MSRB
Municipal Securities Rulemaking Board

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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

CFD 2017-1_FINAL.pdf posted 02/22/2018

The following issuers are associated with this continuing disclosure submission:

CUSIP-6	State	Issuer Name
68423P	CA	ORANGE CNTY CALIF CMNTY FACS DIST SPL TAX

The following 22 securities have been published with this continuing disclosure submission:

CUSIP-9	Maturity Date
68423PXE5	08/15/2019
68423PXF2	08/15/2020
68423PXG0	08/15/2021
68423PXH8	08/15/2022
68423PXJ4	08/15/2023
68423PXK1	08/15/2024
68423PXL9	08/15/2025
68423PXM7	08/15/2026
68423PXN5	08/15/2027
68423PXP0	08/15/2028
68423PXQ8	08/15/2029
68423PXR6	08/15/2030
68423PXS4	08/15/2031
68423PXT2	08/15/2032
68423PXU9	08/15/2033
68423PXV7	08/15/2034
68423PXW5	08/15/2035
68423PXX3	08/15/2036
68423PXY1	08/15/2037
68423PXZ8	08/15/2038
68423PYA2	08/15/2042
68423PYB0	08/15/2047

Issuer's Contact Information

Company:
Name: Susana Ortiz
Address: 333 W. Santa Ana Blvd., 3rd Floor
City, State Zip: Santa Ana, CA 92701
Phone Number: 714-834-3662
Email: Susana.Ortiz@ocgov.com

Obligor's Contact Information

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COMMUNITY FACILITIES DISTRICT NO. 2017-1
OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)
(IMPROVEMENT AREA NO. 1)
SERIES A OF 2018 SPECIAL TAX BONDS
ANNUAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2017

Dated February 22, 2018

Series A of 2018 CUSIP Numbers

68423PXE5	68423PXK1	68423PXQ8	68423PXV7	68423PYA2
68423PXF2	68423PXL9	68423PXR6	68423PXW5	68423PYB0
68423PXG0	68423PXM7	68423PXS4	68423PXX3	
68423PXH8	68423PXN5	68423PXT2	68423PXY1	
68423PXJ4	68423PXP0	68423PXU9	68423PXZ8	

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

Community Facilities District No. 2017-1
of the County of Orange (Village of Esencia)
(Improvement Area No. 1)
Series A of 2018 Special Tax Bonds
Annual Report
For Fiscal Year Ended June 30, 2017

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EXHIBITS

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Exhibit B – Official Statement

INTRODUCTION

The Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (the "Issuer" or "District") hereby provides its annual report (the "Annual Report") for the fiscal year ended June 30, 2017 in connection with the following Bonds:

Bond Issue:

1. Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (Improvement Area No. 1) Series A of 2018 Special Tax Bonds

Annual Report:

The Issuer'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 Issuer 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 Issuer'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 Issuer.

While the financial statements of the County (which includes the District) 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 District 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 February 21, 2018 (Submission ID: ES855070) and are included herein as Exhibit A.

   While the financial statements of the County (which includes the District) 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 District 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 the Series A of 2018 Special Tax Bonds

   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 District undertake no responsibility to oppose any revision or withdrawal of such information contained in this Annual Report.

To the extent the County or the District provides information in this Annual Report, the County and the District 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 District 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 District 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 District.

No statement contained in this Annual Report should be construed as a prediction or representation about future financial performance of the County and the District. 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 District to be reliable but has not been independently verified by the County and the District and is not guaranteed as to accuracy by the County and the District.

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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ORANGE COUNTY AUDITOR-CONTROLLER
CALIFORNIA


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.

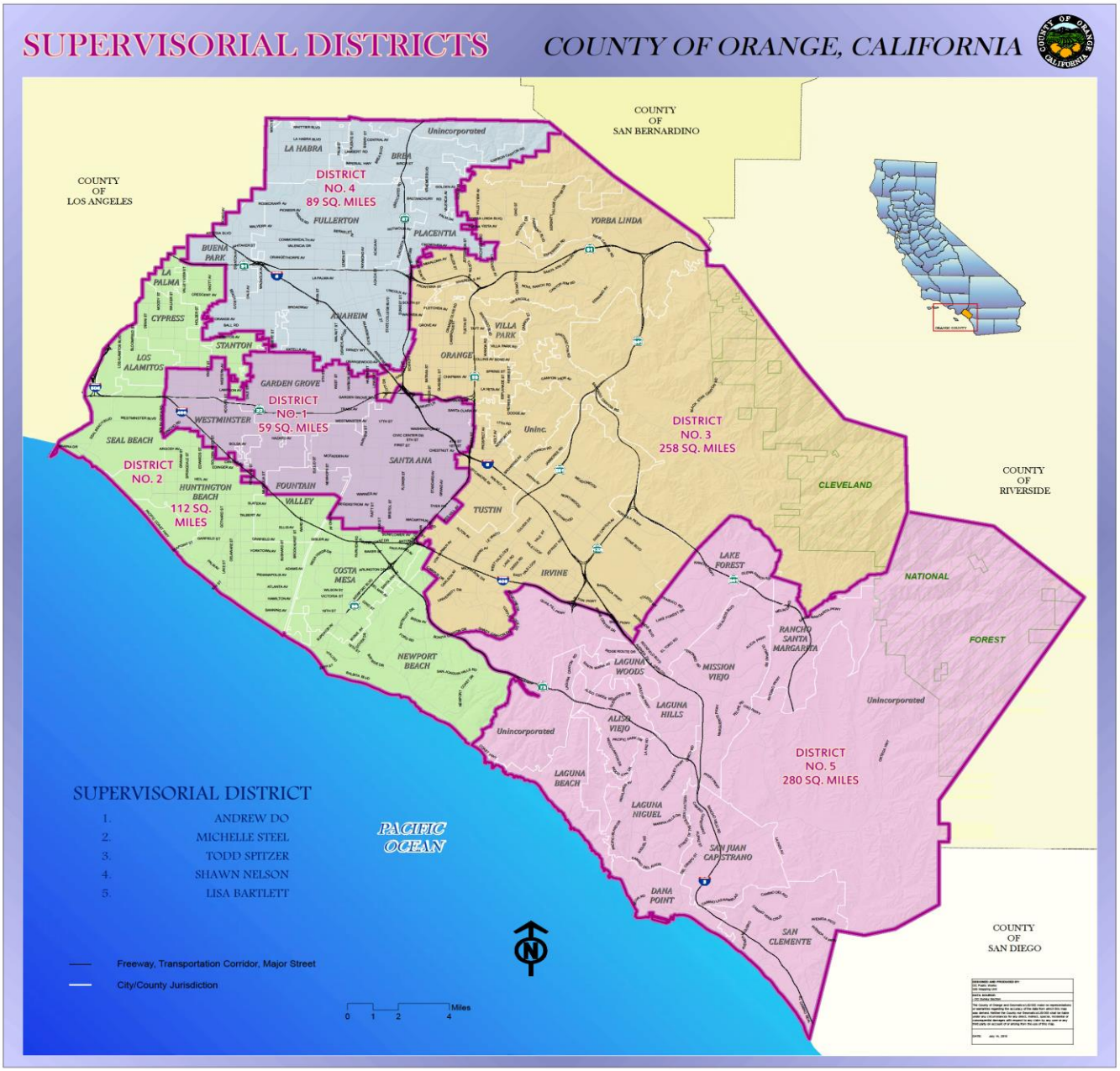
PROFILE OF THE GOVERNMENT

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.

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

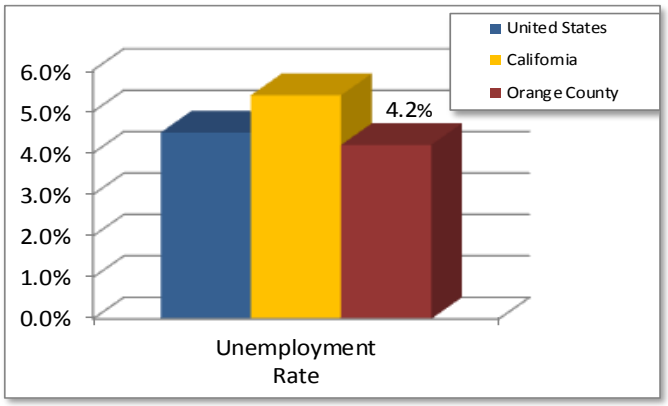


Table 2: 2017 – Projected Increase of the CPI

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

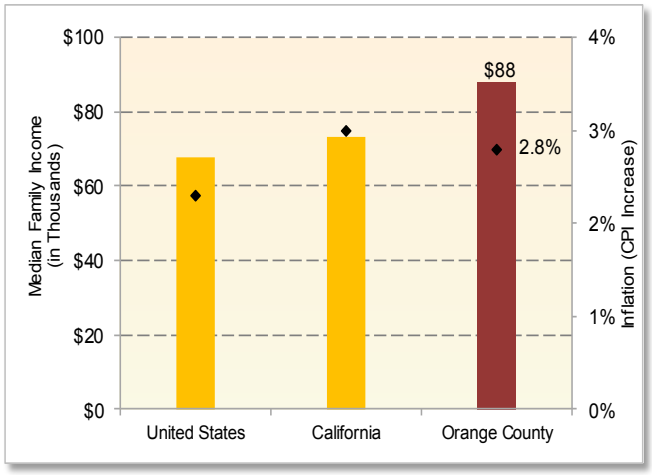
According to the Department of Housing and Urban Development, Orange County's median family income is expected to be $88,000 (absolute dollars) in 2017, compared to $85,000 (absolute dollars) in 2016. Median family incomes in Orange County continue to exceed all surrounding Southern California counties,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

