law permits it to do so, each District will covenant in each Local Obligation Indenture executed by it that it will not initiate proceedings under the Mello-Roos Act to reduce the maximum Special Tax rates that may be levied on Developed Property in a District below an amount equal to 110% of the sum of the Administrative Expenses Cap plus debt service for the Local Obligations of such District in each Bond Year. Each District also will covenant in its Local Obligation Indenture that, in the event an initiative is adopted which purports to alter the Rate and Method for the District, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego ("San Diego"). The CCFD is a financing district much like a community facilities district established under the provisions of the Mello-Roos Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Mello-Roos Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIIIA, Section 4 thereof and Article XIIIC, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in the Districts had less than 12 registered voters at the time of the election to authorize the respective Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Mello-Roos Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court's holding does not apply to the Special Tax elections in the Districts. Moreover, Section 53341 of the Mello-Roos Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax…shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Mello-Roos Act provides that any action to determine the validity of bonds issued pursuant to the Mello-Roos Act be brought within 30 days of the voters approving the issuance of such bonds.

Based on Sections 53341 and 53359 of the Mello-Roos Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Taxes of the Districts being levied in accordance with the applicable Rate and Method may now be brought.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "— Limitations on Remedies" above.

Ballot Initiatives and Legislative Matters

Articles XIII A, XIII B, XIII C and XIII D, all of which placed certain limitations on the power of local agencies to tax, collect and expend revenues, were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the County, or the Districts to increase revenues or to increase appropriations or on the ability of the landowners within the Districts to complete proposed future development.

LEGAL MATTERS

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, 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. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is 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 Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Beneficial Owner will increase the Beneficial Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of a Bond is excluded from the 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 is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Authority, the County, the Districts and others and is subject to the condition that the Authority, the County and the Districts 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, the County and the Districts will each 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.

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 other 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.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR 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. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. 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.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. 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 Local Obligation Indentures and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

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, the County and the Districts 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.

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.

See Appendix C — "FORM OF BOND COUNSEL OPINION" for a form of the opinion to be provided by Bond Counsel on the date of issuance of the Bonds.

Absence of Litigation

The Authority will certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity of the Bonds or the Local Obligations and that no action, suit or proceeding is known by the Authority to be pending that would restrain or enjoin the delivery of the Bonds or the Local Obligations, or contest or affect the validity of the Bonds or the Local Obligations or any proceedings of the Authority taken with respect to the Bonds or the Local Obligations. Each of the Districts will also certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity the Local Obligations and that no action, suit or proceeding is known by such District to be pending that would restrain or enjoin the delivery of the Local Obligations, or contest or affect the validity of the Local Obligations or any proceedings of such District taken with respect to the Local Obligations.

Legal Opinion

Certain proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel for the Authority in connection with the issuance of the Bonds. The opinion of Bond Counsel approving the validity of the Bonds substantially in the form attached as Appendix C hereto will be attached to each Bond. Bond Counsel's employment is limited to a review of legal procedures required for the approval of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation. Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

Payment of the fees of Bond Counsel, the Underwriter and Underwriter's Counsel is contingent upon issuance of the Bonds.

MISCELLANEOUS

Rating of Bonds

It is expected that S&P will assign its municipal bond rating of "AA" (stable outlook) to the Insured Bonds based upon the delivery of the Policy by AGM at the time of issuance of the Bonds (see "BOND INSURANCE" herein). S&P has assigned the Bonds the rating of "A-" (stable outlook) without regard to whether the Policy is delivered for the Insured Bonds. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P, in its judgment, circumstances so warrant. With respect to the Insured Bonds, the credit rating assigned by S&P based upon the delivery of the Policy is dependent on the financial strength and claims paying ability of the Insurer, which could change over time (see "BOND INSURANCE" herein). Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. The ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained from S&P.

Verification of Mathematical Accuracy

Grant Thornton LLP (the "Verification Agent"), independent accountants, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them by the Underwriter, relating to the sufficiency of moneys and securities deposited with U.S. Bank National Association to pay, when due, the interest and redemption price of the 2005 Bonds.

The report of the Verification Agent will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter") at a purchase price of $60,789,339.80 (representing the par amount of the Bonds, less underwriter's discount of $158,950.00 and plus net original issue premium of $9,008,289.80).

The purchase contract relating to the Bonds between the Authority and the Underwriter provides that all Bonds will be purchased if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in said purchase contract, including, but not limited to, the approval of certain legal matters by counsel.

Under certain circumstances, the Underwriter may offer and sell the Bonds to certain dealers and others at yields higher than those stated on the page immediately following the cover page hereof. The public offering prices of the Bonds may be changed from time to time by the Underwriter.

Continuing Disclosure

Pursuant to the Continuing Disclosure Certificate, the Authority will agree to provide, or cause to be provided, through the Electronic Municipal Market Access system maintained by the

Municipal Securities Rulemaking Board (or with such other entity as is designated or authorized under Rule 15c2-12 adopted by the Securities and Exchange Commission) certain annual financial information and operating data. The Annual Report to be filed by the Authority will include audited financial statements of the Authority and the Districts, if any are prepared, and additional financial and operating data concerning the Districts as set forth in Section 4 of the Continuing Disclosure Certificate attached hereto as Appendix D.

The Continuing Disclosure Certificate will inure solely to the benefit of any Dissemination Agent, the Underwriter and Owners and the Beneficial Owners from time to time of the Bonds. A default under the Continuing Disclosure Certificate is not a default under the Indenture and the sole remedy following a default is an action to compel specific performance by the Authority with the terms of the Continuing Disclosure Certificate.

During the last five years, the County and certain of its related entities, including the Authority, have failed to comply in certain respects described below with continuing disclosure undertakings related to outstanding bonded indebtedness.

With respect to the County and its related entities, including the Authority, the failure to comply fell into four 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; (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, in some cases by only a day and in other cases by a longer period of time; (iii) failure to file audited financial statements as a part of certain annual reports; and (iv) failure to file annual reports with respect to certain bonds after they were economically (but not legally) defeased.

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 will assist the Authority in preparing the Annual Reports. In order to ensure ongoing compliance by the Authority with its continuing disclosure undertaking, (i) County staff have taken steps to ensure that the filing due date is correctly documented in policies and procedures and a single County staff member has been assigned primary responsibility to monitor compliance; and (ii) the County has contracted with a consultant to assist in filing accurate, complete and timely disclosure reports on behalf of the Authority.

Pending Legislation

The Authority is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the Authority to pay the principal of and interest on the Bonds when due.

Additional Information

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

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 Owners 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

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Indenture governing the terms of the Bonds and the Local Obligation Bond Indenture which each of the Community Facilities Districts will execute, governing the terms of its Local Obligations. This summary includes only the provisions of the documents not already summarized in the Official Statement and does not purport to be complete and is qualified in its entirety by reference to said documents.

SUMMARY OF THE INDENTURE

DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

Definitions. Unless the context otherwise requires, the terms defined below shall for all purposes of the Indenture and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, request or other documents in the Indenture mentioned have the meanings in the Indenture specified.

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as it may be amended after the date of the Indenture from time to time.

"Additional Bonds" means additional bonds issued pursuant to the Indenture and secured on a parity with the Bonds.

Additional Reserve Policy" means a letter of credit, insurance policy, surety bond or other such funding instrument other than the Reserve Surety Bond which is approved by the Bond Insurer and delivered to the Trustee for the purpose of providing a portion of the Reserve Requirement for the Bonds.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year, whether at maturity or from sinking fund payments.

"Authority Administrative Expenses" means the fees and expenses of the Trustee, including legal fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) and the out of pocket expenses incurred by the Trustee and the Authority in carrying out their duties under the Indenture including payment of amounts payable to the United States pursuant to the Indenture.

"Authorized Officer" means the Chair, Vice Chair, Executive Director or Treasurer of the Authority or any other Person authorized by the Authority to perform an act or sign a document on behalf of the Authority for purposes of the Indenture.

"Authority" means the South Orange County Public Financing Authority, a joint exercise of powers agency established pursuant to the laws of the State, whose members as of the date hereof are the County and the Community Facilities District No. 88-2 of the County of Orange, until a successor organization shall have become such, and thereafter "Authority" shall mean such successor organization.

"Beneficial Owners" means the actual purchasers of the Bonds whose ownership interests are recorded on the books of the DTC Participants.

"Bond Counsel" means any attorney at law or firm of attorneys selected by the Authority, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as it may be amended from time to time.

"Bond Register" means the registration books for the Bonds maintained by the Trustee in accordance with the Indenture.

"Bond Year" means each twelve month period extending from August 16 in one calendar year to August 15 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Closing Date of the Bonds to August 15, 2018, both dates inclusive.

"Bonds" means collectively, the South Orange County Public Financing Authority Special Tax Revenue Refunding Bonds (Ladera Ranch) 2018 Series A and any Additional Bonds authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

"Business Day" means a day which is not a Saturday or Sunday or a day of the year on which the New York Stock Exchange or banks in New York, New York or Los Angeles, California, or where the Trust Office is located, are not required or authorized to remain closed.

"Certificate of the Authority" means a certificate in writing signed by the Executive Director or Treasurer of the Authority, or by any other officer of the Authority duly authorized in writing by the Board of Directors of the Authority for that purpose.

"CFD Act" means the Mello-Roos Community Facilities Act of 1982, constituting Chapter 2.5 (commencing with Section 53311), Article 1 of Division 2 of Title 5 of the Government Code of that State of California, as amended from time to time.

"Closing Date" means for each Series the date on which the Bonds of such Series were executed and delivered to the Original Purchaser thereof.

"Code" means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations proposed or in effect with respect thereto.

"Community Facilities District" or "CFD" means any one of the Community Facilities Districts.

"Community Facilities Districts" or "CFDs" means, collectively, CFD No. 99-1, CFD No. 2000-1 and CFD No. 2001-1.

"Community Facilities District No. 99-1" or "CFD No. 99-1" means Community Facilities District No. 99-1 of the County of Orange (Ladera Ranch), a community facilities district formed pursuant to the CFD Act.

"Community Facilities District No. 2000-1" or "CFD No. 2000-1" means Community Facilities District No. 2000-1 of the County of Orange (Ladera Ranch), a community facilities district formed pursuant to the CFD Act.

"Community Facilities District No. 2001-1" or "CFD No. 2001-1" means Community Facilities District No. 2001-1 of the County of Orange (Ladera Ranch), a community facilities district formed pursuant to the CFD Act.

"Continuing Disclosure Certificate" means, with respect to the 2018 Bonds, that Continuing Disclosure Certificate executed and delivered by the Authority in connection with the issuance of the 2018 Bonds, and with respect to a Series of Additional Bonds, any continuing disclosure undertaking executed in connection therewith, each as originally executed and as it may be amended from time to time in accordance with its respective terms.

"Costs of Issuance" means the costs and expenses incurred in connection with the issuance and sale of the Bonds, the Local Obligations, and the acquisition of the Local Obligations by the Authority, including the acceptance and initial annual fees and expenses (including legal fees and expenses) of the Trustee, legal fees and expenses, costs of printing the Bonds and the preliminary and final Official Statements, fees of financial consultants, the underwriter's discount and other fees and expenses set forth in a Request of the Authority.

"Costs of Issuance Fund" means the fund by that name established in the Indenture.

"County" means the County of Orange and any successor thereto.

"Dated Date" means the date on which the Bonds are issued and authenticated by the Trustee.

"Depository" means DTC or another recognized securities depository selected by the Authority which maintains a book-entry system for the Bonds.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"DTC Participants" means securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC.

"Event of Default" means any of the events described in the Indenture.

"Federal Securities" means any of the following: (a) non-callable direct obligations of the United States of America ("Treasuries"), (b) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (c) subject to the prior written consent of the Bond Insurer (so long as the Bond Insurer has not defaulted on any obligation under the Insurance Policy), pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, and (d) subject to the prior written consent of the Bond Insurer (so long as the Bond Insurer has not defaulted on any obligation under the Insurance Policy), securities eligible for "AAA" defeasance under then existing criteria of S&P.

"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.

"Indenture" means the Indenture of Trust dated as of February 1, 2018, by and between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions of the Indenture.

"Independent Accountant" means any accountant or firm of such accountants appointed and paid by the Authority, 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 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.

"Independent Financial Consultant" means any financial consultant or firm of such consultants appointed and paid by the Authority, 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 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 such services providing information with respect to called bonds in accordance with then current guidelines of the Securities and Exchange Commission, such as the Trustee may select in its sole discretion.

"Insurance Policy" means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Bonds when due.

"Insured Bonds" means the Bonds maturing on August 15, 2029 through August 15, 2032, inclusive.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Payment Date" means February 15 and August 15 in each year, beginning August 15, 2018, and continuing thereafter so long as any Bonds remain Outstanding.

"Local Obligations" means collectively, the following:

(a) Community Facilities District No. 99-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds;

(b) Community Facilities District No. 2000-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds; and

(c) Community Facilities District No. 2001-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds.

"Local Obligations Delinquency Revenues" means Revenues received by the Trustee from the Local Obligation Trustee for a Series of the Local Obligations representing the payment of delinquent debt service on such Local Obligations and amounts due under a Local Obligation Indenture to pay for costs due under the Reserve Surety Bond or any Additional Reserve Policy.

"Local Obligation Indentures" means the bond indentures executed in connection with the issuance of the Local Obligations.

"Local Obligation Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, with a principal corporate trust office in Los Angeles, California, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Local Obligations Indentures.

"Maximum Annual Debt Service" means, as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns.

"Nominee" shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Original Purchaser" means, with respect to the 2018 Bonds, Stifel, Nicolaus & Company, Incorporated and with respect to a Series of Additional Bonds, the original purchaser thereof.

"Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed and issued by the Authority and authenticated and delivered by the Trustee under the Indenture except –

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation pursuant to the Indenture;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture or Bonds called for redemption for which funds have been provided as described in the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

"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 Bond Register.

"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) Cash.

(2) United States Treasury bills, notes, bonds or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(3) Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

(4) Eligible commercial paper shall be of "prime quality" and of the highest of ranking or of the highest letter and number rating as provided by a Rating Agency, expect that split ratings (i.e., A2/P1) shall not be allowed. The commercial paper shall not exceed 270 days' maturity and 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 Rating Agency.

(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 overcollateralization, letters of credit or a surety bond, has commercial paper that is rated "A-1" or higher, or the equivalent, by a Rating Agency.

(5) Negotiable certificates of deposit issued by a U.S. national or state-chartered bank, savings bank, saving and loan association, or credit union in the State or state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank. Issuing banks must have a short-term rating of not less than A1/P1 and a long-term rating of not less than a "A" from a Rating Agency, if any.

(6) Investments in repurchase agreements which comply with the requirements of California Government Code Section 53601(j) pursuant to which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Trustee by book entry, physical delivery, or by third party custodial agreement. The terms of a repurchase agreement shall not exceed one year. The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date and maturity.

To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. Repurchase agreements are required to be collateralized by securities or cash authorized under California Government Code Section 53601(j)(2) as described below:

(a) To anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

(b) Collateral will be limited to U.S. Treasury securities listed in paragraph (2) above and U.S. Government Agency securities listed in paragraph (3) above. Collateral will be held by an independent third party with whom the Trustee has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Trustee and retained. The Trustee retains the right to substitute or grant substitutions of collateral.

(7) Bankers acceptances, also known as time drafts (bills of exchange) that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Issuing banks must be rated by each Rating Agency and have a short-term rating of at least A1/P1 and a long-term rating of not less than "A" from a Rating Agency, if any.

(8) Shares of beneficial interest issued by diversified management companies that are mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et. seq.), which only invest in direct obligations in U.S. Treasury bills, notes and bonds, U.S. Government Agency securities and repurchase agreements with a weighted average maturity of 60 days or less. At a minimum, approved mutual funds shall have met either of the following criteria:

(a) Attained the highest ranking or the highest letter or numerical rating provided by each Rating Agency.

(b) Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500,000,000.

(9) Municipal debt instruments issued by a local or state agency, including:

(a) Bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

(b) Registered state warrants or treasury notes or bonds, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state or a department, board, agency or authority of the state.

(c) Bonds, notes, warrants or other evidences of indebtedness of any local agency within a state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the local agency, or by a department, board, agency, or authority of the local agency.

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 a Rating Agency, if any. Municipal debt issued by the County is exempt from this credit requirement.

(10) Medium-term notes consisting of corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools such as money market funds and five years for any longer-term pools such as an extended fund. Medium-terms notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated not less than "A" or its equivalent form each Rating Agency.

(11) The Orange County Investment Pool.

The value of the above investments in (1) through (11) above, which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(1) 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. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation and Merrill Lynch;

(2) as to certificates of deposit and bankers acceptances; the face amount thereof, plus accrued interest;

(3) as to any investment not specified above: the value thereof established by prior agreement between the Authority and the Trustee; and

(4) as to any investment in the Orange County Investment Pool, in the manner required by State law.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Proportionate Share" means, as of the date of calculation for any issue of the Local Obligations, the ratio derived by dividing the outstanding principal amount of such Local Obligations by the principal amount of the Outstanding Bonds.

"Purchase Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Rating Agency" means Moody's and Standard & Poor's, or both, as the context requires.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Rebate Regulations" means the Treasury Regulations issued under Section 148(f) of the Code.

"Record Date" means, with respect to any Interest Payment Date, the first calendar day of the month in which such Interest Payment Date occurs, whether or not such day is a Business Day.

"Request of the Authority" means a written certificate or request executed by an Authorized Officer.

"Representation Letter" means the representation letter dated as of the Closing Date for a Series executed by the Authority and accepted by DTC.

"Reserve Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Reserve Surety Bond" means the Reserve Surety Bond issued by the Bond Insurer guaranteeing certain payments into the Reserve Fund with respect to the 2018 Bonds as provided therein and subject to the limitations set forth therein.

"Reserve Requirement" means an amount equal to the lowest of (i) 10% of the initial principal amount of the Bonds, (ii) Maximum Annual Debt Service on the Outstanding Bonds, or (iii) 125% of Average Annual Debt Service on the Outstanding Bonds. Notwithstanding the foregoing, in no event shall the Reserve Requirement exceed the initial deposit thereto. As applied to individual accounts of the Reserve Fund, the Reserve Requirement shall initially be allocated as set forth in the Indenture.

"Responsible Officer" means any officer of the Trustee assigned to administer the Trustee's duties under the Indenture.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Revenues" means: (a) all amounts received from the Local Obligations; (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than the Administrative Expense Fund, the Rebate Fund and the Surplus Fund); and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than investment income on moneys held in the Administrative Expense Fund, the Rebate Fund and the Surplus Fund).

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232; 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 Certificate of the Authority delivered to the Trustee.

"Series" means each series of Bonds and Additional Bonds issued under the Indenture.

"Series of Local Obligations" means each of the Local Obligations issued pursuant to the Local Obligation Indentures.

"Six Month Period" shall mean the period of time beginning on the Closing Date and ending six months thereafter, and each six month period thereafter until the latest maturity date of the Bonds (and any obligations that refund the Bonds).

"Special Taxes" means the taxes authorized to be levied by the CFDs on parcels within the CFDs, which have been pledged to repay the Local Obligations pursuant to the CFD Act.

"Standard & Poor's" and "S&P" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, its successors and assigns.

"State" means the State of California.

"Supplemental Indenture" means any indenture, agreement or other instrument duly executed by the Authority after the date of the Indenture in accordance with the provisions of the Indenture.

"Surplus Fund" means the fund by that name established pursuant to the Indenture.

"Tax Certificate" means the certificate by that name to be executed by the Authority on the Closing Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

"Trust Office" means the office of the Trustee at which at any particular time its corporate trust business with respect to the Indenture shall be administered, which office at the date of the Indenture is located in Los Angeles, California, or such other place as designated by the Trustee, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency and operations business shall be conducted.

"Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, with a principal corporate trust office in Los Angeles, California, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

"2018 Bonds" means the South Orange County Public Financing Authority Special Tax Revenue Refunding Bonds (Ladera Ranch) 2018 Series A.

"Yield" has the meaning given to such term in the Code.

ISSUANCE OF BONDS

Transfer of Bonds. Subject to the Indenture, any Bond may in accordance with its terms, be transferred, upon the Bond Register, by the person in whose name it is registered, in person or by his duly authorized attorney, upon 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 Series, tenor, maturity and aggregate principal amount. No Bonds selected for redemption shall be subject to transfer pursuant to the Indenture nor shall any Bond be subject to transfer during the fifteen days prior to the selection of Bonds for redemption.

The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the Authority. However, the Owners of the Bonds shall be required to pay any tax or other governmental charge required to be paid for any exchange or registration of transfer and the Owners of the Bonds shall be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the replacement of any mutilated, lost or stolen Bonds.

Exchange of Bonds. Subject to the Indenture, Bonds may be exchanged at the Trust Office of the Trustee for Bonds of the same Series, tenor and maturity and of other authorized denominations. No Bonds selected for redemption shall be subject to exchange pursuant to the Indenture, nor shall any Bond be subject to exchange during the fifteen days prior to the selection of Bonds for redemption. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the Authority.

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 may 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 an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds authenticated and delivered under the Indenture.

Bond Register. 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 be the Bond Register and shall at all times during regular business hours be open to inspection by the Authority upon reasonable 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 and 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 destroyed in accordance with the retention policy of the Trustee then in effect. If any Bond issued under the Indenture is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, at the expense of the Bond Owner, the Authority 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). The Trustee may require payment of a reasonable fee for each new Bond issued under the Indenture and of the expenses which 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 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.

Book-Entry System.

(a) All Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each maturity date of the Bonds. Upon initial issuance, the ownership of each Bond shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. Except as provided in the Indenture, all Outstanding Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the Bond Register in the name of Cede & Co., as nominee of DTC, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Bond Register, as provided in the Indenture, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a certificated Bond evidencing the obligation of the Authority to make payments of principal, premium, if any, and interest pursuant to the Indenture. 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 Cede & Co., and subject to the provisions in the Indenture with respect to record dates, the word "Cede & Co." in the Indenture shall refer to such new nominee of DTC.

(c) The delivery of the Representation Letter shall not in any way limit the provisions of the Indenture or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond Register. The Trustee shall take all action necessary for all representations in the Representation Letter with respect to the Trustee to be complied with at all times.

(d) (i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. (ii) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Authority determines that: (A) DTC is unable to discharge its responsibilities with respect to the Bonds, or (B) a continuation of the requirement that all Outstanding Bonds be registered in the Bond Register in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the beneficial owners of such Bonds. (iii) Upon the termination of the services of DTC with respect to the Bonds, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to the Indenture after which no substitute securities depository willing to undertake the functions of DTC under the Indenture can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the Authority is obligated to deliver Bond certificates, as described in the Indenture and the Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names DTC shall designate to the Trustee in writing, in accordance with the provisions of the Indenture.

(e) Notwithstanding any other provisions of the Indenture to the contrary, as long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal or, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

DEPOSIT AND APPLICATION OF PROCEEDS

Issuance of Bonds. Upon the execution and delivery of the Indenture, the Authority shall execute and deliver the 2018 Bonds in the principal amounts set forth in the Indenture to the Trustee for authentication and delivery to the Original Purchaser thereof upon the Request of the Authority.

Revenue Fund. The Trustee shall establish and maintain a separate fund to be known as the "Revenue Fund" and the following separate accounts in the Indenture: Interest Account and Principal Account. Except as otherwise provided in the Indenture, the Trustee shall deposit all Revenues received after the Closing Date to the Revenue Fund and shall apply amounts in the Revenue Fund as described in the Indenture.

Costs of Issuance Fund. The Trustee shall establish and maintain a fund known as the "Costs of Issuance Fund" into which shall be deposited the amounts set forth in the Indenture. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt by the Trustee of a Request of the Authority. Each such Request of the Authority shall be sufficient evidence to the Trustee of the facts stated in the Indenture and the Trustee shall have no duty to confirm the accuracy of such facts. On the date which is one hundred twenty (120) days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Revenue Fund. Upon such transfer, the Costs of Issuance Fund shall be closed and the Trustee shall no longer be obligated to make payments for Costs of Issuance. The Authority may at any time file a Request of the Authority requesting that the Trustee retain a specified amount in the Costs of Issuance Fund and transfer to the Revenue Fund all remaining amounts, and upon receipt of such request by the Trustee, the Trustee shall comply with such request.

Purchase Fund. The Trustee shall establish and maintain a separate fund to be known as the "Purchase Fund" into which shall be deposited the Local Obligations on the Closing Date; provided, however, that such Local Obligations will be accepted by the Trustee only if the Trustee has received a certificate of the Original Purchaser of the 2018 Bonds or an Independent Financial Consultant stating that the Revenues to be available to the Trustee, assuming timely payment of the Local Obligations, will be sufficient to permit the timely payment of the principal of and interest on all 2018 Bonds.

Reserve Fund. The Trustee shall establish and maintain a separate fund to be known as the "Reserve Fund" and within such fund, accounts to be known as the "CFD No. 99-1 Reserve Account," the "CFD No. 2000-1 Reserve Account," and the "CFD No. 2001-1 Reserve Account," which accounts shall be administered as provided in the Indenture.

Rebate Fund. The Trustee shall establish and maintain a separate fund, when needed, to be known as the "Rebate Fund" and a separate Rebate Account in the Indenture for the Bonds. The Rebate Fund shall be administered as described in the Indenture.

Surplus Fund. The Trustee shall establish and maintain a separate fund, when needed, to be known as the "Surplus Fund" which shall be administered as described in the Indenture.

Administrative Expense Fund. The Trustee shall establish and maintain a separate fund to be held by the Trustee and known as the "Administrative Expense Fund" into which shall be deposited the amounts specified in the Indenture and any amounts transferred to the Trustee by the Community Facilities Districts for the purpose of paying Authority Administrative Expenses which an Authorized Officer directs to be deposited in the Administrative Expense Fund. The moneys in the Administrative Expense Fund shall be used to pay Authority Administrative Expenses or shall be transferred to the Surplus Fund, in either case, upon receipt of a Request of the Authority.

Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Authority or the Community Facilities Districts with respect to the application of the proceeds of the Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

REVENUES; FLOW OF FUNDS

Revenue Fund. Amounts in the Revenue Fund will be applied as set forth in the Official Statement under the caption "SECURITY FOR THE BONDS—Revenues; Flow of Funds."

Surplus Fund. Amounts in the Surplus Fund will be applied as set forth in the Official Statement under the caption "SECURITY FOR THE BONDS—Surplus Fund."

Reserve Fund. Amounts in the Reserve Fund will be applied as set forth in the Official Statement under the caption "SECURITY FOR THE BONDS—Reserve Fund."

As long as the Reserve Surety Bond shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions:

(i) In the event and to the extent that moneys on deposit in the Revenue Fund, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Reserve Surety Bond, are insufficient to pay the amount of principal and interest coming due on the 2018 Bonds, then upon the later of: (1) one (1) Business Day after receipt by the Bond Insurer of a Notice of Nonpayment (as defined in the Reserve Surety Bond), duly executed by the Trustee certifying that payment due under the Indenture has not been made to the Trustee; or (2) the Interest Payment Date, the Bond Insurer will make a deposit of funds in an account with the Trustee or its successor sufficient for the payment to the Trustee of amounts which are then due to the Trustee under the Indenture up to but not in excess of the Policy Limit (as defined in the Reserve Surety Bond); provided, however, that in the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Reserve Surety Bond, includes amounts available under an Additional Reserve Policy, draws on the Reserve Surety Bond and the Additional Reserve Policy shall be made on a pro rata basis to fund the insufficiency.

(ii) The Authority shall repay any draws under the Reserve Surety Bond and pay all related reasonable expenses incurred by the Bond Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Bond Insurer at the Late Payment Rate. For purposes of the Indenture, "Late Payment Rate" means the lesser of: (1) the greater of: (A) the per annum rate of interest, publicly announced from time to time by JP Morgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JP Morgan Chase Bank) plus 3%; and (B) the then applicable highest rate of interest on the Bonds; and (2) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that JP Morgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Bond Insurer shall specify. If the interest provisions of the Indenture shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Indenture, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Indenture, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Bond Insurer, with the same force and effect as if the Authority had specifically designated such extra sums to be so applied and the Bond Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Indenture exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

(iii) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

(iv) Amounts in respect of Policy Costs paid to the Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Bond Insurer on account of principal due, the coverage under the Reserve Surety Bond will be increased by a like amount, subject to the terms of the Reserve Surety Bond. The obligation to pay Policy Costs shall be secured by a valid lien on all Revenues (subject only to the priority of payment provisions set forth under the Indenture).

(v) All cash and investments in the Reserve Fund or an Account therein shall be transferred to the Revenue Fund for payment of the principal of and interest on the 2018 Bonds before any drawing may be made on the Reserve Surety Bond or any Additional Reserve Policy credited to such Account of the Reserve Fund in lieu of cash. Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on the Reserve Surety Bond and any Additional Reserve Policy on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund or an Account therein. Payment of Policy Costs and reimbursement of amounts with respect to any Additional Reserve Policy shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund or an Account therein. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(vi) If the Authority shall fail to pay any Policy Costs in accordance with the requirements of the Indenture, the Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than: (i) acceleration of the maturity of the payments of principal of and interest on the 2018 Bonds; or (ii) remedies which would adversely affect Owners of the 2018 Bonds.