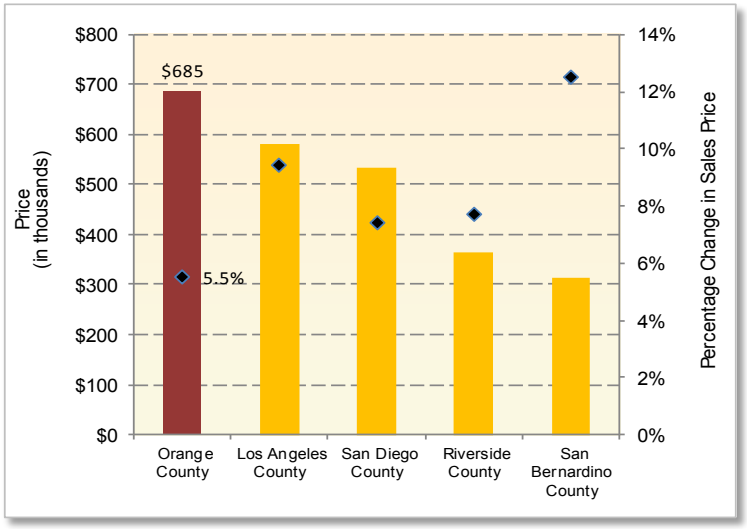
According to CoreLogic Information Systems, the median home sales price for new and existing homes in Orange County was $685,000 (absolute dollars) in August 2017, representing a 5.5% increase relative to August 2016. The median sales price in Orange County continues to exceed all surrounding counties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

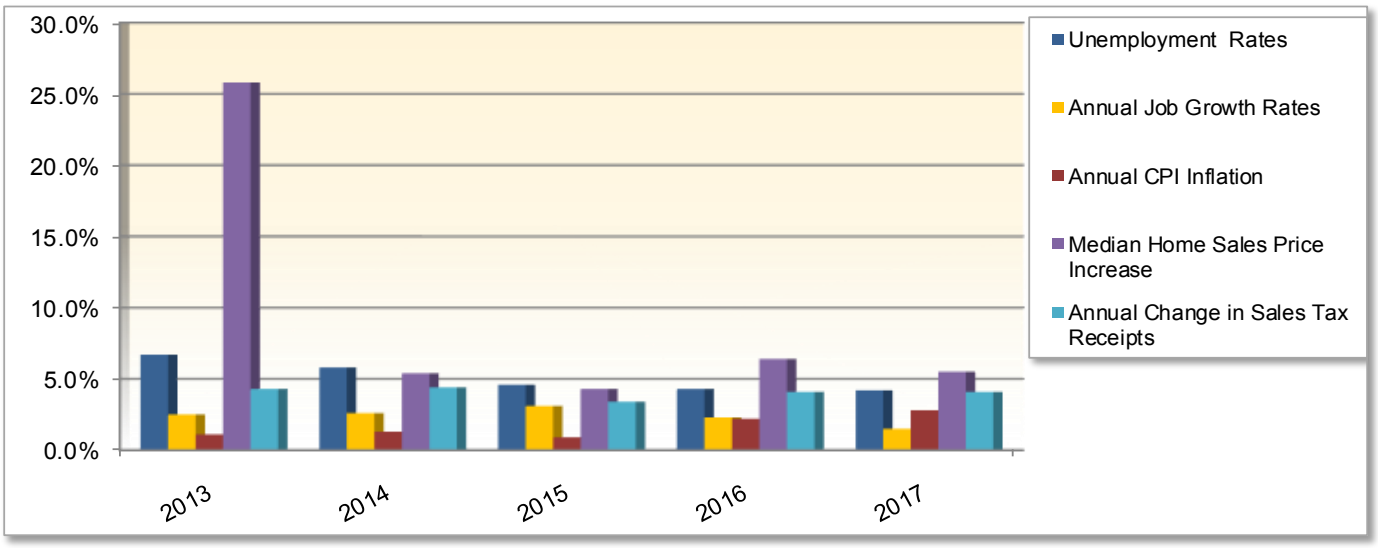
Table 5 shows various internal indicators reflecting steady growth of Orange County's economy. The unemployment rate decreased to 4.2% for the month of August 2017 relative to 4.3% for the month of August 2016. Job growth is expected to decrease to 1.5% in 2017. Median home prices increased by 5.5% in 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:

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, CPA
Auditor-Controller

Michelle Aguirre
Chief Financial Officer



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Orange

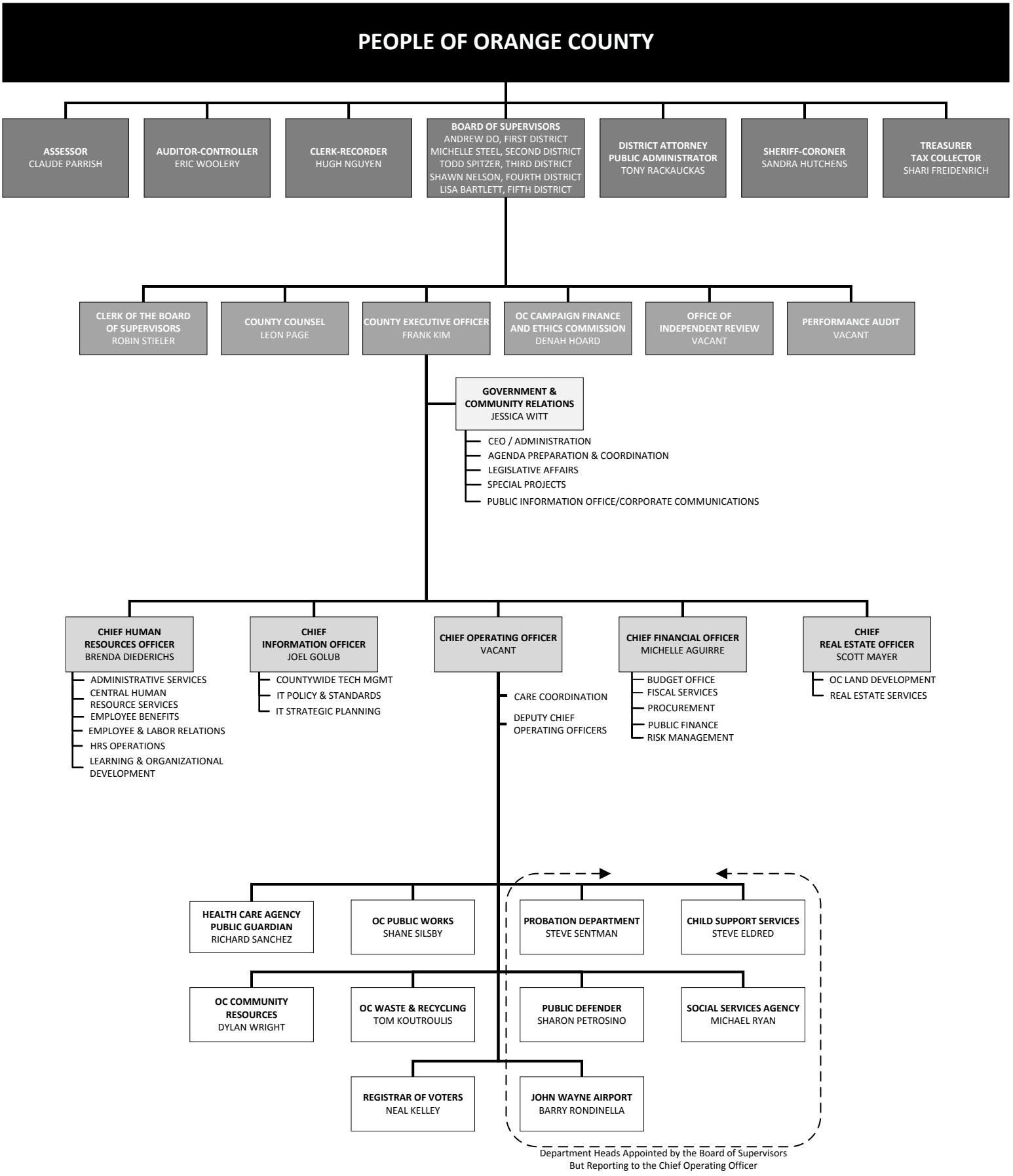
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

County of Orange Organizational Chart




ORANGE COUNTY AUDITOR-CONTROLLER
CALIFORNIA


OC AUDITOR-CONTROLLER
TAXPAYER WATCHDOG


ORANGE COUNTY AUDITOR-CONTROLLER
CALIFORNIA

Certified Public Accountants

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

<table>
<tr><th colspan="4">Basic Financial Statements</th></tr>
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<tr><th>Governmental Funds</th><th>Proprietary Funds</th><th>Fiduciary Funds</th></tr>
<tr><td rowspan="2">Statement of Net Position</td><td>Balance Sheet</td><td>Statement of Net Position</td><td rowspan="2">Statement of Fiduciary Net Position</td></tr>
<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>
<tr><td>Budgetary Comparison Statements</td><td>Statement of Cash Flows</td></tr>
<tr><td colspan="4">Notes to the Basic Financial Statements</td></tr>
</table>

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.

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

COMPONENTS OF NET POSITION

- Net Investment in Capital Assets
- Restricted
- Unrestricted

themselves cannot be used to liquidate the associated debt, the resources needed to repay the debt must be provided from other sources.

The County's **restricted** net position 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.

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:

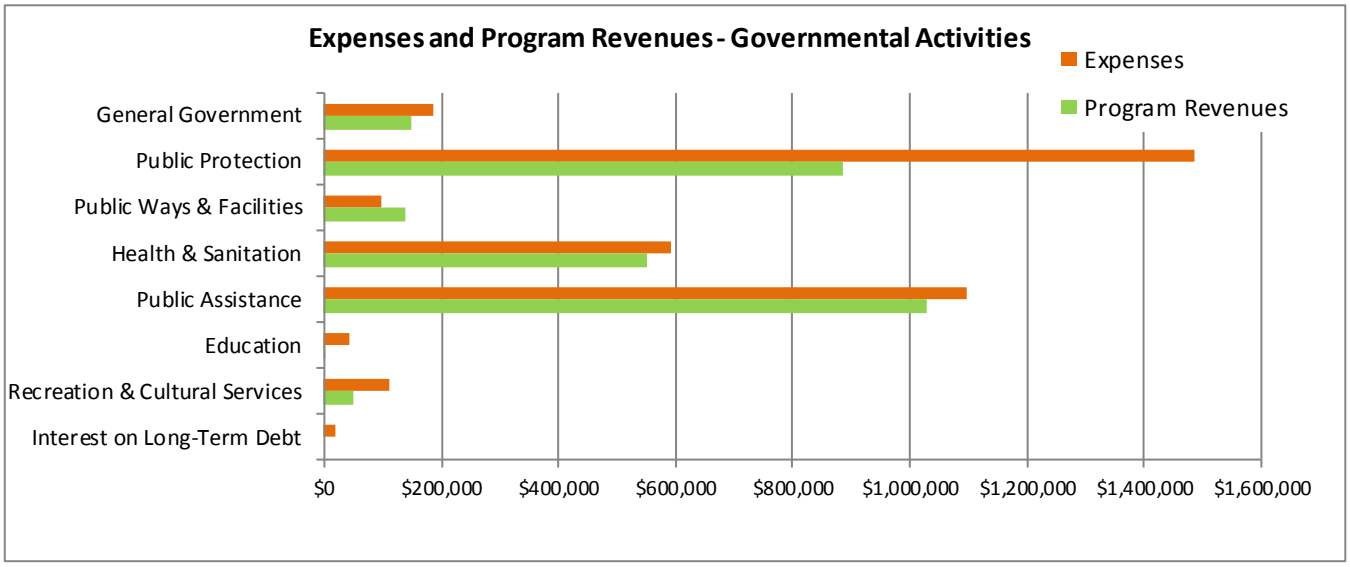
Revenues

- 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.

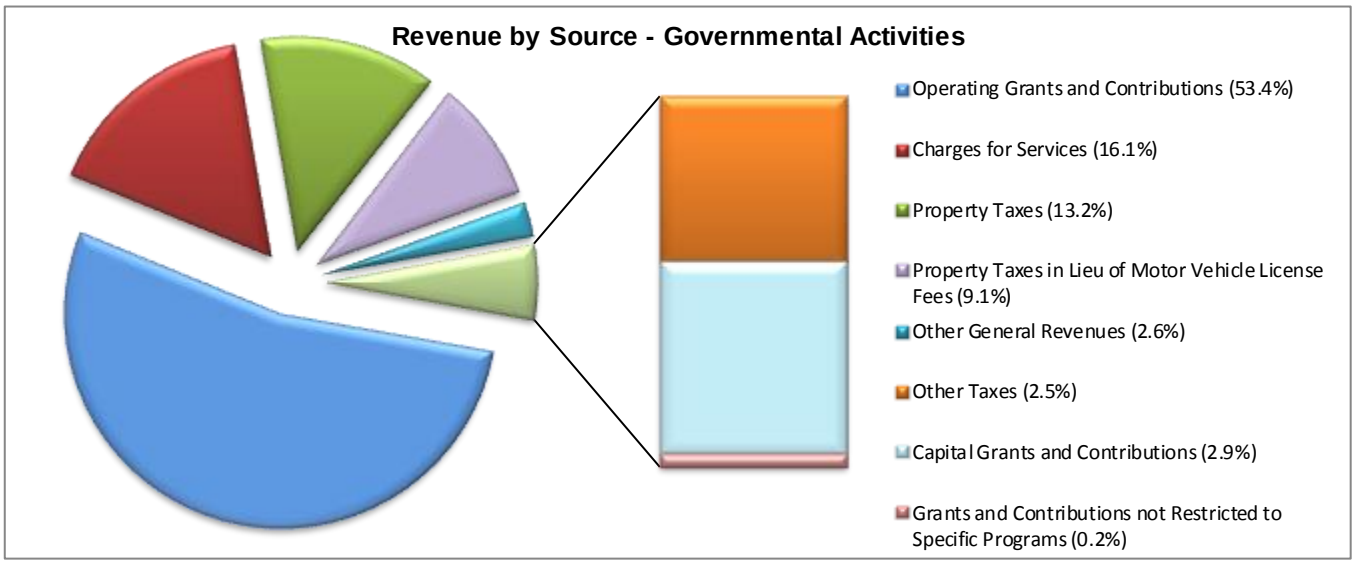
Expenses

- 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:

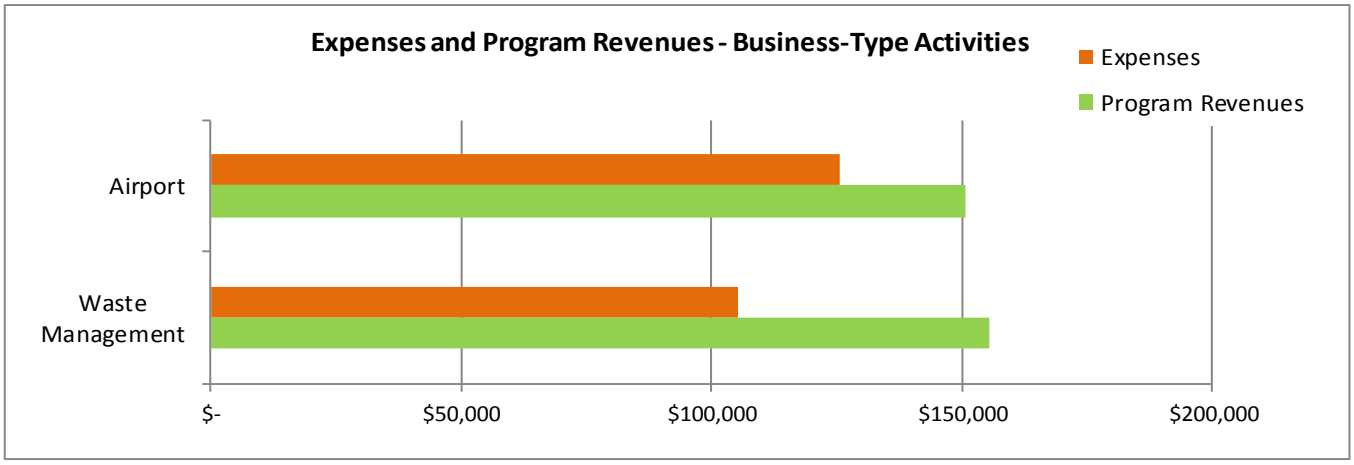


The chart below presents the percentage of total revenues by source for governmental activities:



Business-Type Activities

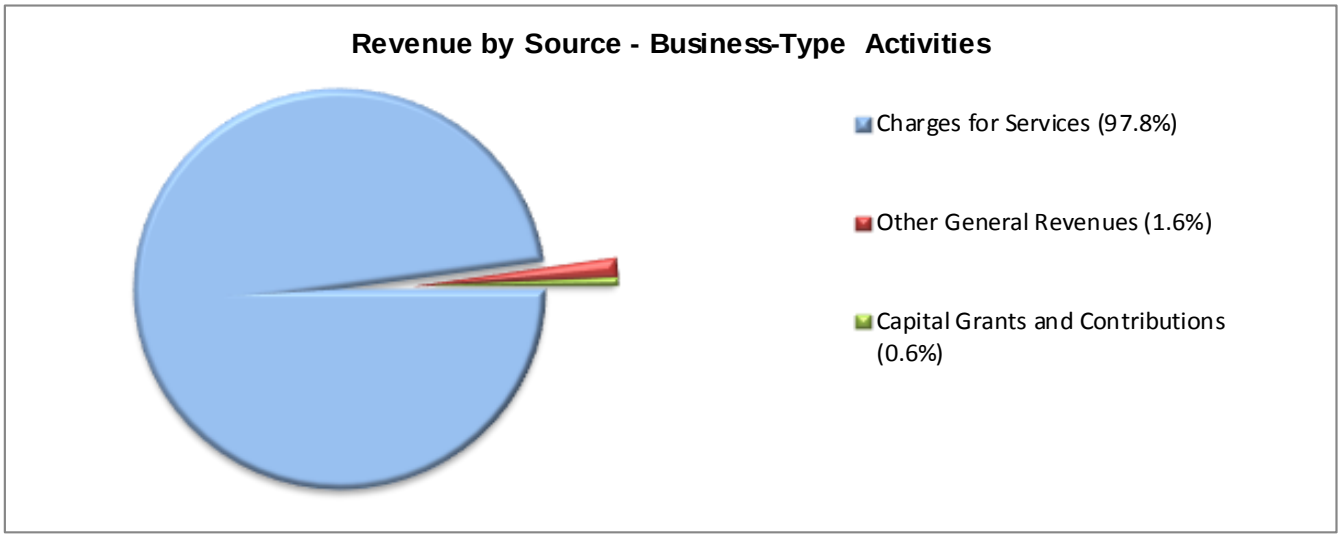
The County has three business-type activities: Airport, Waste Management, and CNG. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported charges for services as their largest source of revenues.



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):



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.

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%.

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.

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

	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.

	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

Functions/Programs	Expenses: Direct Expenses	Expenses: Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: 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.

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	

	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.

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

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

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

	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.

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

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)

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

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

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.

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	

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.

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	

	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.

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
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	

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

	Business-Type Activities - Enterprise Funds				
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
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

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	$ 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

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

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
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.

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.

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.

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:

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

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

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

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.

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

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

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.

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.

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.

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%**

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

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**			

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

		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)
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.

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).

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

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

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

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.

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."

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

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.

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.

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.

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.

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.

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

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

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.

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.

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.

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.

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

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.

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.

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

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

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

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.

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

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%

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.

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

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

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)

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.

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.

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	

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.

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.

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.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

		Special Revenue		
	Total Nonmajor Governmental Funds	Parking Facilities	Service Areas, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
ASSETS				
Pooled Cash/Investments	$ 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

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

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

Special Revenue			Debt Service		
Roads	Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	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

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

Capital Projects			Permanent	
Criminal Justice Facilities	Countywide Capital Projects Non-General Fund	Capital Facilities Development Corporation Construction	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

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

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

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

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

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

Capital Projects			Permanent	
Criminal Justice Facilities	Countywide Capital Projects Non-General Fund	Capital Facilities Development Corporation Construction	Regional Park Endowment	
				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

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.

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	

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.

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	
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	
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	

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.

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.

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.

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)

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 Pensior
--	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

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)

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

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

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

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.

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)

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)

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

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

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

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

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

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

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.

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Revenue Capacity
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Debt Capacity
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Economic and Demographic Information
These schedules offer economic and demographic indicators to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs. 215

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs. 217

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

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

	Fiscal Year				
	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.

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

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.

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
					Legally Segregated for Grants
1,077,117	1,133,256	1,069,801	1,047,284	990,198	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

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.

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	

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.

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

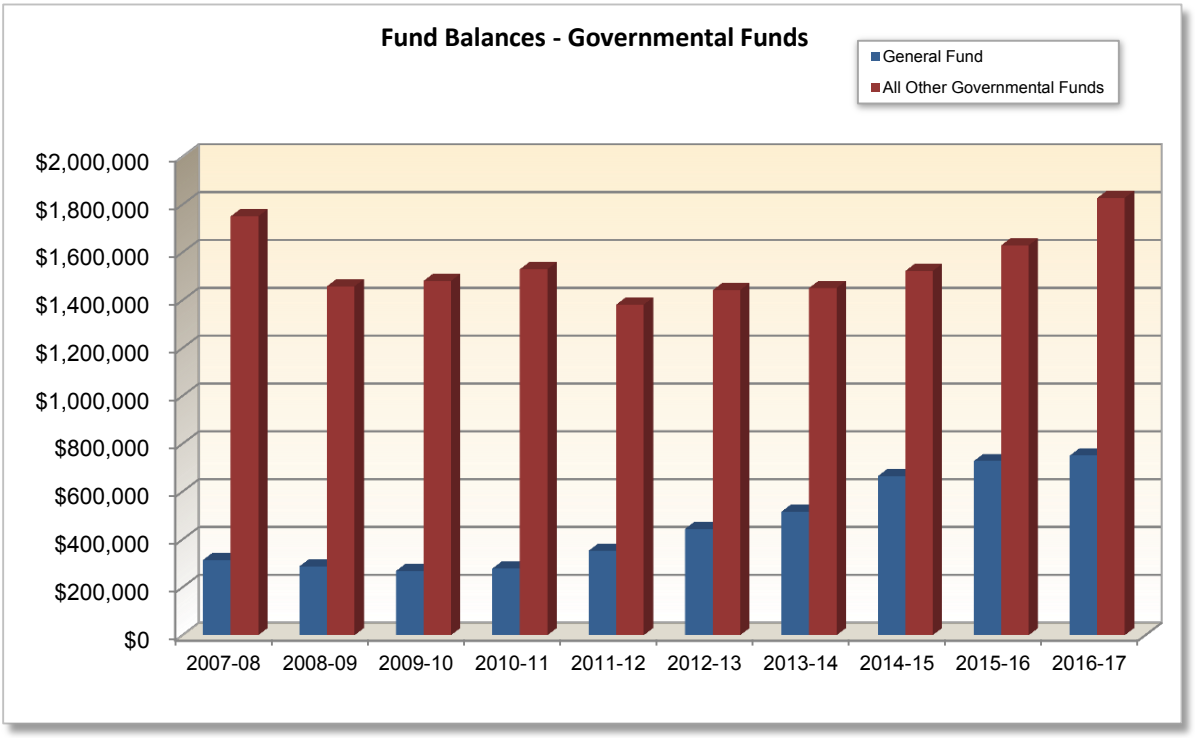
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	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.

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**



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.

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:

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

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

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

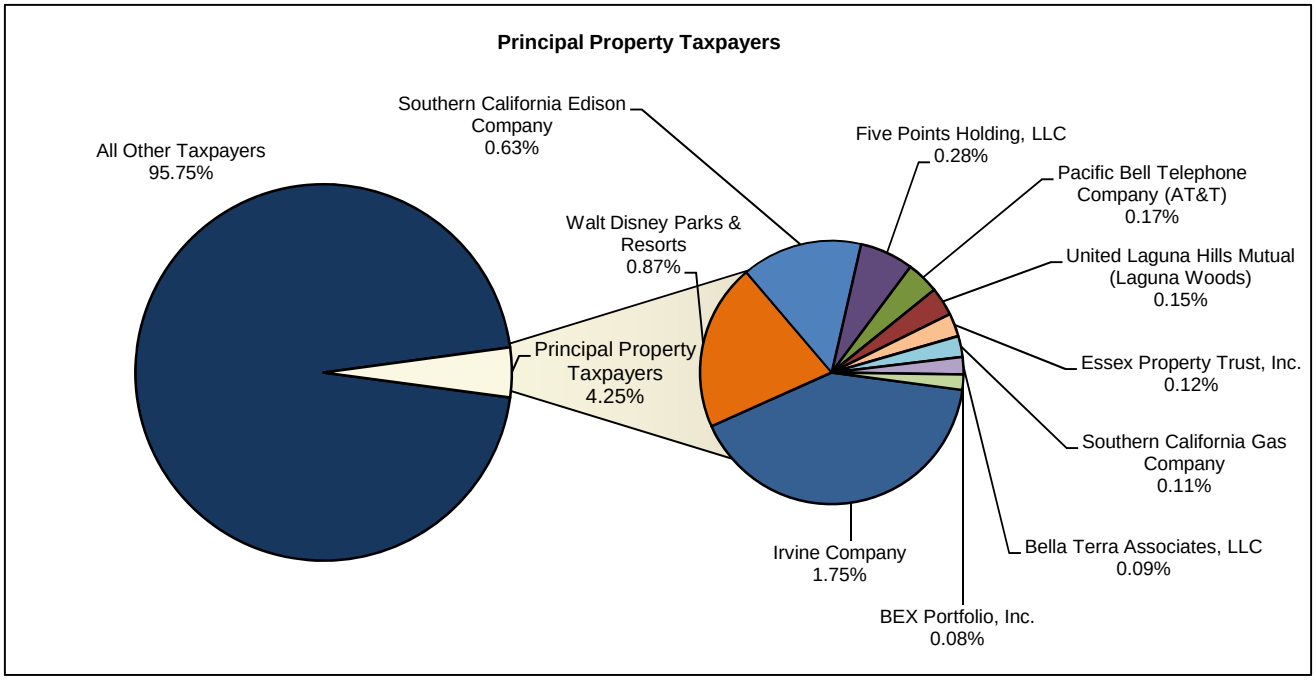
Notes:
(1) Article XIIIA, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 percent, 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