The Trustee shall ascertain the necessity for a claim upon the Reserve Surety Bond in accordance with the provisions of the Indenture and provide notice to the Bond Insurer in accordance with the terms of the Reserve Surety Bond at least five (5) Business Days prior to an Interest Payment Date. Where deposits are required to be made by the Authority with the Trustee to the Revenue Fund for the payment of principal of and interest on the 2018 Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the Bond Insurer of any failure of the Authority to make timely payment in full of such deposits within two Business Days of the date due.

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, as directed pursuant to the Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments. The Trustee shall be entitled to conclusively rely on any such Request of the Authority and shall be fully protected in relying thereon. In the absence of any such Request of the Authority the Trustee shall hold such moneys uninvested. Permitted Investments purchased as an investment of moneys in any fund or account established pursuant to the Indenture 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; provided, however, that all interest or gain derived from the investment of amounts in the accounts of the Reserve Fund shall, to the extent the balance in any account thereof exceeds, on August 15 of each year, its Proportionate Share of the Reserve Requirement as set forth in the Indenture, be withdrawn by the Trustee on such August 15, commencing August 15, 2018, and deposited to the special tax fund of the corresponding Community Facilities District to be applied to the payment of debt service on the applicable Local Obligations on the next Interest Payment Date.

For purposes of acquiring any investments under the Indenture, the Trustee may commingle moneys held by it in any of the funds and accounts held by it under the Indenture. The Trustee and its affiliates may act as advisor, sponsor, principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee and its affiliates may make any and all investments permitted in the Indenture through its own investment department. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture or brokers selected by the Authority. Upon the Authority's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request.

COVENANTS OF THE AUTHORITY

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal and interest and premium (if any) 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 or 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 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 Bond Law, 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 and to enter into the Indenture and to pledge and assign the Revenues, the Local Obligations and other assets purported to be pledged and assigned, respectively, under the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding limited, special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Revenues, the Local Obligations 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 transactions made by it relating to the proceeds of Bonds, the Revenues, the Local Obligations 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 Community Facilities Districts upon reasonable prior notice during regular business hours and under reasonable circumstances, in each case as agreed to by the Trustee.

Not later than 45 days following each Interest Payment Date, the Trustee shall prepare and file with the Authority a report in the Trustee's standard statement format setting forth: (i) amounts withdrawn from and deposited into each fund and account maintained by the Trustee under the Indenture; (ii) the balance on deposit in each fund and account as of the date for which such report is prepared; and (iii) a brief description of all obligations held as investments in each fund and account. Copies of such reports may be mailed to any Owner upon the Owner's written request to the Trustee at the expense of such Owner at a cost not to exceed the Trustee's actual costs of duplication and mailing.

Conditions to Issuance of Additional Obligations. Except as set forth in the Indenture, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of Revenues in whole or in part.

The Authority may issue Additional Bonds in such principal amount as shall be determined by the Authority, pursuant to a Supplemental Indenture adopted or entered into by the Authority but only for the purpose of refunding the Bonds or Additional Bonds. Such Additional Bonds may be issued subject to the following conditions precedent:

(a) The Authority shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures;

(b) The proceeds of such Additional Bonds shall be applied to accomplish a refunding of all or a portion of the Bonds or any Additional Bonds Outstanding.

(c) The Supplemental Indenture providing for the issuance of such Additional Bonds shall provide that interest thereon shall be payable on August 15 and February 15, and principal thereof shall be payable on August 15 in any year in which principal is payable.

(d) Prior to the delivery of any Additional Bonds, a written certificate must be provided to the Authority and the Trustee by an Independent Financial Consultant which certifies that following the issuance of the Series of Additional Bonds, the principal and interest generated from the Local Obligations is adequate to make the timely payment of principal and interest due on the Bonds and the Series of Additional Bonds to be issued under the Indenture.

(e) The Supplemental Indenture providing for the issuance of such Additional Bonds may provide for the establishment of separate funds and accounts.

(f) No Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) shall have occurred and be continuing with respect to the Bonds or any of the Local Obligations unless such Event of Default shall be cured upon the issuance of the Additional Bonds.

(g) The Authority shall deliver to the Trustee a written Certificate of the Authority certifying that the conditions precedent to the issuance of such Additional Bonds set forth in the Indenture have been satisfied and that, upon the issuance of such Additional Bonds an amount equal to the Reserve Requirement, as adjusted (if necessary) to reflect the issuance of such Additional Bonds will be on deposit in the Reserve Fund.

Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Indenture, no such issuance may occur if the Reserve Fund is not fully funded at the Reserve Requirement.

So long as any Insured Bonds remain outstanding or any amounts are owed to the Bond Insurer by the Authority, without the prior written consent of the Bond Insurer, the Authority shall not issue any Additional Bonds that bears interest at other than fixed rates or permits or requires the Owner to tender such indebtedness for purchase prior to the stated maturity thereof.

Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Authority covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Authority will not take or omit to take any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) Arbitrage. The Authority will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The Authority will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The Authority will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(e) Miscellaneous. The Authority will take no action inconsistent with its expectations stated in any Tax Certificate executed with respect to the Bonds and will comply with the covenants and requirements stated in the Indenture and incorporated by reference in the Indenture.

The covenants set forth in the Indenture shall not be applicable to, and nothing contained in the Indenture shall be deemed to prevent the Authority from issuing Bonds the interest on which has been determined by the Board to be subject to federal income taxation.

Local Obligations. Subject to the provisions of the Indenture, the Authority and the Trustee shall use reasonable efforts to collect all amounts due from the Community Facilities Districts pursuant to the Local Obligations and shall enforce, and take all steps, actions and proceedings which the Authority and Trustee determine to be reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations and covenants of the Community Facilities Districts thereunder. The Authority shall instruct the Community Facilities Districts to authenticate and deliver to the Trustee the Local Obligations registered in the name of the Trustee.

The Authority, the Trustee and a Community Facilities District may at any time consent to, amend or modify any of the Local Obligations of such Community Facilities District pursuant to the terms thereof, (a) with the prior consent of the Bond Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, or (b) without the consent of any of the Owners if such amendment or modification is for any one or more of the following purposes; provided, however, that any such amendment or modification which adversely affects the rights and interests of the Bond Insurer shall require the prior written consent of the Bond Insurer:

(a) to add to the covenants and agreements of the Community Facilities Districts contained in such Local Obligations, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power in the Local Obligation Indentures reserved to or conferred upon the Community Facilities Districts; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such Local Obligations, or in any other respect whatsoever as the Community Facilities District 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 in the opinion of Bond Counsel filed with the Trustee; or

(c) to amend any provision thereof to the extent necessary to comply with the Code, but only if and to the extent such amendment will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of the interest on any of the 2018 Bonds, or any Additional Bonds theretofore issued on a tax-exempt basis, under the Code, in the opinion of Bond Counsel filed with the Trustee.

Sale of Local Obligations. Notwithstanding anything in the Indenture to the contrary, the Authority may cause the Trustee to sell, from time to time, all or a portion of a Series of Local Obligations, provided that the Authority shall deliver to the Trustee:

(a) a certificate of an Independent Accountant certifying that, following the sale of such Local Obligations and the Revenues to be paid to the Authority (assuming the timely payment of amounts due thereon with respect to any Local Obligations not then in default), together with interest and principal due on any Federal Securities pledged to the repayment of the Bonds and the Revenues then on deposit in the funds and accounts established under the Indenture (valuing any Permitted Investments held under the Indenture at the then fair market value thereof), will be sufficient to pay the principal of and interest on the Bonds when due;

(b) if any Bonds are then rated by Standard & Poor's a notification from Standard & Poor's to the effect that such rating will not be withdrawn or reduced as a result of such sale of Local Obligations;

(c) an opinion of Bond Counsel that such sale of Local Obligations is authorized under the provisions of the Indenture and will not adversely affect the exclusion of interest on the 2018 Bonds or any Additional Bonds theretofore issued on a tax-exempt basis, from gross income for purposes of federal income taxation; and

(d) to provide for the issuance of an additional Series of Local Obligations subject to and in accordance with the provisions of the applicable Local Obligation Indenture.

Upon compliance with the foregoing conditions by the Authority, the Trustee shall sell such Local Obligations in accordance with the Request of the Authority and disburse the proceeds of the sale of such Local Obligations to the Authority or upon the receipt of a Request of the Authority shall deposit such proceeds in the Revenue Fund.

Continuing Disclosure Certificate. The Authority covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be executed and delivered by the Authority in connection with the issuance of the Bonds. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under the Continuing Disclosure Certificate. For purposes of this paragraph, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories and other intermediaries).

THE TRUSTEE

Appointment of Trustee. U.S. Bank National Association, with a corporate trust office presently located in Los Angeles, California, a national banking association organized and existing under and by virtue of the laws of the United States of America, 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 which is a trust company, association or bank of good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers, with a combined capital and surplus of at least Seventy-Five Million Dollars ($75,000,000), and subject to supervision or examination by federal or state authority, so long as any Bonds are Outstanding. If such bank, association 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 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 to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption prior to maturity, to make regularly scheduled interest payments, and to cancel any Bond upon payment thereof.

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 undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default under the Indenture 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 shall use the same degree of care and skill and diligence in their exercise, as a reasonable person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it under the Indenture by or through attorneys, agents, or receivers, but shall not be responsible for the acts of any agents, attorneys or receivers appointed by it unless such appointment was the result of negligence or willful misconduct. The Trustee may consult with and act upon the advice of counsel (which may be counsel to the Authority) concerning all matters of trust and its duty under the Indenture and shall be wholly protected in reliance upon the advice or opinion of such counsel in respect of any action taken or omitted by it in good faith and in accordance with the Indenture.

(c) The Trustee shall not be responsible for any recital in the Indenture, or in the Tax Certificate or the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the validity, effectiveness or the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured by the Indenture and 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 under the Tax Certificate. The Trustee shall have no responsibility, opinion, or liability with respect to any information, statement, or recital in any offering memorandum, official statement, or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(d) Except as provided in the Indenture, the Trustee shall not be accountable for the use of any proceeds of sale of the Bonds delivered under the Indenture. The Trustee may become the Owner of Bonds secured by the Indenture with the same rights which 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 depository for and permit any of its officers or directors to act as a member of, or in any other 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.

(e) The Trustee shall be protected and shall incur no liability in acting, or refraining from acting in good faith and without negligence, in reliance upon any notice, request, consent, certificate, order, affidavit, letter, telegram, facsimile or other paper or document believed by it to be genuine and correct and to have been signed or sent 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 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 such person's request unless the ownership of such Bond by such person shall be reflected on the Bond Register.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the Authority as sufficient evidence of the facts contained in the Indenture and prior to the occurrence of an Event of Default under the Indenture of which the Trustee has been given notice or is deemed to have notice, as provided in the Indenture, shall also be at liberty to accept a Certificate of the Authority to the effect that any particular dealing, transaction or action is necessary or expedient, and shall be fully protected in relying thereon, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and notwithstanding any other provision of the Indenture, the Trustee shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Indenture except where a Responsible Officer has actual knowledge of such Event of Default and except for the failure by the Authority to make any of the payments to the Trustee required to be made by the Authority pursuant to the Indenture, including payments on the Local Obligations, or failure by the Authority to file with the Trustee any document required by the Indenture to be so filed subsequent to the issuance of the Bonds, unless a Responsible Officer shall be specifically notified in writing of such default by the Authority or by the Owners of at least twenty five percent (25%) in aggregate principal amount of the

Outstanding Bonds and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered to a Responsible Officer 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. Delivery of a notice to the officer and address for the Trustee set forth in the Indenture, as updated by the Trustee from time to time, shall be deemed notice to a Responsible Officer.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records such as may be desired but which is not privileged by statute or by law.

(j) 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 performance of its duties under the Indenture.

(k) 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 by the Trustee in its sole discretion 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.

(l) Before taking any action referred to in the Indenture, the Trustee may require that an indemnity bond satisfactory to it be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(m) 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.

(n) Whether or not expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of the Indenture.

(o) The Trustee shall not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of supplies or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(p) The Trustee agrees to accept and act upon facsimile or electronic transmission of written instructions and/or directions pursuant to the Indenture provided, however, that: (a) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (b) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person. Any such instructions, directions and other communications furnished by electronic transmission shall be in the form of attachments in PDF format.

(q) The Trustee shall not be liable in connection with the performance of its duties under the Indenture except for its own negligence or willful misconduct.

Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement by the Authority for reasonable fees for its services rendered under the Indenture and all advances (including any interest on advances), counsel fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) 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 an Event of Default with respect to a Series, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held in the funds and accounts for such Series under the Indenture for the foregoing fees, charges and expenses incurred by it respectively. The Trustee's right to payment of its fees and expenses shall survive the discharge and payment or defeasance of the Bonds and termination of the Indenture, and the resignation or removal of the Trustee.

Notice to Bond Owners of Default. If an Event of Default under the Indenture 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 promptly give written notice thereof to the Owner of each such Bond unless such Event of Default shall have been cured before the giving of such notice.

Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, 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 twenty-five percent (25%) in aggregate principal amount of such Bonds then Outstanding.

Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds may and the Authority may, so long as no Event of Default then exists, upon 30 days' prior written notice to the Trustee, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee. Upon any such removal, the Authority shall appoint a successor or successors thereto; provided that any such successor shall be a bank, association or trust company meeting the requirements set forth in the Indenture.

Resignation by Trustee. The Trustee and any successor Trustee may at any time give prior written notice of its intention to resign as Trustee under the Indenture, such notice to be given to the Authority, the Community Facilities Districts and the County by registered or certified mail. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be sent to the Bond Owners at their respective addresses set forth on the Bond Register.

Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to the Indenture, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within thirty (30) days following the delivery to the Trustee of the instrument described in the Indenture or within thirty (30) days following the receipt of notice by the Authority, the Community Facilities Districts and the County pursuant to the Indenture, the Trustee may petition any 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 thirty day period.

Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, officials, directors, agents and employees, harmless from and against any loss, expense, including legal fees and expenses, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. In no event shall the Trustee be liable for any consequential, punitive or special damages. 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 unless indemnity reasonably satisfactory to it against such liability or risk is provided 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 a majority (or any lesser amount that may direct the Trustee in accordance with the provisions of the Indenture) of the Owners of the 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. The rights of the Trustee and the obligations of the Authority under the Indenture shall survive termination of the Indenture, discharge of the Bonds and resignation or removal of the Trustee.