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%

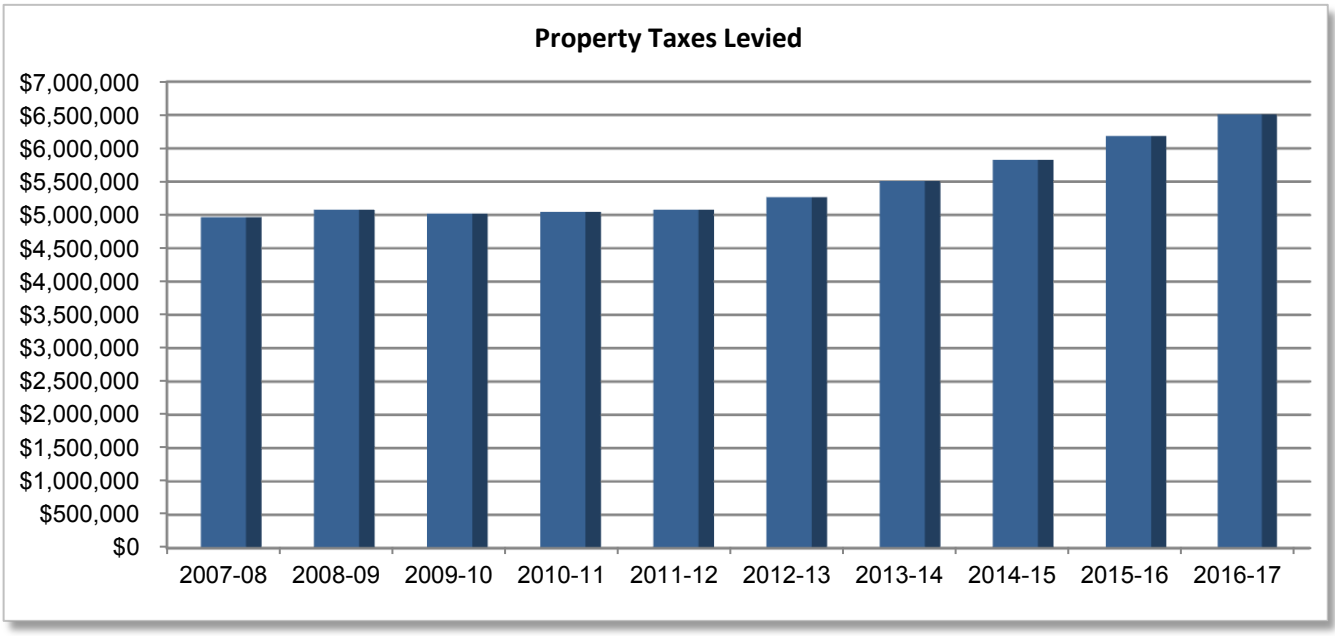


Note: The base used for the Percentage of Total Taxes Levied for 2017 includes total secured taxes of $6,082,465.

Source: Treasurer-Tax Collector, County of Orange

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

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)

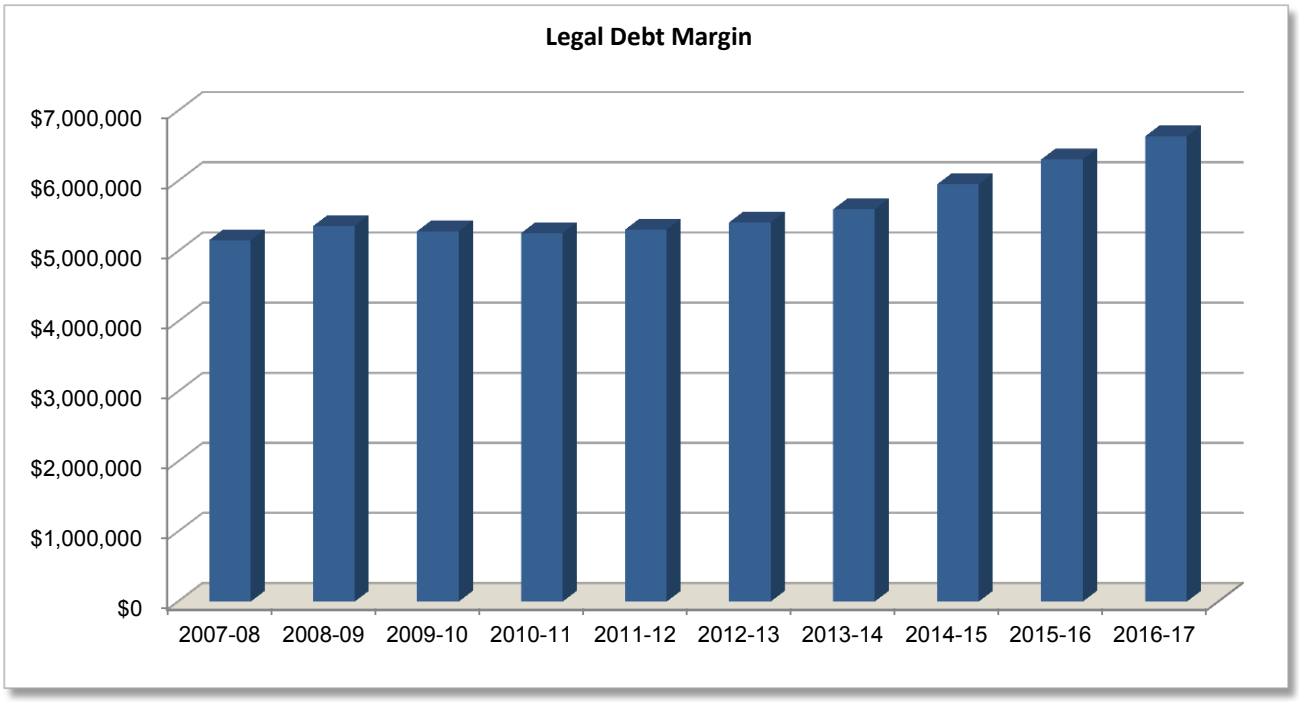
	General Debt Outstanding					
Fiscal Year	Refunding Recovery Bonds	Pension Obligation Bonds [3]	Restricted for Debt Payments [3]	Total (Excess)/ Under	Percentage of Assessed Value	Per Capita [2]
2016-17	$ --	$ 53,985	$ 53,985	$ --	0.00%	$ --
2015-16	--	87,521	87,521	--	0.00%	--
2014-15	--	116,494	116,494	--	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

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

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 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