MODIFICATION AND AMENDMENT OF THE INDENTURE

Amendment of the Indenture. 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 when the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and the prior written consent of the Bond Insurer 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, interest or redemption premiums at the time and place and at the rate and in the currency provided in the Indenture 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 written consent of the Trustee, modify any of the rights or obligations of the Trustee.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes; provided, however, that any such amendment or modification which adversely affects the rights and interests of the Bond Insurer shall require the prior written consent of the Bond Insurer:

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Authority so long as such addition, 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 of the Indenture relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds, including, but not limited to, amending the procedures set forth in the Indenture with respect to the calculation of rebatable arbitrage; or

(d) to amend or clarify any provision of the Indenture to provide for the issuance of any Additional Bonds on a parity with the Bonds for all purposes of the Indenture, including, but not limited to, for the purpose of exercising all rights and remedies under the Indenture; or

(e) to amend the provisions of the Indenture relating to the application of the Surplus Fund.

The Trustee shall be furnished, at the expense of the Authority, an opinion of Bond Counsel that any such Supplemental Indenture entered into by the Authority and the Trustee complies with the provisions of the Indenture and the Trustee may conclusively rely upon such opinion and shall be fully protected in relying thereon.

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 in the Indenture expressed, by proceedings for redemption, by declaration or otherwise.

(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) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than twenty five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding, provided that such default (other than a default arising from nonpayment of the Trustee's fees and expenses, which must be cured within such 30 day period) shall not constitute an Event of Default under the Indenture if the Authority shall, with the written approval of the Bond Insurer (so long as the Bond Insurer has not defaulted on any obligation under the Insurance Policy), commence to cure such default within said thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Remedies; Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture. Subject to the Indenture, in the event of an Event of Default arising out of a nonpayment of Trustee's fees and expenses, the Trustee may sue the Authority to seek recovery of its fees and expenses, provided, however, that such recovery may be made only from the funds of the Authority and not from Revenues.

If an Event of Default shall have occurred and be continuing and if requested to do so by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds, and, in each case, if 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 Indenture and, as applicable, under the Local Obligations, 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 to 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 to the Bond Owners under the Indenture or now or existing after the date of the Indenture 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 in the Indenture; such right or power may be exercised from time to time as often as may be deemed expedient.

In no event shall the principal of the Bonds be accelerated.

Application of Revenues and Other Funds After Event of Default. All amounts received by the Trustee with respect to the Bonds pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Bonds 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 in declaring such Event of Default and in carrying out the provisions of the Indenture under the heading "Events of Default," including reasonable compensation to its agents, attorneys and counsel (including outside counsel and the allocated costs of internal attorneys), and to the payment of all other outstanding fees and expenses of the Trustee; 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 net effective rate of interest then borne by the Outstanding Bonds; 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.

(a) first to the payment of all installments of interest on the Bonds then due and unpaid,

(b) second, to the payment of all installments of principal of the Bonds then due and unpaid, and

(c) third, to the payment of interest on overdue installments of principal and interest on Bonds.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have 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 a majority in aggregate principal amount of the Bonds then Outstanding, it may, 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 opposing such discontinuance, withdrawal, compromise, settlement or other such litigation and provided further that the Trustee shall have the right to decline to comply with such written request unless indemnification satisfactory to it has been provided. 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 purposes 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 under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

Non Waiver. Nothing in the Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as provided in the Indenture, out of the Revenues and other moneys in the Indenture pledged for such payment.

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; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

Rights and Remedies 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 or upon 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 in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably 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 sixty (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, 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 and premium (if any) 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 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 under the Indenture, 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.

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 or for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants contained in the Indenture (except to the extent any such covenants are expressly payable under the Indenture from the Revenues). The Authority may, however, 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 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 and premium (if any) 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. The principal of and interest on the Bonds and any premiums upon the redemption of any thereof, 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.

Discharge of Indenture. The Authority may 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 and premium (if any) 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 available for such purpose, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as verified by an Independent Accountant in a report (acceptable to the Bond Insurer) filed with the Authority, the Bond Insurer and the Trustee that 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 and available for such purpose, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Any Outstanding Bond or Bonds shall be deemed to have been paid and discharged under (c) above if (i) in the case of Bonds to be redeemed prior to the maturity thereof, notice of such redemption shall have been provided pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the provision of such notice, (ii) the Authority shall have delivered an escrow agreement with respect to the deposits under (c) above (which shall be acceptable in form and substance to the Bond Insurer, so long as the Bond Insurer has not defaulted on any obligation under the Insurance Policy); (iii) an opinion of Bond Counsel shall be delivered to the Trustee and the Bond Insurer to the effect that the requirements of the Indenture have been satisfied with respect to the discharge of such Bond or Bonds; and (iv) the Trustee shall have delivered a certificate of discharge with respect to such Bond or Bonds. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

Upon a discharge of one or more Bonds as described above, and notwithstanding that any of such 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 Bonds, as applicable, and all other pecuniary obligations of the Authority under the Indenture with respect to such Bonds, shall cease and terminate, except only the obligation of the Authority to comply with the covenants contained in the Indenture, to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose, to pay all expenses and costs of the Trustee and to comply with the covenants contained in the Indenture. Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Authority or upon a Request of the Authority to the Community Facilities Districts, as applicable.

The Indenture shall not be discharged until all amounts due or to become due to the Bond Insurer shall have been paid in full in accordance with the Indenture. The Authority's obligation to pay such amounts shall expressly survive payment in full of the payments of principal of and interest on the 2018 Bonds.

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 corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

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 which remain unclaimed for one (1) 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 (1) 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 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 such payment to the Authority, the Trustee shall, at the expense of Authority, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Bond Register, a notice that said moneys remain unclaimed and that, after a date in said notice, which date shall not be less than thirty (30) days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Payment Due on Other than a Business Day. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, is not a Business Day, such payment, with no interest accruing for the period after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in the Indenture.

PROVISIONS RELATING TO BOND INSURANCE

Rights of the Bond Insurer. As long as the Insurance Policy is in full force and effect, the Authority and the Trustee agree to comply with the following provisions, notwithstanding anything in the Indenture to the contrary.

(a) The prior written consent of the Bond Insurer shall be a condition precedent to the deposit of any Additional Reserve Policy, other than the Reserve Surety Bond, provided in lieu of a cash deposit into the Reserve Fund. Amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on Outstanding Bonds, and the Trustee shall draw on the Accounts of the Reserve Fund to pay debt service and exhaust amounts on deposit or otherwise available therein prior to making any claim on the Insurance Policy.

(b) The Bond Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Insured Bonds are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Insured Bond, the Trustee (solely with respect to the Insured Bonds) and each Owner of an Insured Bond appoint the Bond Insurer as their agent and attorney-in-fact and agree that the Bond Insurer may at any time during the continuation of any proceeding by or against the Authority or any Community Facilities

District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee (solely with respect to the Insured Bonds) and each Owner of an Insured Bond delegate and assign to the Bond Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Owner of an Insured Bond in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Owners of Insured Bonds shall expressly include mandamus.

(c) Upon the occurrence of an optional redemption of Insured Bonds in part, the selection of such Insured Bonds to be redeemed shall be subject to the approval of the Bond Insurer. The exercise of any provision of the Indenture which permits the purchase of Insured Bonds in lieu of redemption shall require the prior written approval of the Bond Insurer if any Insured Bond so purchased is not cancelled upon purchase.

(d) The rights granted to the Bond Insurer under the Indenture or under the Local Obligation Indentures to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners of the Insured Bonds and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Owners of the Insured Bonds or any other person is required in addition to the consent of the Bond Insurer.

(e) Each of the Authority and the Trustee, to the extent directed by the Authority, at the expense of the Authority, covenants and agrees to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Revenues under applicable law.

(f) The Bond Insurer is deemed a third party beneficiary to the Indenture.

Payments under the Insurance Policy.

(a) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (each a "Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Bond Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds and the amount required to pay principal of the Insured Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) The Trustee shall designate any portion of payment of principal on Insured Bonds paid by the Bond Insurer, whether by virtue of maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current Owners of the Insured Bonds, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Bond to the Bond Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Bond shall have no effect on the amount of principal or interest payable by the Authority on any Insured Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners of the Insured Bonds referred to in the Indenture as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Owners of the Insured Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners of the Insured Bonds in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under the sections of the Indenture regarding payment of Insured Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Indenture to the contrary, the Authority agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). For purposes of the Indenture, "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the rate of interest on the Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority covenants and agrees that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Revenues and payable from such Revenues on a parity with debt service due on Outstanding Bonds.

(e) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following an Insured Bond Payment Date shall promptly be remitted to the Bond Insurer.

(f) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Authority to the Bond Insurer under the Indenture, the Insured Bonds, the Local Obligations and the Local Obligation Indentures (collectively, the "Transaction Documents") shall survive discharge or termination of such Transaction Documents.

(g) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the Insured Bonds and amounts required to restore the Reserve Fund to the Reserve Requirement.

(h) The Bond Insurer shall be entitled to pay principal or interest on the Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy) whether or not the Bond Insurer has received a notice of Nonpayment or a claim upon the Insurance Policy.

Amounts Paid by Insurer. Amounts paid by the Bond Insurer under the Insurance Policy and the Reserve Surety Bond shall not be deemed paid for purposes of the Indenture and the 2018 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

Reimbursement of Bond Insurer Fees. The Authority shall pay or reimburse the Bond Insurer from Revenues any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Transaction Document; (ii) the pursuit of any remedies under the Indenture or any other Transaction Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Transaction Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Transaction Document or the transactions contemplated thereby, other than costs resulting from the failure of the Bond Insurer to honor its obligations under the Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Transaction Document.

Provision of Information to Bond Insurer. The Bond Insurer shall be provided with the following information by the Authority or the Trustee, as the case may be:

(a) On request by the Bond Insurer, Authority will provide a certificate that the Authority is not aware of any Event of Default under the Indenture and will provide such information, data or reports as the Bond Insurer shall reasonably request from time to time;

(b) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;

(c) Notice of any default known to the Trustee or the Authority within five Business Days after knowledge thereof;

(d) Prior notice of the redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(e) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(f) Notice of the commencement of any Insolvency Proceeding by or against the Authority or a Community Facilities District;

(g) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Insured Bonds;

(h) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Transaction Documents;

(i) All reports, notices and correspondence to be delivered to Bond Owners under the terms of the Transaction Documents; and

(j) All information furnished to 2018 Bond Owners pursuant to the Continuing Disclosure Certificate shall also be provided to the Bond Insurer, simultaneously with the furnishing of such information.

In addition, the Bond Insurer shall have the right to receive such additional information as it may reasonably request.

Discussion of and Access to Information. The Authority shall permit the Bond Insurer to discuss the affairs, finances and accounts of the Authority or any information the Bond Insurer may reasonably request regarding the security for the Insured Bonds with appropriate officers of the Authority and will use commercially reasonable efforts to enable the Bond Insurer to have access to the facilities, books and records of the Authority on any Business Day upon reasonable prior notice.

Notice to Bond Insurer by Trustee. The Trustee shall notify the Bond Insurer of any failure of the Authority or a Community Facilities District to provide notices, certificates and other information under the Transaction Documents of which the Trustee has actual knowledge.

Effect of Insurance Policy. In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Insured Bonds or the rights of the Owners of the Insured Bonds, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

Impairment of Bond Insurer's Rights. No contract shall be entered into or any action taken by which the rights of the Bond Insurer or security for or sources of payment of the Insured Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

Interest Rate Exchange Agreement. So long as any Insured Bonds remain outstanding or any amounts are owed to the Bond Insurer by the Authority, the Authority shall not enter into any swap or any other interest rate exchange agreement, cap, collar, floor, ceiling, or other agreement or instrument involving reciprocal payment obligations between the Authority and a counterparty based on interest rates applied to a notional amount of principal entered into by or on behalf of the Authority and payable from or secured in whole or in part by the Revenues, without the prior written consent of the Bond Insurer.

SUMMARY OF THE LOCAL OBLIGATION INDENTURES

The Local Obligations are being issued pursuant to separate Local Obligation Indentures to be entered into by each Community Facilities District, each substantially in the form summarized below.

DEFINITIONS

Definitions. Unless the context otherwise requires, the following terms shall have the following meanings:

"Account" means any account created pursuant to the Indenture.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 *et seq.* of the California Government Code.

"Additional Reserve Policy" means a letter of credit, insurance policy, surety bond or other such funding instrument other than the Reserve Policy which is approved by the Bond Insurer and delivered to the Authority Trustee for the purpose of providing a portion of any reserve requirement for Authority Bonds.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of the District: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the County or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the County, the District or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, the District or any designee thereof of complying with disclosure requirements of the County, the District or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the County, the District or any designee thereof related to an appeal of any Special Tax levy; the costs associated with the release of funds from an escrow account; and the County's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator (as defined in the Rate and Method of Apportionment) or advanced by the County or the District for any other administrative purposes of the District, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

"Administrative Expense Cap" means $75,000 for Fiscal Year 2018-19, increasing at a rate of 2% per Fiscal Year thereafter.

"Administrative Expense Fund" means the fund by that name created and established pursuant to the Indenture.

"Annual Debt Service" means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

"Authority" means the South Orange County Public Financing Authority.

"Authority Bonds" means any bonds outstanding under the Authority Indenture, which are secured in part by payments made on the Bonds.

"Authority Indenture" means that certain Indenture of Trust, dated as of February 1, 2018, by and between the Authority and the Authority Trustee, pursuant to which the Authority Bonds are issued.

"Authority Trustee" means U.S. Bank National Association or any successor thereto appointed pursuant to the Authority Indenture.

"Authorized Representative of the District" means the Chair of the legislative body of the District, the County Executive Officer of the County, the Public Finance Director of the County or any other person or persons designated by the Chair of the legislative body of the District, the County Executive Officer of the County or the Public Finance Director of the County by a written certificate signed by one of such officers of the County and containing the specimen signature of each such person.

"Bond Counsel" means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

"Bond Insurer" means any municipal bond insurance company providing bond insurance under the Authority Indenture.

"Bond Register" means the books which the Trustee shall keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds shall be recorded.

"Bond Year" means the twelve-month period ending on August 15 of each year; provided, however, that the first Bond Year shall begin on the Delivery Date and end on August 15, 2018.

"Bondowner" or "Owner" means the person or persons in whose name or names any Bond or Parity Bond is registered.

"Bonds" means the 2018 Special Tax Refunding Bonds of the District.

"Business Day" means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located are not required or authorized to remain closed.

"Certificate of an Authorized Representative" means a written certificate or warrant request executed by an Authorized Representative of the District.

"Code" means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

"Costs of Issuance" shall have the meaning set forth in the Authority Indenture.

"Delivery Date" means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

"District" means a Community Facilities District (as defined in the Authority Indenture), established pursuant to the Act and the Resolution of Formation.

"Escrow Agreement" means that Escrow Agreement, dated as of February 1, 2018, between the Authority and the Escrow Bank relating to the defeasance and refunding of the Authority's Special Tax Revenue Bonds 2005 Series A (Ladera Ranch).

"Escrow Bank" means U.S. Bank National Association, acting as escrow agent pursuant to the Escrow Agreement.