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

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

Teeter Plan Notes

Funding Source: Delinquent Property Taxes Collected

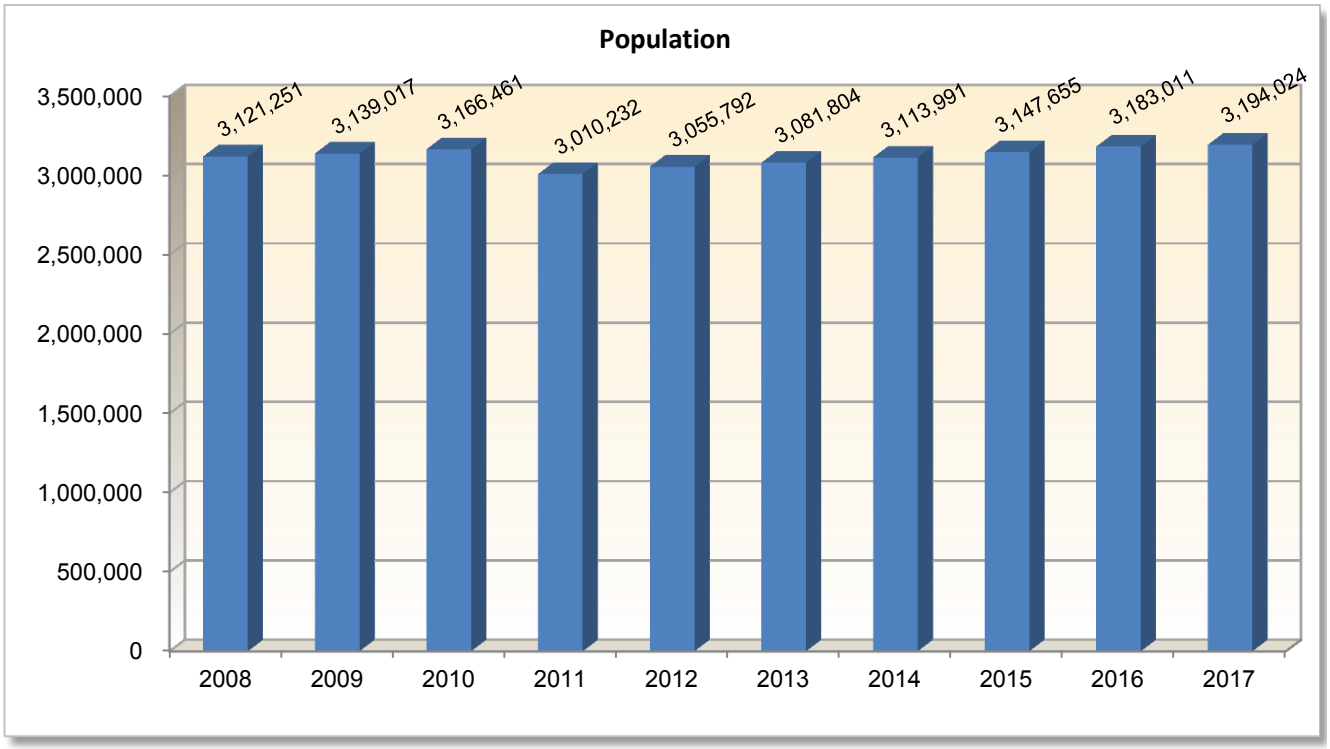
Fiscal Year [2]	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2016-17	$ 26,232	$ 154	$ 26,078	$ 33,859	$ 600	0.76
2015-16	316	210	106	74,561	347	0.00
2014-15	174	2,954	(2,780)[3]	37,548	352	(0.07)
2013-14	11,147	251	10,896	43,295	413	0.25
2012-13	15,706	1,032	14,674	14,449	327	0.99
2011-12	--	--	--	--	--	--
2010-11	--	--	--	--	--	--
2009-10	--	--	--	--	--	--
2008-09	--	--	--	--	--	--
2007-08	--	--	--	--	--	--

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%

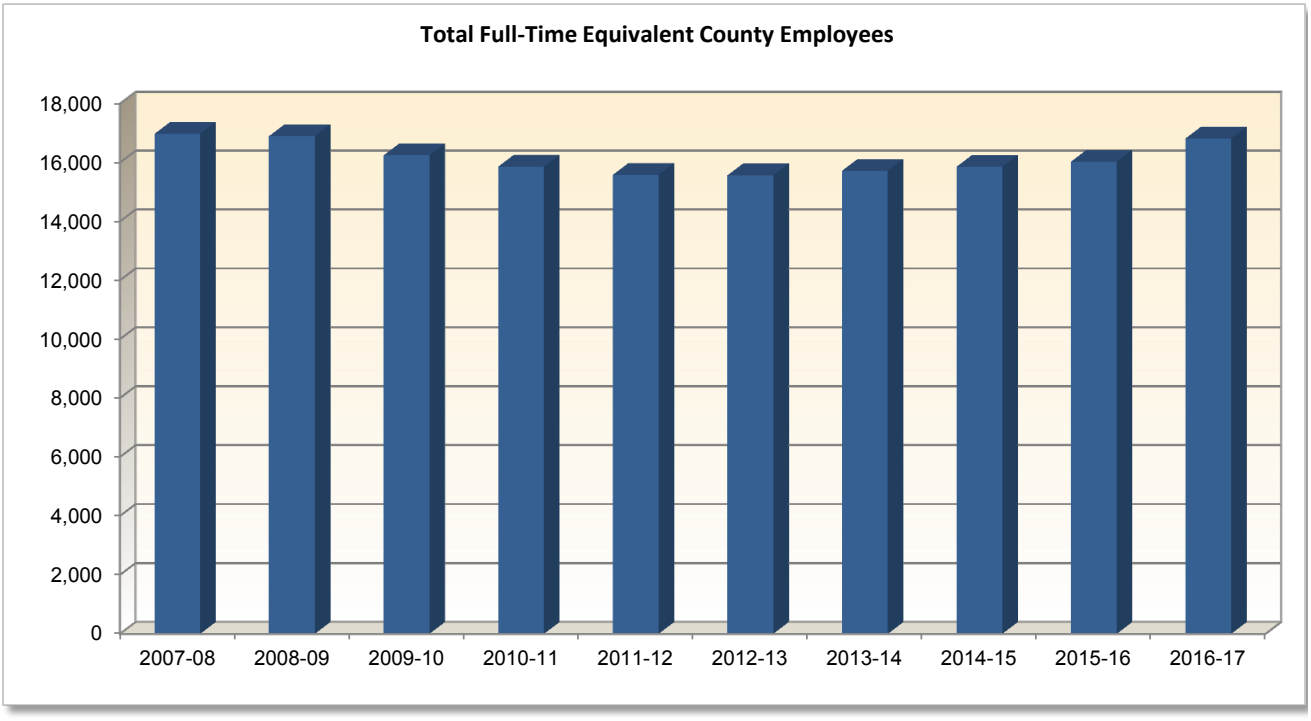
2008

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

	Fiscal Year				
Function/Program	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)

	Fiscal Year				
Function/Program	2016-17	2015-16	2014-15	2013-14	2012-13
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

	Fiscal Year				
Function/Program	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)

	Fiscal Year				
Function/Program	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
					Household Hazardous Waste
4	4	4	4	4	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

EXHIBIT B

OFFICIAL STATEMENT

NEW ISSUE—BOOK-ENTRY-ONLY **NO RATING**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, subject to certain qualifications described in this Official Statement, under existing statutes, regulations, rules and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, the 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 the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, such interest is exempt from State of California personal income taxes. See "TAX MATTERS" herein.

$76,950,000
COMMUNITY FACILITIES DISTRICT NO. 2017-1 OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA) (IMPROVEMENT AREA NO. 1) SERIES A OF 2018 SPECIAL TAX BONDS

Dated: Delivery Date **Due: August 15, as shown on the inside cover page**

This Official Statement describes bonds that are being issued by Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (the "District") with respect to Improvement Area No. 1 therein ("Improvement Area No. 1"). The Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (Improvement Area No. 1) Series A of 2018 Special Tax Bonds (the "Bonds") are being issued by the District to (a) pay the costs of forming the District; (b) pay the cost and expense of acquisition and construction of certain public facilities required in connection with the development of the District; (c) fund a reserve account securing the Bonds; (d) pay costs of issuance of the Bonds; and (e) make an initial deposit to the Administrative Expense Account.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California), and pursuant to Resolution No. 18-008 adopted by the Board of Supervisors of the County of Orange (the "County"), acting as the legislative body of the District and a Bond Indenture, dated as of February 1, 2018 (the "Indenture"), by and between the District and U.S. Bank National Association, as trustee (the "Trustee").

The Bonds are limited obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on and collected from the owners of parcels within Improvement Area No. 1 subject to the Special Taxes and from certain other funds pledged under the Indenture, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the Board of Supervisors of the County and the qualified electors within Improvement Area No. 1. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes." The Board of Supervisors of the County is the legislative body of the District.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in principal amounts of $5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable semiannually on each February 15 and August 15, commencing August 15, 2018. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and APPENDIX H — "BOOK-ENTRY ONLY SYSTEM" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY OF ORANGE, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE COUNTY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN IMPROVEMENT AREA NO. 1 OF THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

The Bonds are subject to optional redemption, extraordinary redemption from prepaid Special Taxes, and mandatory sinking fund redemption prior to maturity as set forth herein. See "THE BONDS — Redemption" herein.

THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR CERTAIN INVESTORS. CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE DISTRICT TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. 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.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the District with respect to the Bonds. Certain legal matters will be passed on for the County and the District by the Office of the County Counsel, and for the Underwriters by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriters. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about February 22, 2018.