"Federal Securities" means any of the following: (a) non-callable direct obligations of the United States of America ("Treasuries"), (b) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (c) subject to the prior written consent of the Bond Insurer (so long as the Bond Insurer has not defaulted on any obligation under the Insurance Policy), pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, and (d) subject to the prior written consent of the Bond Insurer (so long as the Bond Insurer has not defaulted on any obligation under the Insurance Policy), securities eligible for "AAA" defeasance under then existing criteria of S&P.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next following June 30.

"Fund" means any fund created pursuant to the Indenture.

"Gross Taxes" means the amount of all Special Taxes received by the District from the Treasurer-Tax Collector, together with all payments made with respect to tax-defaulted parcels (including all delinquent and redemption penalties, fees and costs) and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, but excluding any payment of Special Taxes on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the District the Special Taxes levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County pursuant to California Revenue and Taxation Code Sections 4701 *et seq*.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom:

(1) is in fact independent and not under the domination of the District or the County;

(2) does not have any substantial interest, direct or indirect, in the District or the County; and

(3) is not connected with the District or the County as a member, officer or employee of the District or the County, but who may be regularly retained to make annual or other reports to the District or the County.

"Indenture" means the Bond Indenture, together with any Supplemental Indenture approved pursuant to the Bond Indenture.

"Insurer Bonds" means (i) with respect to the Community Facilities District No. 99-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds, such bonds maturing on August 15, 2029; with respect to the Community Facilities District No. 2000-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds, such bonds maturing on August 15, 2029 and August 15, 2030; and (iii) with respect to the Community Facilities District No. 2001-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds, such bonds maturing on August 15, 2029 through August 15, 2032, inclusive.

"Interest Payment Date" means each February 15 and August 15, commencing August 15, 2018, and the final maturity date of the Bonds; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date, and in the case of the final Interest Payment Date to and including such date, will be paid on the Business Day next preceding such date.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns.

"Net Taxes" means Gross Taxes minus amounts set aside to pay Administrative Expenses.

"Ordinance" means the Ordinance adopted by the legislative body of the District, providing for the levying of the Special Tax.

"Outstanding" or "Outstanding Bonds and Parity Bonds" means all Bonds and Parity Bonds theretofore issued by the District, except:

(1) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture;

(2) Bonds and Parity Bonds for payment or redemption of which moneys shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(3) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

"Parity Bonds" mean bonds or other securities issued by the District and secured by a lien on the Net Taxes which is on parity with the lien thereon securing the Bonds.

"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 District as a determination that such investment is a legal investment):

1. Cash.

2. United States Treasury bills, notes, bonds or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest.

3. Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

4. Eligible commercial paper shall be of "prime quality" and of the highest of ranking or of the highest letter and number rating as provided by a Rating Agency, expect that split ratings (i.e., A2/P1) shall not be allowed. The commercial paper shall not exceed 270 days' maturity and 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 Rating Agency.

(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 overcollateralization, letters of credit or a surety bond, has commercial paper that is rated "A-1" or higher, or the equivalent, by a Rating Agency.

5. Negotiable certificates of deposit issued by a U.S. national or state-charted bank, savings bank, saving and loan association, or credit union in the State or state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank. Issuing banks must have a short-term rating of not less than A1/P1 and a long-term rating of not less than a "A" from a Rating Agency, if any.

6. Investments in repurchase agreements which comply with the requirements of California Government Code Section 53601(j) pursuant to which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Trustee by book entry, physical delivery, or by third party custodial agreement. The terms of a repurchase agreement shall not exceed one year. The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date and maturity.

To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. Repurchase agreements are required to be collateralized by securities or cash authorized under California Government Code Section 53601(j)(2) as described below:

(a) To anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

(b) Collateral will be limited to U.S. Treasury securities listed in paragraph (2) above and U.S. Government Agency securities listed in paragraph (3) above. Collateral will be held by an independent third party with whom the Trustee has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Trustee and retained. The Trustee retains the right to substitute or grant substitutions of collateral.

7. Bankers acceptances, also known as time drafts (bills of exchange) that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Issuing banks must be rated by each Rating Agency and have a short-term rating of at least A1/P1 and a long-term rating of not less than "A" from a Rating Agency, if any.

8. Shares of beneficial interest issued by diversified management companies that are mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et. seq.), which only invest in direct obligations in U.S. Treasury bills, notes and bonds, U.S. Government Agency securities and repurchase agreements with a weighted average maturity of 60 days or less. At a minimum, approved mutual funds shall have met either of the following criteria:

(a) Attained the highest ranking or the highest letter or numerical rating provided by each Rating Agency.

(b) Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500,000,000

9. Municipal debt instruments issued by a local or state agency, including:

(a) Bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

(b) Registered state warrants or treasury notes or bonds, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state or a department, board, agency or authority of the state.

(c) Bonds, notes, warrants or other evidences of indebtedness of any local agency within a state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the local agency, or by a department, board, agency, or authority of the local agency.

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 a Rating Agency, if any. Municipal debt issued by the County is exempt from this credit requirement.

10. Medium-term notes consisting of corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools such as money market funds and five years for any longer-term pools such as an extended fund. Medium-terms notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated not less than "A" or its equivalent form each Rating Agency.

11. The Orange County Investment Pool.

The value of the above investments in (1) through (11) above, which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

1. 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. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation and Merrill Lynch;

2. as to certificates of deposit and bankers acceptances; the face amount thereof, plus accrued interest;

3. as to any investment not specified above: the value thereof established by prior agreement between the County and the Trustee' and

4. as to any investment in the Orange County Investment Pool, in the manner required by State Law.

The value of an investment in the Orange County Investment Pool shall be computed in the manner required by State law.

"Policy Costs" means repayment of all amounts due under the Reserve Policy and all amounts due with respect to any Additional Reserve Policy resulting from a failure by the District to pay the principal of and interest on the Bonds when due.

"Principal Office of the Trustee" means the principal corporate trust office of the Trustee in Los Angeles, California, provided that for purposes of payment, redemption, exchange, transfer, surrender and cancellation of Bonds and Parity Bonds, such term means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the District and the Owners.

"Prior Bonds" means the bonds of the District to be refunded with a portion of the proceeds of the Bonds.

"Project" means those public facilities described in the Resolution of Formation which have been acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

"Proportionate Share" means, as of the date of calculation, the portion of the Reserve Requirement required under the Authority Indenture to be on deposit in a District's Reserve Account of the Reserve Fund, including any proportionate share of any Policy Costs.

"Rate and Method of Apportionment" means that certain Rate and Method of Apportionment of Special Tax approved pursuant to the Resolution of Formation, as amended in accordance with the Act and the Indenture.

"Rating Agency" means Moody's and Standard & Poor's, or both, as the context requires.

"Record Date" means the first day of the month in which an Interest Payment Date occurs, regardless of whether such day is a Business Day.

"Regulations" means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

"Reserve Account" means the account by that name established pursuant to the Indenture.

"Reserve Fund" means the fund by that name established by the Authority Indenture.

"Reserve Policy" means the Reserve Surety Bond issued by the Bond Insurer on the date of issuance of the Bonds representing the reserve requirement established under the Authority Indenture.

"Reserve Requirement" means zero with respect to the Bonds and with respect to any Parity Bonds the amount established by the District on the Delivery Date of such Parity Bonds.

"Resolution of Formation" means the resolution adopted by the Board of Supervisors of the County pursuant to which the County formed the District.

"Sinking Fund Payment" means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with any annual sinking fund payment schedule to retire any Bonds or Parity Bonds which are designated as Term Bonds.

"Special Tax Fund" means the fund by that name created and established pursuant to the Indenture.

"Special Taxes" means the taxes authorized to be levied by the legislative body of the District on property within the District, in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval at the election held within the District.

"Standard & Poor's" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, its successors and assigns.

"Supplemental Indenture" means any supplemental indenture amending or supplementing the Indenture.

"Surplus Fund" means the fund by that name created and established pursuant to the Indenture.

"Term Bonds" means any term maturities of the Bonds or Parity Bonds.

"Treasurer-Tax Collector" means the Treasurer-Tax Collector of the County, or an authorized delegate thereof.

"Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, at its principal corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank, association or trust company which may at any time be substituted in its place as provided in the Indenture and any successor thereto.

GENERAL AUTHORIZATION AND BOND TERMS

Type and Nature of Bonds and Parity Bonds. Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Net Taxes, no other taxes are pledged to the payment of the Bonds and Parity Bonds. The Bonds and any Parity 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 the Net Taxes and other amounts on deposit in the Special Tax Fund, as more fully described in the Indenture. The District's limited obligation to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds from amounts in the Special Tax Fund is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds or any Parity Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the County or the forfeiture of any of their property. The principal of and interest on the Bonds and any Parity Bonds and premiums upon the redemption thereof, if any, are not a debt of the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds and any Parity Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Taxes and other amounts in the Special Tax Fund which are, under the terms of the Indenture and the Act, set aside for the payment of the Bonds and interest thereon and neither the members of the legislative body of the District or the Board of Supervisors nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Notwithstanding anything to the contrary contained in the Indenture, the District shall not be required to advance any money derived from any source of income other than the Net Taxes for the payment of the interest on or the principal of the Bonds or any Parity Bonds, or for the performance of any covenants contained in the Indenture. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

There is created and established and shall be maintained by the Trustee the following funds and accounts:

(1) The Special Tax Fund (the "Special Tax Fund") (in which there shall be established and created an Interest Account, a Principal Account, a Reserve Account and a Redemption Account);

(2) The Administrative Expense Fund (the "Administrative Expense Fund"); and

(3) The Surplus Fund (the "Surplus Fund").

The amounts on deposit in the foregoing funds and accounts shall be held by the Trustee on behalf of the District and shall be invested and disbursed in accordance with the provisions of the Indenture. The investment earnings thereon shall be disbursed in accordance with the provisions of the Indenture.

Administrative Expense Fund. The Trustee shall not transfer any amounts to the Administrative Expense Fund from the Special Tax Fund in any Bond Year until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account of the District established under the Authority Indenture to the Proportionate Share. Notwithstanding the foregoing, upon receipt of a Certificate of an Authorized Representative of the District, amounts may be transferred from the Special Tax Fund to the Administrative Expense Fund prior to the transfers to the Interest Account, the Principal Account and the Redemption Account pursuant to the Indenture to the extent necessary to collect delinquent Special Taxes. Following the required transfers pursuant to the Indenture of amounts sufficient to pay the interest and principal on all Bonds and Parity Bonds due in a Bond Year and to restore the Reserve Account of the District established under the Authority Indenture to the Proportionate Share an Authorized Representative of the District may direct the Trustee, in writing, to transfer amounts from the Special Tax Fund to the Administrative Expense Fund. Moneys in the Administrative Expense Fund may be held uninvested or be invested in any Permitted Investments. The amounts in the Administrative Expense Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose.

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, at least five Business Days prior to each February 15 and August 15, the Trustee shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account and, with respect to any Bonds or Parity Bonds owned by the Authority, shall transfer such amounts to the Authority Trustee at least five Business Days prior to each February 15 and August 15; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds, any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account, if any, as and to the extent that amounts are available to be transferred in accordance with the Indenture:

(a) To the Interest Account, an amount such that the balance in the Interest Account five Business Days prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous

Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account five Business Days prior to August 15 of each year, commencing August 15, 2018, shall equal the principal payment due on the Bonds and any Parity Bonds maturing on such August 15 and any principal payment due on a previous August 15 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

In the event that the amounts in the Interest Account are inadequate to pay the amounts due, then the amounts in the Interest Account shall be applied to pay a pro rata portion of the interest due on all Bonds and Parity Bonds. In the event that on any date amounts in the Principal Account and amounts in the Redemption Account to be applied to pay Sinking Fund Payments are inadequate to pay the principal on the Bonds and any Parity Bonds when due, then the amounts in the Principal Account and the Redemption Account shall be applied to pay a pro rata portion of the principal due on the Bonds and the Parity Bonds on such date.

Redemption Account of the Special Tax Fund. (a) Commencing on August 15, 2018 and on each August 15 thereafter until all Bonds and Parity Bonds are redeemed, after the deposits have been made to the Interest Account and the Principal Account of the Special Tax Fund as required by the Indenture, the Trustee shall next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account five Business Days prior to each August 15 equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such August 15; and, with respect to any Bonds or Parity Bonds owned by the Authority, shall transfer such amounts to the Authority Trustee at least five Business Days prior to each February 15 and August 15; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account, if funded, pursuant to Section 3.6 below. Moneys so deposited in the Redemption Account shall be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedule set forth in the Indenture, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds.

(b) After making the deposits to the Interest Account and the Principal Account of the Special Tax Fund pursuant to the Indenture and to the Redemption Account for Sinking Fund Payments then due pursuant to subparagraph (a) above, and in accordance with the District's election to call Bonds for optional redemption as set forth in the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account for the District established in the Reserve Fund under the Authority Indenture will equal the Proportionate Share and the amount in the Reserve Account will equal the Reserve Requirement.

(c) Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and Parity Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds and in the case of an optional redemption to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the Indenture. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to any premium schedule established pursuant to the Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date. The purchase of Bonds in lieu of redemption shall require the prior written approval of the Bond Insurer.

Reserve Account. After making the deposits required by the Indenture, the Trustee shall next transfer to the Reserve Account the amount, if any, necessary to (i) pay all Policy Costs with respect to the Reserve Policy then due and payable, (ii) pay all Policy Costs with respect to any Additional Reserve Policy then due and payable, and (iii) cause the amount in the Reserve Account, taking into account the amounts then on deposit in the Reserve Account, to be equal to the Reserve Requirement. Amounts deposited to the Reserve Account to pay any Policy Costs due under the Reserve Policy or under any Additional Reserve Policy held by the Authority Trustee shall be transferred by the Trustee to the Authority Trustee to be applied in accordance with the Authority Indenture, and amounts deposited to the Reserve Account to pay Policy Costs with respect to any other Additional Reserve Policy shall be disbursed by the Trustee to the provider of such Additional Reserve Policy or as otherwise agreed to by such provider. If subsequent to the issuance of the Bonds a Reserve Requirement is established by the District, thereafter there shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement to be applied as follows:

(a) Moneys in the Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on any Parity Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in the Indenture, the Trustee shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund in accordance with the Indenture. If amounts in the Special Tax Fund or otherwise transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District shall include the amount necessary to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

In connection with an optional redemption of Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Parity Bonds in accordance with the Indenture, amounts in the Reserve Account may be applied to such optional redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such optional redemption or partial defeasance equals the Reserve Requirement. To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on an issue of Parity Bonds in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of this paragraph shall be withdrawn from the Reserve Account on the fifth Business Day before each February 15 and August 15 and transferred to the Interest Account of the Special Tax Fund.

Surplus Fund. After making the transfers required by the Indenture to all other Funds and Accounts, as soon as practicable after each August 15, and in any event prior to each September 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account are insufficient therefor, (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement, (iii) to the District's Reserve Account established in the Reserve Fund under the Authority Indenture to restore the such account to the Proportionate Share and to pay Policy Costs, (iv) to the Administrative Expense Fund to pay Administrative Expenses, or (iv) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested at the written direction of the District in Permitted Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Permitted Investments at a yield not in excess of the yield on the issue of Authority Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Investments. Moneys held in any of the Funds and Accounts under the Indenture shall be invested by the Trustee or the District, as applicable, in accordance with the limitations set forth below only in Permitted Investments which shall be deemed at all times to be a part of such Funds and Accounts. Any loss resulting from such Permitted Investments shall be credited or charged to the Fund or Account from which such investment was made, and any investment earnings on amounts deposited in the Special Tax Fund, and each Account therein, and in the Administrative Expense Fund, the Rebate Fund and the Surplus Fund shall be deposited in those respective Funds and Accounts. Moneys in the Funds and Accounts held under the Indenture may be invested by the District or the Trustee as directed in writing by the District, as applicable, from time to time, in Permitted Investments subject to the following restrictions:

(a) Moneys in the Interest Account, the Principal Account, and the Redemption Account of the Special Tax Fund shall be invested only in Permitted Investments which will by their terms mature, or are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds as the same become due.

(b) In the absence of written directions from the District, the Trustee shall invest such moneys solely in such Permitted Investments described in clause (8) of the definition thereof.

The District or the Trustee, as applicable, shall sell, or present for redemption, any Permitted Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to a Fund or Account or from a Fund or Account to which such Permitted Investment is credited. For the purpose of determining at any given time the balance in any Fund or Account, any such investments constituting a part of such Fund or Account shall be valued at the lower of the cost or the market value thereof, exclusive of accrued interest, at least semiannually. In making any valuations under the Indenture, the District or the Trustee, as applicable, may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything to the contrary in the Indenture, the District or the Trustee, as applicable, shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture.

The Trustee or the District, as applicable, may act as principal or agent in the making or disposing of any investment. The Trustee or the District, as applicable, may sell, or present for redemption, any Permitted Investment so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the Fund or Account to which such Permitted Investment is credited, and, subject to the provisions of the Indenture, the Trustee or the District, as applicable, shall not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee or the District, as applicable, may commingle the funds and accounts established under the Indenture, but shall account for each separately.

The District acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee under the Indenture. The Trustee and its affiliates may act as sponsor, advisor, depository, principal or agent in the holding, acquisition or disposition of any investment.

COVENANTS AND WARRANTY

Warranty. The District warrants that it shall preserve and protect the security pledged under the Indenture to the Bonds and any Parity Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds or Parity Bonds issued under the Indenture are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust for the Owners and will instruct the Treasurer-Tax Collector to deposit all Special Taxes in a fund established solely for the purpose of holding Special Taxes of the District immediately upon their apportionment to the District. Except for the amounts held by the Treasurer-Tax Collector in such fund that are retained by the District to pay Administrative Expenses as described below, all amounts in such fund shall be subject to the lien and pledge set forth in the Indenture for the benefit of the Owners of the Bonds and Parity Bonds. From Special Taxes deposited by the Treasurer-Tax Collector in such fund in each Fiscal Year, the District may retain up to an amount equal to the Administrative Expenses Cap for such Fiscal Year for the purpose of paying Administrative Expenses. The District further covenants that it will instruct the Treasurer-Tax Collector to transfer all Net Taxes held in such fund to the Trustee as soon as reasonably practicable following their apportionment to the District and such Net Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with the Indenture to the extent that Net Taxes and other amounts pledged under the Indenture are available therefor, and that the payments into the Funds and Accounts created under the Indenture will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and the Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued thereunder.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien, charge, pledge or encumbrance upon the Net Taxes senior or superior to the Bonds or Parity Bonds or on a parity with the Bonds, other than Parity Bonds. Nothing in the Indenture shall prevent the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds.

(b) Levy of Special Tax. So long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, the legislative body of the District covenants to cause the levy of the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and amounts on deposit in the Revenue Fund under the Authority Indenture on August 16 of each year which have been transferred from the Surplus Fund to the Revenue Fund to the credit of the District and available for such purpose, to pay (1) the principal of and interest on the Bonds and any Parity Bonds when due, (2) the Administrative Expenses, (3) any amounts required to maintain the Reserve Account of the Special Tax Fund at the Reserve Requirement, (4) with respect to the Bonds and any Parity Bonds owned by the Authority, an amount equal to any defaulted principal or interest payments on such Bonds or Parity Bonds remaining unpaid, (5) any amounts required to replenish the District's Reserve Account established in the Reserve Fund under the Authority Indenture and pay all Policy Costs resulting from the delinquency in the payment of scheduled debt service on the Bonds or any Parity Bonds, (6) and any amounts due to the Insurer not included in (1) through (5) above attributable to the District.

(c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of $25,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied, and diligently pursue to completion such foreclosure proceedings; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as both (1) the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement and the amount in the District's Reserve Account established in the Reserve Fund under the Authority Indenture is at least equal to the Proportionate Share, and (2) with respect to the Bonds, or any Parity Bonds purchased by the Authority, the District has not defaulted in the payment of the principal of or interest on the Bonds or any such Parity Bonds. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account at the Reserve Requirement and the District's Reserve Account established in the Reserve Fund under the Authority Indenture at the Proportionate Share or to avoid a default in payment on the Bonds and any Parity Bonds.

The District covenants that it will deposit to the Special Tax Fund any Gross Taxes received in connection with a foreclosure that remain after the payment of Administrative Expenses related to such foreclosure and such Gross Taxes shall be applied in accordance with the Indenture to make current payments of principal and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and the amount in the Reserve Account established for the District under the Authority Indenture up to the Proportionate Share and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds.

(d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund, or which might impair the security of the Bonds or any Parity Bonds then

Outstanding; provided that nothing contained in the Indenture shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection by the Trustee (who shall have no duty or obligation to inspect) or of the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Authority Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or any Parity Bonds or of any other moneys or property which would cause the Authority Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "private activity bonds" within the meaning of Section 141 of the Code;

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or any Parity Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Authority Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or any Parity Bonds or take or omit to take any action that would cause the Authority Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "federally guaranteed" within the meaning of Section 149(b) of the Code;

(4) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Authority Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Authority Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes; and

(5) Other Tax Exempt Issues. The District will not use proceeds of other tax exempt securities to redeem any Bonds or Parity Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Authority Bonds or any Parity Bonds issued on a tax-exempt basis.

(g) Reduction of Maximum Special Taxes. The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The

District determines it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least 110% of the sum of the Administrative Expenses Cap and gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, (iii) no Policy Costs or amounts under the Insurance Policy are due and payable to the Bond Insurer, and (iv) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

Notwithstanding the foregoing, the District may modify, alter or amend the Rate and Method of Apportionment in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on Developed Property below the amounts which will equal at least one hundred ten percent (110%) of the sum of the Administrative Expenses Cap and gross debt service in each Bond Year as of the date of such amendment.

(h) Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the minimum or the maximum Special Tax below the levels specified in the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The District covenants that it will not adopt any policy pursuant to Section 53344.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Further Assurances. The District shall make, execute and deliver any and all such further agreements, 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 and any Parity Bonds of the rights and benefits provided in the Indenture.

(k) Pledged Net Taxes. The District represents it has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Net Taxes that, as of the Delivery Date for the Bonds, ranks on a parity with or prior to the pledge granted under the Indenture. The District, except as may be provided otherwise in the Indenture, shall not hereafter make any pledge or assignment of, lien on, or security interest in the Net Taxes payable senior to or on a parity with the pledge of Net Taxes established under the Indenture.

AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Bondowner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes; provided, however, that any such amendment or modification which adversely affects the rights and interests of the Bond Insurer shall require the prior written consent of the Bond Insurer:

(a) to cure any ambiguity, to correct or supplement any provisions in the Indenture which may be inconsistent with any other provision in the Indenture, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding; or

(e) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described in the Indenture, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District, for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond, or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

Notwithstanding the foregoing, so long as the Insurance Policy is in full force and effect, any amendment, supplement, modification to, or waiver of, the Indenture which requires Bondowner consent shall be subject to the prior written consent of the Bond Insurer.

TRUSTEE

Trustee. U.S. Bank National Association, shall be the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The District may, at any time, appoint a successor Trustee satisfying the requirements of the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture; provided, however, that the Trustee shall be at all times the same entity as the Authority Trustee.

The Trustee is authorized to and shall mail by first class mail, postage prepaid, or wire transfer in accordance with the Indenture, interest payments to the Bondowners, to select Bonds and Parity Bonds for redemption, and to maintain the Bond Register. The Trustee is authorized to pay the principal of and premium, if any, on the Bonds and Parity Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds and Parity Bonds presented to it for such purposes, to provide for the cancellation of Bonds and Parity Bonds all as provided in the Indenture, and to provide for the authentication of Bonds and Parity Bonds, and shall perform all other duties assigned to or imposed on it as provided in the Indenture. The Trustee shall keep accurate records of all funds administered by it and all Bonds and Parity Bonds paid, discharged and cancelled by it.

The Trustee is authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee shall cancel all Bonds and Parity Bonds upon payment thereof in accordance with the provisions of the Indenture.

Removal of Trustee. The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor shall be a bank, association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least $75,000,000, and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Trustee. If any bank, association or trust company appointed as a successor 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 purposes of the Indenture the combined capital and surplus of such bank, association 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. Any removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

Resignation of Trustee. The Trustee may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of itself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

Liability of Trustee. The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds and any Parity Bonds shall be taken as statements, promises, covenants and agreements of the District, and the Trustee assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Indenture, the Bonds or any Parity Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth on the Indenture, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Trustee. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for value. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond, Parity Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered under the Indenture in good faith and in accordance therewith.

The Trustee shall not be bound to recognize any person as the Owner of a Bond or Parity Bond unless and until such Bond or Parity Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be therein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a written certificate of the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee shall have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Indenture, or as to the correctness of any amounts received, but its liability shall be limited to the proper accounting for such funds as it shall actually receive. No provision in the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of its rights or powers.

The Trustee shall not be deemed to have knowledge of any default or event of default until an officer at the Trustee's corporate trust office responsible for the administration of its duties under the Indenture shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its corporate trust office.

The Trustee shall not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists or acts of a government.

The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Owners pursuant to the provisions of the Indenture unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in accordance with corporate trust industry standards.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events shall constitute an "event of default":

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) Default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same shall become due and payable; or

(c) Except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Trustee or the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such thirty (30) day period, and corrective action is instituted by the District, with the written approval of the Bond Insurer (so long as the Bond Insurer has not defaulted on any obligation under the Insurance Policy), within such thirty (30) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default under the Indenture.

The Trustee agrees to give notice to the Owners immediately upon the occurrence of an event of default under (a) or (b) above and within 30 days of the Trustee's knowledge of an event of default under (c) above.

Remedies of Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, including:

(a) By mandamus or other suit or proceeding at law or in equity to enforce its rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) By a suit in equity to require the District 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 so to do by the Owners of at least twenty five percent (25%) in aggregate principal amount Outstanding Bonds and Parity Bonds and is indemnified to its satisfaction, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds and Parity Bonds.

No remedy conferred in the Indenture upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

The Bonds and any Parity Bonds are not subject to acceleration prior to maturity.

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 relating to the Bonds and Parity Bonds shall be applied by the Trustee in the following order upon presentation of the several Bonds and Parity Bonds:

<u>First</u>, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; 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:

(a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing,

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing, and

(c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity 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 or upon 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 and Parity 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 reasonably 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 sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

DEFEASANCE AND PARITY BONDS

Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond shall cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to the Indenture, the Trustee shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond shall be deemed to have been paid within the meaning expressed in the Indenture if such Bond or Parity Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable on and prior to the maturity date or redemption date thereof, as applicable; or

(c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable on and prior to the maturity date or redemption date thereof, as applicable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond shall cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District with respect to compliance with the Code or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election shall be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In the event any of the Bonds or Parity Bonds to be defeased are to be redeemed prior to maturity, the District shall have given irrevocable instructions to the Trustee to give a notice of redemption in accordance with the Indenture or any Supplemental Indenture, as applicable. In connection with a defeasance under (c) above, there shall be provided to the District and the Bond Insurer, a verification report from an independent nationally recognized certified public accountant, stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with the Indenture, as and when the same shall become due and payable, an escrow agreement with respect to the deposits under (c) above (which shall be acceptable in form and substance to the Bond Insurer, so long as the Bond Insurer has not defaulted on any obligation under the Insurance Policy), and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

The Bonds shall be deemed Outstanding under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

Upon a defeasance, the Trustee, upon request of the District, shall release the rights of the Owners of such Bonds and Parity Bonds which have been defeased under the Indenture and any Supplemental Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Indenture of all Outstanding Bonds and Parity Bonds, the Trustee shall pay over or deliver to the District any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds and Parity Bonds when due. The Trustee shall, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be used for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then outstanding. Parity Bonds may be issued subject to the following additional specific conditions, which are conditions precedent to the issuance of any such Parity Bonds:

(c) The District shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(d) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:

(1) The refunding purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including payment of all costs incidental to or connected with such refunding;

(2) The authorized principal amount of such Parity Bonds;

(3) The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on an August 15, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) The denominations and method of numbering of such Parity Bonds;

(6) The amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account established for the District in the Reserve Fund under the Authority Indenture to increase the amount therein to the Proportionate Share or to increase the amount in the Reserve Account to the Reserve Requirement;

(8) The form of such Parity Bonds; and

(9) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(e) The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(1) An executed copy of the Supplemental Indenture pursuant which such Parity Bonds are issued;

(2) A written request of the District as to the delivery of such Parity Bonds;

(3) An opinion of Bond Counsel and/or County Counsel to the effect that (a) the District has the right and power under the Act to execute and deliver the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully executed and delivered by the District,

are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Authority Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds, the Authority Bonds and Parity Bonds theretofore issued;

(4) A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

(5) A certificate from one or more Independent Financial Consultants which, when taken together, certify that (a) if following the issuance of the Parity Bonds any Outstanding Bonds or Parity Bonds will be owned by the Authority under the Authority Indenture, the provisions of the Authority Indenture have been satisfied, or (b) if following the issuance of the Parity Bonds no Outstanding Bonds or Parity Bonds will be owned by the Authority, the amount of the maximum Special Taxes that may be levied by the District on Developed Property (which for purposes of this calculation shall mean property upon which a completed structure is located) pursuant to the Act and the applicable resolutions and ordinances of the District in each remaining Bond Year based on then existing development in the District is at least equal to the sum of the Administrative Expense Cap and the Annual Debt Service for each corresponding Bond Year on all Outstanding Bonds and Parity Bonds theretofore issued and the Parity Bonds proposed to be issued, and, in each Bond Year, the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds. For purposes of making the certifications required by this paragraph (5), the Independent Financial Consultants may rely on reports or certificates of such other persons as may be acceptable to the District, the County, Bond Counsel and the original purchaser of the proposed Parity Bonds; and

(6) Such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

So long as any Bonds remain outstanding or any amounts are owed to the Bond Insurer by the District, without the prior written consent of the Bond Insurer, the District shall not issue any Parity Bonds that permits or requires the Owner to tender such Parity Bonds for purchase prior to the stated maturity thereof without the prior written consent of the Bond Insurer.