STIFEL RAYMOND JAMES®

Dated: February 6, 2018

$76,950,000
COMMUNITY FACILITIES DISTRICT NO. 2017-1
OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)
(IMPROVEMENT AREA NO. 1)
SERIES A OF 2018 SPECIAL TAX BONDS

MATURITY SCHEDULE

Base *CUSIP No.*[†]: 68423P

Serial Bonds

Maturity Date (August 15)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP No.*[†]
2019	$ 290,000	2.000%	1.460%	100.787	XE5
2020	375,000	2.000	1.710	100.701	XF2
2021	465,000	3.000	2.040	103.209	XG0
2022	560,000	3.000	2.230	103.265	XH8
2023	665,000	4.000	2.470	107.797	XJ4
2024	775,000	4.000	2.680	107.804	XK1
2025	895,000	5.000	2.860	114.319	XL9
2026	1,030,000	5.000	3.010	114.796	XM7
2027	1,175,000	5.000	3.130	115.237	XN5
2028	1,325,000	5.000	3.220	115.726	XP0
2029	1,485,000	5.000	3.280[C]	115.150[C]	XQ8
2030	1,660,000	5.000	3.360[C]	114.386[C]	XR6
2031	1,840,000	5.000	3.400[C]	114.006[C]	XS4
2032	2,035,000	5.000	3.440[C]	113.628[C]	XT2
2033	2,240,000	5.000	3.490[C]	113.158[C]	XU9
2034	2,460,000	5.000	3.530[C]	112.783[C]	XV7
2035	2,690,000	5.000	3.560[C]	112.503[C]	XW5
2036	2,930,000	5.000	3.590[C]	112.224[C]	XX3
2037	3,190,000	3.625	3.870	96.668	XY1
2038	3,420,000	3.750	3.900	97.896	XZ8

Term Bonds

$16,540,000 5.000% Term Bonds due August 15, 2042, Yield: 3.700% Price: 111.208[C] CUSIP No. [†] 68423P YA2
$28,905,000 5.000% Term Bonds due August 15, 2047, Yield: 3.750% Price: 110.749[C] CUSIP No. [†] 68423P YB0

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

† 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 County, the District or the Underwriters and are included solely for the convenience of the registered owners of the applicable Bonds. None of the County, the District or the Underwriters 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.

COUNTY OF ORANGE
STATE OF CALIFORNIA

BOARD OF SUPERVISORS
Serving as the Legislative Body of
Community Facilities District No. 2017-1
of the County of Orange (Village of Esencia)

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

COUNTY OFFICIALS

Frank Kim, County Executive Officer
Shari L. Freidenrich, Treasurer-Tax Collector
Eric H. Woolery, Auditor-Controller
Leon J. Page, County Counsel

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

REAL ESTATE APPRAISER

Harris Realty Appraisal
Newport Beach, California

MARKET ABSORPTION ANALYST

Empire Economics, Inc.
Capistrano Beach, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the County and the District. No dealer, broker, salesperson or other person has been authorized by the County, the District, the Trustee or the Underwriters to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the County, the District, the Trustee or the Underwriters. 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.

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 in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the County or the District. The information and expressions of opinion in this Official Statement 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 County or the District or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or 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 made by this Official Statement to such documents on file with the County for further information. While the County maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the County. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

> The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "IMPROVEMENT AREA NO. 1" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

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 DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS 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.

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County of Orange
Community Facilities District № 2017-1
Improvement Area 1
Village of Esencia
Esencia Dr
Chiquita Canyon Dr
Boundaries Approximate
6024_111817

$76,950,000
COMMUNITY FACILITIES DISTRICT NO. 2017-1
OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)
(IMPROVEMENT AREA NO. 1)
SERIES A OF 2018 SPECIAL TAX BONDS

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance by Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (the "District") of its (Improvement Area No. 1) Series A of 2018 Special Tax Bonds (the "Bonds") in the aggregate principal amount of $76,950,000. The proceeds of the Bonds will be used to (a) pay the costs of forming the District; (b) pay the cost and expense of acquisition and construction of certain public facilities required in connection with the development of the District; (c) fund a reserve account securing the Bonds; (d) pay costs of issuance of the Bonds; and (e) make an initial deposit to the Administrative Expense Account (as defined herein). See "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq*. of the Government Code of the State of California) (the "Act"), and pursuant to Resolution No. 18-008 adopted by the Board of Supervisors of the County (the "Board of Supervisors"), acting as the legislative body of the District on January 23, 2018 and a Bond Indenture dated as of February 1, 2018 (the "Indenture"), by and between the District and U.S. Bank National Association, as trustee (the "Trustee").

The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as defined herein) levied on parcels within Improvement Area No. 1 (as defined and further described below) of the District and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) as described in the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Indenture. The Bonds are being sold to the Underwriters pursuant to a Bond Purchase Agreement between the Underwriters and the District. See "THE BONDS — General Provisions" and "UNDERWRITING" herein.

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 sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — DEFINITIONS" herein.

The District and Improvement Area No. 1

General. The District is located in the southern portion of the County of Orange (the "County"), in the vicinity of Ortega Highway (Route 74) and Antonio Parkway, south of Ladera Ranch and east of the City of San Juan Capistrano. Employment centers in the cities of Newport Beach and Irvine in the County are about 25 miles to the north and employment centers in the cities of Carlsbad and Del Mar located in the northern portion of the County of San Diego are 35 and 50 miles, respectively, to the south. The District consists of approximately 224 gross acres. Improvement Area No. 1 of the District consists of approximately 154 gross acres. Approximately 67 acres of property in Improvement Area No. 1 are expected to be subject to the Special Tax (as defined herein) at build-out. The property within Improvement Area No. 1 which is not

subject to the levy of the Special Tax consists primarily of open space and property owned by the property owners association and public property. RMV PA2 Development, LLC, a Delaware limited liability company (the "Developer") is the master developer of property in the District. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

Formation Proceedings. The District was formed and Improvement Area No. 1 ("Improvement Area No. 1") and Improvement Area No. 2 ("Improvement Area No. 2") were designated therein, by the County pursuant to the Act. The District constitutes a governmental entity separate and apart from the County.

The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district or any improvement area designated therein to repay such indebtedness.

Pursuant to the Act, on February 14, 2017, the Board of Supervisors adopted Resolution No. 17-023 (the "Resolution of Intention"), stating its intention to form the District, designate Improvement Area No. 1 and Improvement Area No. 2 therein, and to authorize the levy of a special tax on the taxable property within each of Improvement Area No. 1 and Improvement Area No. 2. On February 14, 2017 the Board of Supervisors also adopted Resolution No. 17-024, stating its intention to incur bonded indebtedness in an aggregate principal amount, with respect to Improvement Area No. 1, not to exceed $98,000,000, for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of certain public facilities to serve the area within the District and its neighboring areas. See "IMPROVEMENT AREA NO. 1 — Description of Authorized Facilities."

Subsequent to a noticed public hearing, the Board of Supervisors adopted Resolution Nos. 17-034 and 17-035 on March 28, 2017 (the "Resolution of Formation" and the "Resolution to Incur Debt," respectively) which established the District, designated Improvement Area No. 1 and Improvement Area No. 2 therein, authorized the levy of a special tax within each of Improvement Area No. 1 and Improvement Area No. 2, determined the necessity to incur bonded indebtedness within the District with respect to each of Improvement Area No. 1 and Improvement Area No. 2, and called an election within each of Improvement Area No. 1 and Improvement Area No. 2 on the propositions of incurring bonded indebtedness, levying a special tax and setting an appropriations limit within the District.

On March 28, 2017, an election was held within Improvement Area No. 1 at which the landowners within Improvement Area No. 1 eligible to vote approved the issuance of bonds for the District with respect to Improvement Area No. 1 in an amount not to exceed $98,000,000. A Notice of Special Tax Lien for Improvement Area No. 1 was recorded in the office of the County Recorder on April 12, 2017 as Document No. 2017000148035 On April 25, 2017, the Board, acting as the legislative body of the District, adopted Ordinance No. 17-003 (the "Ordinance") which authorizes the levy within Improvement Area No. 1 of a special tax pursuant to the Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 approved at the March 28, 2017 election as it has been revised in accordance with its terms as described below (as revised, the "Rate and Method"), a copy of which is attached hereto as APPENDIX A.

Section H of the Rate and Method provides for the process by which the District shall, upon the issuance of the Bonds, reduce the Assigned Special Tax rate for any Plan Type in a Land Use Class in a Zone such that the Total Effective Tax Rate (as such terms are defined in the Rate and Method) for such Plan Type will not exceed 2.00%. In accordance with Section H of the Rate and Method, the County caused a price point study dated November 21, 2017 (the "Price Point Study") to be prepared by Empire Economics, Inc. Capistrano Beach, California. Based on the Price Point Study, the Assigned Special Tax and Backup Special

Tax rates for Zones 1 through 4 (as such terms are defined in the Rate and Method) will be reduced on the date of issuance of the Bonds in accordance with the Rate and Method. Also in accordance with the Rate and Method, upon the issuance of the Bonds, an amended notice of special tax lien reflecting the revised Assigned Special Tax and Backup Special Tax rates will be recorded in the office of the County Recorder. The Assigned Special Tax and Backup Special Tax rates for each Zone (as revised for Zones 1 through 4) are set forth in the Rate and Method attached hereto as APPENDIX A.