MISCELLANEOUS

Insurer Rights. The Bond Insurer shall be deemed to be the sole holder of the Insurer Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Bondowners are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Bond, the Trustee (solely with respect to the Insurer Bonds) and each Owner of an Insurer Bond appoint the Bond Insurer as their agent and attorney-in-fact and agree that the Bond Insurer may at any time during the continuation of any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee (solely with respect to the Insurer Bonds) and each Owner of an Insurer Bond delegate and assign to the Bond Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Owner of an Insurer Bond in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Owners of the Insurer Bonds shall expressly include mandamus. The Bond Insurer is deemed a third party beneficiary to the Indenture.

Reimbursement of Insurer Fees. The District shall pay or reimburse the Bond Insurer from Special Taxes any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security under the Indenture or the Authority Indenture; (ii) the pursuit of any remedies under the Indenture or the Authority Indenture or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or the Authority Indenture whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or the Authority Indenture or the transactions contemplated by the Indenture or the Authority Indenture, other than costs resulting from the failure of the Bond Insurer to honor its obligations under the Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or the Authority Indenture.

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APPENDIX B

RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 99-1 OF THE COUNTY OF ORANGE (LADERA RANCH)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Community Facilities District No. 99-1 of the County of Orange (Ladera Ranch) ("CFD No. 99-1") and collected each Fiscal Year commencing in Fiscal Year 1999-2000, in an amount determined by the Board through the application of the appropriate Special Tax for "Developed Property," "Taxable Property Owner Association Property," "Taxable Public Property," "Religious Property" and "Undeveloped Property" as described below. All of the real property in CFD No. 99-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 99-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the County or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the County, CFD No. 99-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 99-1, any designee thereof, or obligated persons of complying with County, CFD No. 99-1, or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs associated with the release of funds from an escrow account; and the County's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the County or CFD No. 99-1 for any other administrative purposes of CFD No. 99-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's Parcel number.

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"Board" means the Board of Supervisors of the County of Orange, acting as the legislative body of CFD No. 99-1.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 99-1 under the Act.

"CFD Administrator" means the County Executive Officer, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 99-1" means Community Facilities District No. 99-1 of the County of Orange (Ladera Ranch).

"County" means the County of Orange.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property, Taxable Public Property, or Religious Property, for which a building permit for new construction was issued prior to January 1 of the prior Fiscal Year.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes listed in Table 1.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds which remain outstanding.

"Property Owner Association Property" means any property within the boundaries of CFD No. 99-1 that is owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property within CFD No. 99-1. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property in CFD No. 99-1.

"Public Property" means any property within the boundaries of CFD No. 99-1 that is transferred to a public agency on or after the date of formation of CFD No. 99-1 and is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State of California, the County or any other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

"Religious Property" means all property within the boundaries of CFD No. 99-1 which is used primarily as a place of worship and is exempt from *ad valorem* property taxes because it is owned by a religious organization. Religious Property, without limitation, does not include any Assessor's Parcels used primarily for religious schools, day care centers, or congregate care facilities.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property, and Religious Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 99-1 to pay the sum of: (i) debt service on all Outstanding Bonds; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) reasonable Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; and (v) any amounts required for construction of facilities eligible under the Act. In arriving at the Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Special

Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available to reduce the annual Special Tax levy.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 99-1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Property Owner Association Property, Taxable Public Property or Religious Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 99-1 shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, Religious Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below. Residential Property shall be assigned to Land Use Class 1 and Non-Residential Property shall be assigned to Land Use Class 2.

The Assigned Special Tax for Residential Property shall be based on the Residential Floor Area of the dwelling unit(s) located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Acreage of the Assessor's Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class for Fiscal Year 1999-2000 is shown below in Table 1.

TABLE 1

Assigned Special Taxes for Developed Property
For Fiscal Year 1999-2000
Community Facilities District No. 99-1

Land Use Class	Description	Assigned Special Tax
1	Residential Property	$0.6918 per square foot of Residential Floor Area
2	Non-Residential Property	$14,805 per Acre

c. Increase in the Assigned Special Tax

The Assigned Special Taxes in Table 1 shall be applicable for Fiscal Year 1999-2000, and shall increase there after, commencing on July 1, 2000 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Assigned Special Tax for the previous Fiscal Year.

d. Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

e. Backup Special Tax

The Backup Special Tax in CFD No. 99-1 shall equal $14,805 per Acre for Fiscal Year 1999-2000, and shall increase thereafter, commencing on July 1, 2000 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Backup Special Tax for the previous Fiscal Year.

2. Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property and Religious Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property and Religious Property in CFD No. 99-1 shall be $17,598 per Acre for Fiscal Year 1999-2000, and shall increase thereafter, commencing on July 1, 2000 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Special Tax for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 1999-2000 and for each following Fiscal Year, the Board shall levy the Special Tax until the amount of Special Taxes levied equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property, Taxable Public Property or Religious Property at up to the Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property or Religious Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the CFD.

E. EXEMPTIONS

No Special Tax shall be levied on up to 86.02 Acres of Property Owner Association Property and 71.37 Acres of Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

Property Owner Association Property or Public Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the applicable

Maximum Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 99-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by law and by CFD No. 99-1. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

G. TERM OF SPECIAL TAX

The Special Tax shall be levied on each Assessor's Parcel for a period not to exceed forty years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property.

RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 2000-1
OF THE COUNTY OF ORANGE
(LADERA RANCH)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Community Facilities District No. 2000-1 of the County of Orange (Ladera Ranch) ("CFD No. 2000-1") and collected each Fiscal Year commencing in Fiscal Year 2000-2001, in an amount determined by the Board through the application of the appropriate Special Tax for "Developed Property," "Taxable Property Owner Association Property," "Taxable Public Property," "Religious Property" and "Undeveloped Property" as described below. All of the real property in CFD No. 2000-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. <u>DEFINITIONS</u>

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2000-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the County or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the County, CFD No. 2000-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 2000-1 or any designee thereof of complying with disclosure requirements of the County, CFD No. 2000-1 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the County, CFD No. 2000-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the County's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the County or CFD No. 2000-1 for any other administrative purposes of CFD No. 2000-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“Apartment Property” means any Assessor’s Parcel of Residential Property that consists of a building or buildings comprised of attached residential units available for rental, but not purchase, by the general public and under common management.

“Assessor’s Parcel” means a lot or parcel shown in an Assessor’s Parcel Map with an assigned Assessor’s parcel number.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel number.

“Assigned Special Tax” means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C below.

“Backup Special Tax” means the Special Tax applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section C below.

“Board” means the Board of Supervisors of the County of Orange, acting as the legislative body of CFD No. 2000-1.

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2000-1 under the Act.

“CFD Administrator” means the County Executive Officer, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“CFD No. 2000-1” means Community Facilities District No. 2000-1 of the County of Orange (Ladera Ranch).

“County” means the County of Orange.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property, Taxable Public Property or Religious Property, for which a building permit for new construction was issued prior to January 1 of the prior Fiscal Year.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Land Use Class” means any of the classes listed in Table 1.

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor’s Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Indenture.

"Property Owner Association Property" means any property within the boundaries of CFD No. 2000-1 that is owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property within CFD No. 2000-1. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property in CFD No. 2000-1.

"Public Property" means any property within the boundaries of CFD No. 2000-1 that is transferred to a public agency on or after the date of formation of CFD No. 2000-1 and is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State of California, the County or any other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

"Religious Property" means all property within the boundaries of CFD No. 2000-1 which is used primarily as a place of worship and is exempt from *ad valorem* property taxes because it is owned by a religious organization. Religious Property, without limitation, does not include any Assessor's Parcels used primarily for religious schools, day care centers, or congregate care facilities.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Single Family Property" means all Assessor's Parcels of Residential Property for which building permits have been issued for attached or detached residential units, excluding Apartment Property.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property, and Religious Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2000-1 to pay the sum of: (i) debt service on all Outstanding Bonds; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the

Bonds; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Bonds issued or to be issued by CFD No. 2000-1; and (v) any amounts required for construction of facilities eligible under the Act. In arriving at the Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available to reduce the annual Special Tax levy.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2000-1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Property Owner Association Property, Taxable Public Property or Religious Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2000-1 shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, Religious Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below. Residential Property shall be assigned to Land Use Classes 1 and 2 and Non-Residential Property shall be assigned to Land Use Class 3.

The Assigned Special Tax for Residential Property shall be based on whether it is Single Family Property or Apartment Property and on the Residential Floor Area of the dwelling unit(s) located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Acreage of the Assessor's Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class for Fiscal Year 2000-2001 is shown below in Table 1.

TABLE 1

Assigned Special Taxes for Developed Property
For Fiscal Year 2000-2001
Community Facilities District No. 2000-1

Land Use Class	Description	Assigned Special Tax
1	Single Family Property	$0.8019 per square foot of Residential Floor Area
2	Apartment Property	$0.7401 per square foot of Residential Floor Area
3	Non-Residential Property	$12,537 per Acre

c. Increase in the Assigned Special Tax

The Assigned Special Taxes in Table 1 shall be applicable for Fiscal Year 2000-2001, and shall increase there after, commencing on July 1, 2001 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Assigned Special Tax for the previous Fiscal Year.

d. Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

e. Backup Special Tax

The Backup Special Tax in CFD No. 2000-1 shall equal $14,998 per Acre for Fiscal Year 2000-2001, and shall increase thereafter, commencing on July 1, 2001 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Backup Special Tax for the previous Fiscal Year.

2. Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property and Religious Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property and Religious Property in CFD No. 2000-1 shall be $15,613 per Acre for Fiscal Year 2000-2001, and shall increase thereafter, commencing on July 1, 2001 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Special Tax for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2000-2001 and for each following Fiscal Year, the Board shall levy the Special Tax until the amount of Special Taxes levied equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property, Taxable Public Property or Religious Property at up to the Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property or Religious Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2000-1.

E. EXEMPTIONS

No Special Tax shall be levied on up to 104.095 Acres of Property Owner Association Property and 43.0 Acres of Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

Property Owner Association Property or Public Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2000-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by law and by CFD No. 2000-1. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

G. TERM OF SPECIAL TAX

The Special Tax shall be levied on each Assessor's Parcel for a period not to exceed forty years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property.

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE COUNTY OF ORANGE (LADERA RANCH)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Community Facilities District No. 2001-1 of the County of Orange (Ladera Ranch) ("CFD No. 2001-1") and collected each Fiscal Year commencing in Fiscal Year 2001-2002, in an amount determined by the Board through the application of the appropriate Special Tax for "Developed Property," "Taxable Property Owner Association Property," "Taxable Public Property," "Religious Property" and "Undeveloped Property" as described below. All of the real property in CFD No. 2001-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2001-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the County or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the County, CFD No. 2001-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 2001-1 or any designee thereof of complying with disclosure requirements of the County, CFD No. 2001-1 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the County, CFD No. 2001-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the County's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the County or CFD No. 2001-1 for any other administrative purposes of CFD No. 2001-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Apartment Property" means any Assessor's Parcel of Residential Property that consists of a building or buildings comprised of attached residential units available for rental, but not purchase, by the general public and under common management.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's Parcel number.

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"Board" means the Board of Supervisors of the County of Orange, acting as the legislative body of CFD No. 2001-1.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2001-1 under the Act.

"CFD Administrator" means the County Executive Officer, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 2001-1" means Community Facilities District No. 2001-1 of the County of Orange (Ladera Ranch).

"County" means the County of Orange.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property, Taxable Public Property or Religious Property, for which a building permit for new construction was issued prior to January 1 of the prior Fiscal Year.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes listed in Table 1.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Indenture.

"Property Owner Association Property" means any property within the boundaries of CFD No. 2001-1 that is owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property within CFD No. 2001-1. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property in CFD No. 2001-1.

"Public Property" means any property within the boundaries of CFD No. 2001-1 that is transferred to a public agency on or after the date of formation of CFD No. 2001-1 and is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State of California, the County or any other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

"Religious Property" means all property within the boundaries of CFD No. 2001-1 which is used primarily as a place of worship and is exempt from *ad valorem* property taxes because it is owned by a religious organization. Religious Property, without limitation, does not include any Assessor's Parcels used primarily for religious schools, day care centers, or congregate care facilities.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Single Family Property" means all Assessor's Parcels of Residential Property for which building permits have been issued for attached or detached residential units, excluding Apartment Property.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property, Taxable Property Owner Association Property, Taxable Public Property, Religious Property, and Undeveloped Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2001-1 to pay the sum of: (i) debt service on all Outstanding Bonds; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the

Bonds; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Bonds issued or to be issued by CFD No. 2001-1; and (v) any amounts required for construction of facilities eligible under the Act. In arriving at the Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available to reduce the annual Special Tax levy.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2001-1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Property Owner Association Property, Taxable Public Property or Religious Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2001-1 shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, Religious Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below. Residential Property shall be assigned to Land Use Classes 1 and 2 and Non-Residential Property shall be assigned to Land Use Class 3.

The Assigned Special Tax for Residential Property shall be based on whether it is Single Family Property or Apartment Property and on the Residential Floor Area of the dwelling unit(s) located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Acreage of the Assessor's Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class for Fiscal Year 2001-2002 is shown below in Table 1.

TABLE 1

Assigned Special Taxes for Developed Property
For Fiscal Year 2001-2002
Community Facilities District No. 2001-1

Land Use Class	Description	Assigned Special Tax
1	Single Family Property	\$0.7621 per square foot of Residential Floor Area
2	Apartment Property	\$0.7456 per square foot of Residential Floor Area
3	Non-Residential Property	\$12,520 per Acre

c. Increase in the Assigned Special Tax

The Assigned Special Taxes in Table 1 shall be applicable for Fiscal Year 2001-2002, and shall increase there after, commencing on July 1, 2002 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Assigned Special Tax for the previous Fiscal Year.

d. Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

e. Backup Special Tax

The Backup Special Tax in CFD No. 2001-1 shall equal \$22,078 per Acre for Fiscal Year 2001-2002, and shall increase thereafter, commencing on July 1, 2002 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Backup Special Tax for the previous Fiscal Year.

2. Taxable Property Owner Association Property, Taxable Public Property, Religious Property, and Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property, Religious Property, and Undeveloped Property in CFD No. 2001-1 shall be $23,808 per Acre for Fiscal Year 2001-2002, and shall increase thereafter, commencing on July 1, 2002 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Special Tax for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2001-2002 and for each following Fiscal Year, the Board shall levy the Special Tax until the amount of Special Taxes levied equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property, Taxable Public Property or Religious Property at up to the Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property or Religious Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2001-1.

E. EXEMPTIONS

No Special Tax shall be levied on up to 190.8 Acres of Property Owner Association Property and/or Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or

Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

Property Owner Association Property or Public Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2001-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by law and by CFD No. 2001-1. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

G. TERM OF SPECIAL TAX

The Special Tax shall be levied on each Assessor's Parcel for a period not to exceed forty years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property.

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APPENDIX C

FORM OF BOND COUNSEL OPINION

[Closing Date]

South Orange County Public Financing Authority
Santa Ana, California

Re: $51,940,000 South Orange County Public Financing Authority Special Tax Revenue Refunding Bonds (Ladera Ranch) 2018 Series A

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the South Orange County Public Financing Authority (the "Authority") taken in connection with the issuance by the Authority of its Special Tax Revenue Refunding Bonds (Ladera Ranch) 2018 Series A (the "Bonds") and such other information and documents as we consider necessary to render this opinion.

In rendering this opinion, we have relied upon certain representations and certifications of fact made by the Authority, the County of Orange (the "County"), the Community Facilities Districts, the initial purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Marks Roos Local Bond Pooling Act of 1985, as amended (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the "Act") and that certain Indenture of Trust dated February 1, 2018 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as Trustee. The Bonds are dated as of their date of delivery and mature on the dates and in the amounts set forth in the Indenture. Interest on the Bonds is payable on the dates and at the rates per annum set forth in the Indenture. The Bonds are registered Bonds in the forms set forth in the Indenture and are redeemable in the amounts, at the times and in the manner set forth in the Indenture. Capitalized terms not defined herein shall have the meaning set forth in the Indenture.

Based upon our examination of 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 have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other laws affecting creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California.

(2) The Indenture has been duly executed and delivered by the Authority. The Indenture creates a valid pledge of the Revenues and the amounts on deposit in certain funds and accounts established under the Indenture to secure the Bonds, as and to the extent provided in the Indenture. The Indenture is enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other similar laws affecting creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California; provided, however, that we express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the Indenture.

(3) 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 and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

(4) Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

(5) 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 to 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 (as described in paragraph 3 above), and is exempt from State of California personal income tax.

(6) The amount by which a Bond 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 Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond 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 Bond owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinions expressed in paragraphs (3) and (5) above as to the exclusion from gross income for federal income tax purposes of interest and original issue discount on the Bonds is subject to the condition that the Authority, the County and the Community Facilities Districts comply with all requirements of 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, the County and the Community Facilities Districts each has covenanted to comply with all such requirements. Except as set forth in paragraphs (3) through (6) above, we express no opinion as to any tax consequences related to the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate and the Local Obligations Indentures may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the exclusion of interest (and original issue discount) on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Our engagement as Bond Counsel terminates upon the issuance of the Bonds and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur).

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE ("Disclosure Certificate"), dated as of February 1, 2018, is executed and delivered by the SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY (the "Issuer") in connection with the issuance of $51,940,000 aggregate principal amount the South Orange County Public Financing Authority Special Tax Revenue Refunding Bonds (Ladera Ranch), 2018 Series A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2018 (the "Indenture"), by and between U.S. Bank National Association, as trustee (the "Trustee"), and the Issuer. The proceeds of the Bonds will be used to refund the Authority's Special Tax Revenue Bonds 2005 Series A (Ladera Ranch). The Issuer covenants as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) 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), or (b) is treated as the owner of any Bonds for federal income purposes.

"County" means the County of Orange, California.

"Disclosure Representative" shall mean the Executive Director of the Issuer, or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee and the Issuer a written acceptance of such designation.

"Districts" shall mean Community Facilities District No. 99-1 of the County of Orange (Ladera Ranch), Community Facilities District No. 2000-1 of the County of Orange (Ladera Ranch) and Community Facilities District No. 2001-1 of the County of Orange (Ladera Ranch).

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB.

"Listed Events" shall mean any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

"Local Obligations" shall mean the Community Facilities District No. 99-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds, the Community Facilities District No. 2000-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds and the Community Facilities District No. 2001-1 of the County of Orange (Ladera Ranch) Series 2018 Special Tax Refunding Bonds.

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Owners" shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Trustee.

"Repository" shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at *http://emma.msrb.org*.

"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.

"State" shall mean the State of California.

"Underwriter" shall mean any underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or, if the Dissemination Agent is other than the Issuer, upon written direction shall cause the Dissemination Agent to, not later than March 1 after the end of the Issuer's Fiscal Year (June 30) commencing with the report due by March 1, 2018, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 Certificate; provided that the audited financial statements of the Issuer and the Districts, if any exist, may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's or the Districts' fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) In the event that the Dissemination Agent is an entity other than the Issuer, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to the due date for an Annual Report the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with subsection (a). The Issuer 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 Issuer and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is other than the Issuer and if the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA stating that the Annual Report has not been filed.

(d) If the Dissemination Agent is other than the Issuer, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the repository if other than the MSRB through EMMA; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

Section 4. Content of Annual Reports. The Issuer's Annual Report due on March 1, 2018, will consist of the Official Statement and the Issuer's and the Districts' audited financial statements, if any, for Fiscal Year 2016-17. Thereafter, the Issuer's Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the Issuer and the Districts for the prior fiscal year, if any have been prepared and which, if prepared, shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entitles from time to time by the Governmental Accounting Standards Board; provided, however, that the Issuer and the Districts 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 Issuer or the Districts shall modify the basis upon which the financial statements are prepared, the Issuer or the Districts, as applicable, shall provide the information referenced in Section 8 below. If the Issuer or the Districts are preparing audited financial statements and such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following:

(i) the principal amount of the Bonds outstanding as of the August 16 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Indenture and the Reserve Requirement (as defined in the Indenture) as of the August 16 preceding the filing of the Annual Report;

(iii) any changes to the Rates and Methods of Apportionment of the Special Taxes for the Districts approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a description of any parcels for which the Special Taxes have been prepaid in the Fiscal Year for which the Annual Report is being prepared;

(iv) an update of the estimated assessed value-to-lien ratio for the Districts in the aggregate, which may be in the form of Table 7 in the Official Statement, based upon the current fiscal year Special Tax levies, the most recent information available with respect to overlapping debt and the assessed values of property for the current fiscal year;

(v) an update for each District of the largest taxpayers therein based on the most recent Special Tax levy, which may be in the form of Tables 12, 19 and 26 in the Official Statement;

(vi) an update for each District, of the estimated assessed value to lien ratio, based upon the current fiscal year Special Tax levy, the most recent information available with respect to overlapping debt and the assessed values of property for the current fiscal year, which may be in the form of Tables 14, 21 and 28 in the Official Statement;

(vii) an update for each District, for the prior fiscal year, of the Special Tax levy, Special Tax delinquencies and delinquency rates as of the end of the prior fiscal year and as of December 31 preceding the date of the Annual Report, which may be in the form of Table 8 in the Official Statement;

(viii) the status of any foreclosure actions being pursued by the Districts with respect to delinquent Special Taxes;

(ix) a statement as to whether the Teeter Plan remains in effect with regard to the Districts; and

(x) any information not already included under (i) through (ix) above that the Issuer is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

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 Issuer or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through EMMA. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after 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);

6. tender offers;

7. defeasances;

8. ratings changes; and

9. bankruptcy, insolvency, receivership or similar proceedings.

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) Pursuant to the provisions of this Section 5, the Issuer 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 more than ten (10) business days after the event:

1. unless described in paragraph 5(a)(5) above, 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;

2. 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;

3. appointment of a successor or additional trustee or the change of the name of a trustee;

4. nonpayment related defaults;

5. modifications to the rights of Owners of the Bonds;

6. notices of redemption; and

7. release, substitution or sale of property securing repayment of the Bonds.

(c) Upon the occurrence of a Listed Event under Section 5(b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with the Repository in a timely manner not more than 10 business days after the event.

(e) The Issuer, shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3(c).

(f) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and that the Dissemination Agent, if other than the Issuer, shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 7. Dissemination Agent. The Issuer 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 initial Dissemination Agent shall be the Issuer. The Dissemination Agent, if other than the Issuer, shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Issuer. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer 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 related to the provisions of Sections 3(a), 4, or 5, 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 hereunder, 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 either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of

Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment related to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the formed accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, the Trustee at the written direction of the Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate, but only to the extent funds have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorney. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their 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 Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

Issuer:	South Orange County Public Financing Authority 333 West Santa Ana Boulevard Santa Ana, CA 92701 Attention: Executive Director
Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35th Floor San Francisco, CA 94104 Attention: Public Finance Department

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notice or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

This Disclosure Certificate is executed as of the date and year first set forth above.

SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY

By: ____
Disclosure Representative

APPENDIX E

COUNTY OF ORANGE DEMOGRAPHIC AND ECONOMIC INFORMATION

Set forth below is certain demographic and economic information with respect to the County of Orange, California (the "County"). Such information is provided as general information and has been obtained from sources that the County believes to be reliable, but the County makes no representation as to the accuracy or completeness of the information included.

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 3,194,024 as of January 1, 2017, reflecting a 0.7% increase over the prior year.

The following table sets forth the estimated population of the County, the State of California and the United States for the years 2008 to 2017. The County's population increased by 219,703, or approximately 7.4%, over this period.

COUNTY OF ORANGE, STATE OF CALIFORNIA AND THE UNITED STATES POPULATION 2008 THROUGH 2017

Year	*County of Orange*(1)	*State of California*(1)	*United States*(2)
2008	2,974,321	36,704,375	304,093,966
2009	2,990,805	36,966,713	306,771,529
2010	3,010,232	37,253,956	309,348,193
2011	3,035,167	37,536,835	311,644,280
2012	3,069,454	37,881,357	313,993,272
2013	3,102,606	38,238,492	316,234,505
2014	3,127,083	38,572,211	318,622,525
2015	3,152,376	38,915,880	321,039,839
2016	3,172,152	39,189,035	323,405,935
2017	3,194,024	39,523,613	325,719,178

(1) Source: State of California Department of Finance, Demographic Research Unit. E-4 Historical Population Estimates for Cities, Counties, and the State. Reflects population estimates as of January 1, except 2010, which reflects population estimate as of April 1.
(2) Source: U.S. Census Bureau. Reflects population estimates as of July 1, except for 2010, which reflects population estimate as of April 1.

Personal Income

The following table sets forth a summary of the total personal income and per capita personal income for the County, the State of California and the United States for calendar years 2012 through 2016.

COUNTY OF ORANGE AND STATE OF CALIFORNIA
TOTAL PERSONAL INCOME AND PER CAPITA INCOME
2012 THROUGH 2016

Year	***Area***	***Total Personal Income (in Thousands)***	***Per Capita Personal Income***[(1)]
2012	County	169,583,534	54,972
	California	1,838,567,162	48,369
	United States	13,904,485,000	44,282
2013	County	166,369,802	53,451
	California	1,861,956,514	48,570
	United States	14,068,960,000	44,493
2014	County	174,586,467	55,699
	California	1,986,025,976	51,344
	United States	14,811,388,000	46,494
2015	County	188,471,529	59,708
	California	2,133,664,158	54,718
	United States	15,547,661,000	48,451
2016	County	196,920,661	62,071
	California	2,212,691,221	56,374
	United States	15,912,777,000	49,246

(1) Per capita personal income is total personal income divided by Census Bureau midyear population estimates, which differ from the population estimates shown above in the preceding table.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Industry and Employment

The following table sets forth a comparison of labor force, employment and unemployment for the County, the State of California and the United States for the years 2012 through 2016. For the month ending September, 2017, the County's unadjusted unemployment rate was 3.6% (58,200 persons), the State's unadjusted unemployment rate was 4.7% (917,300 persons), and the United States' unadjusted unemployment rate was 4.2% (6,801,000 persons).

COUNTY OF ORANGE, STATE OF CALIFORNIA AND UNITED STATES
ANNUAL AVERAGE LABOR FORCE AND INDUSTRY EMPLOYMENT
2012 THROUGH 2016[(1)]

Year	*Area*	*Civilian Labor Force*	*Employment*	*Unemployment*	*Unemployment Rate*
2012	County	1,562,100	1,439,300	122,900	7.9%
	California	18,523,800	16,602,700	1,921,100	10.4
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	County	1,565,300	1,462,400	102,900	6.6
	California	18,624,300	16,958,700	1,665,600	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4
2014	County	1,572,000	1,485,700	86,200	5.5
	California	18,755,000	17,348,600	1,406,400	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2
2015	County	1,588,700	1,518,000	70,700	4.4
	California	18,893,200	17,723,300	1,169,900	6.2
	United States	157,130,000	148,834,000	8,296,000	5.3
2016	County	1,602,400	1,538,000	64,300	4.0
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	7,751,000	4.9

(1) All data presented as annual averages.
Source: For State and County information, State of California Employment Development Department, California Labor Market Information Division. For the U.S. information, U.S. Department of Labor, Bureau of Labor Statistics.

The following table sets forth the ten largest employers in the County, and their respective annual average number of employees in calendar year 2017. These ten employers collectively account for approximately 7.57% of total County employment.

PRINCIPAL EMPLOYERS
CALENDAR YEAR 2017

Rank	*Employer*	*Number of Employees*
1	Walt Disney Co.	29,000
2	University of California, Irvine	23,605
3	County of Orange	18,264
4	St. Joseph Health System	11,925
5	Allied Universal	8,229
6	Kaiser Permanente	7,694
7	Boeing Co.	6,103
8	Wal-Mart	6,000
9	California State University, Fullerton	5,781
10	Bank of America	5,500
	Total	**122,101**

Source: County of Orange Comprehensive Annual Financial Report For the Year Ended June 30, 2017.

Local Housing Market

The total number of housing units in the County was estimated by the California State Department of Finance to be 1,075,705 as of January 1, 2016. This compares to 969,484 reported in 2000 and 875,105 in 1990. According to CoreLogic the median home price in the County was $640,000 as compared to the $460,000 for the six Southern California Counties combined. Assessed valuation within the County increased by approximately 35% between 2008 and 2017.

Education

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.

APPENDIX F

DTC AND THE 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.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities 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 District or the Trustee, 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, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, 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.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

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SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY • SPECIAL TAX REVENUE REFUNDING BONDS (LADERA RANCH), 2018 SERIES A

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