Validation Proceedings. On May 2, 2017, the County, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Section 53359, filed a complaint in the Superior Court of the State of California for the County of Orange seeking judicial validation of the formation of the District, the designation of Improvement Area No. 1 and Improvement Area No. 2 therein, the authorization of the issuance of bonds for the District with respect to such improvement areas and the levy of the special tax within such improvement areas. On July 13, 2017, the court entered a default judgment (the "Validation Judgment") to the effect, among other things, that the proceedings conducted by the Board of Supervisors in connection with the establishment of the District, the designation of Improvement Area No. 1 and Improvement Area No. 2 therein, the authorization to incur bonded indebtedness for the District through the issuance of bonds and the levy of the Special Tax within such improvement areas were valid and in conformity with the Constitution of the State and applicable laws of the State. The last day of the appeal period for the validation action was August 14, 2017. As of the date of this Official Statement, no appeal has been filed with respect to the Validation Judgment. See the section entitled "VALIDATION" herein for additional information regarding the legal effects of the Validation Judgment.

Property Ownership and Development Status

The District and Improvement Area No. 1 therein encompasses a portion of the Village of Esencia development ("Esencia"), which is a portion of the second phase of development of the Rancho Mission Viejo Ranch Plan Planned Community. The Rancho Mission Viejo Ranch Plan Planned Community is a 22,815-acre master planned community, which when complete will consist of the final build-out of Rancho Mission Viejo. Other Rancho Mission Viejo projects within the County have included the City of Rancho Santa Margarita, Ladera Ranch, Las Flores and Sendero.

The District is the third phase of the Esencia development. The first phase, which is located within Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia) ("CFD No. 2015-1") consists of 522 market-rate residential units and 318 age-qualified residential units and opened for sale in September 2015. As of January 14, 2018, 759 of the 840 residential units within CFD No. 2015-1 had been sold to individual homeowners. The second phase of the Esencia development is located within Community Facilities District No. 2016-1 of the County of Orange (Village of Esencia) ("CFD No. 2016-1") and consists of 605 market-rate residential units and 288 age-qualified units. Sales in CFD No. 2016-1 commenced in September 2016. As of January 14, 2018, 428 of the 893 residential units within CFD No. 2016-1 had been sold to individual homeowners. As of such date, development within Improvement Area No. 2 of the District, which is planned for commercial, office and other non-residential uses, has not yet begun.

Special taxes levied within CFD No. 2015-1, CFD No. 2016-1 and Improvement Area No. 2 of the District are not pledged to and are not available to pay debt service on the Bonds.

The development within Improvement Area No. 1 is planned for nine for-sale residential projects totaling 752 residential units, of which seven projects (consisting of 628 units) are expected to be market-rate units and two projects (consisting of 124 units) are expected to be age-qualified units. The balance of the property within Improvement Area No. 1 is anticipated to be used for recreational facilities, parks and open space.

The Developer has either conveyed or is under contract to convey the property within Improvement Area No. 1 planned for residential developments to The New Home Company Southern California LLC (the

"New Home Company"), Meritage Homes of California, Inc. ("Meritage Homes"), CalAtlantic Group, Inc. ("CalAtlantic"), Pulte Home Company, LLC ("Pulte") and William Lyon Homes, Inc. ("Lyon Homes"). See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in Improvement Area No. 1." See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in Improvement Area No. 1 — *Proposed Development by CalAtlantic Group – AH-13*" for information with respect to the pending acquisition of CalAtlantic Group, Inc. by Lennar Corporation.

The area included in Improvement Area No. 1 has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within Improvement Area No. 1 has been substantially completed. Improvement Area No. 1 is accessed via Chiquita Canyon Parkway, which borders the southern boundary of Improvement Area No. 1. In-tract improvements are expected to be constructed by the merchant builders as home development within their respective projects is completed.

Recreational facilities located within Improvement Area No. 1 are expected to include a park site with amenities such as fire pits, playhouses, barbeques and picnic tables, and a sports park that is planned for ball fields, tennis courts and a swimming pool. The residential development within Improvement Area No. 1 will also be served by the completed recreational facilities located within adjacent CFD No. 2015-1 and CFD No. 2016-1, which include the Hilltop Club, a community hall with coffee house and farm, and a joint use multi-purpose building.

The Developer has entered into contracts with the five merchant builders within Improvement Area No. 1 to convey residential lots in phased takedowns. As of November 15, 2017, all of such merchant builders had commenced takedowns of residential lots within Improvement Area No. 1. The residential lots are expected to be finished in phases by the merchant builders and a majority of the first phase of residential lots is in finished or near finished condition. As of November 15, 2017, model home complexes have been completed for six of the nine projects within Improvement Area No. 1 and construction of the three remaining model home complexes was underway. Certain of the merchant builders have commenced vertical construction of production homes. As of November 15, 2017, merchant builders had pulled 193 building permits within Improvement Area No. 1, including building permits for all 39 of the planned model homes. Between November 15, 2017 and January 1, 2018, the New Home Company, Meritage Homes and CalAtlantic pulled an additional five, 13 and eight building permits, respectively, for their projects within Improvement Area No. 1 (for a total of 219 building permits issued within Improvement Area No. 1 as of January 1, 2018).

Seven of the nine residential projects within Improvement Area No. 1 held grand openings and commenced home sales between October and December of 2017. The Reverie project by Lyon Homes (consisting of 118 single family detached homes) and the Topaz project by the New Home Company (consisting of 56 single family detached homes) are expected to hold grand opening events in February and March 2018, respectively.

Between November 15, 2017 and January 21, 2018, the merchant builders within Improvement Area No. 1 have entered into contracts for the sale of 49 homes, four of which (within Meritage Homes' Modena project) have closed to individual homeowners as of January 1, 2018. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT" herein.

In May 2015, the Developer started pre-opening marketing efforts for the Esencia development, including advertising and creating a website. The Developer has continued to market the Esencia development as new homes within Improvement Area No. 1 (phase three of Esencia) are developed by the merchant builders. The Developer represents that as of January 1, 2018, more than 700,000 people have visited the website and more than 16,000 people have signed up to receive more information on the new homes in Esencia.

Forward Looking Statements

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 a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions "IMPROVEMENT AREA NO. 1," "PROPERTY OWNERSHIP AND THE DEVELOPMENT" and APPENDIX B — "APPRAISAL REPORT."

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 DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Sources of Payment for the Bonds

General. The Bonds and any Parity Bonds (as defined herein) are limited obligations of the District, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from the Special Taxes to be levied annually against the property in Improvement Area No. 1, or, to the extent necessary, from the moneys on deposit in the Reserve Account. As described herein, the Special Taxes are collected along with *ad valorem* property taxes on the tax bills mailed by the Treasurer-Tax Collector of the County (the "Treasurer"). Although the Special Taxes will constitute a lien on the property subject to taxation in Improvement Area No. 1, they will not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so.

Limited Obligations. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds and any 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 special obligations of the District payable solely from Special Taxes and amounts held under the Indenture as more fully described herein.

Special Tax. As used in this Official Statement, the term "Special Tax" is that tax which has been authorized pursuant to the Act to be levied against certain land within Improvement Area No. 1 in accordance with the Rate and Method. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" and APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Under the Indenture, the District will pledge to repay the Bonds and any Parity Bonds from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the District (the "Net Taxes") and from amounts on deposit in the Special Tax Fund (other than the Administrative Expense Account therein) established under the Indenture.

The Special Taxes are the primary security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Trustee in the Special Tax Fund (other than the Administrative Expense Account therein), including amounts held in the Reserve Account therein. See "SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund."

Foreclosure Proceeds. The District will covenant in the Indenture for the benefit of the owners of the Bonds and Parity Bonds that, except as set forth in the following paragraph, 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 Taxes levied, and diligently pursue to completion such foreclosure proceedings.

Notwithstanding the foregoing, the Indenture will provide that the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. 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 or to avoid a default in payment on the Bonds and any Parity Bonds. Unpaid amounts of the first installment of Special Tax payments became delinquent on December 12, 2017. There were no delinquent payments in the first installment of the Special Tax. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*" herein and APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — COVENANTS AND WARRANTY — Covenants — Commence Foreclosure Proceedings." There is no assurance that the property within Improvement Area No. 1 can be sold at foreclosure for the appraised value described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current landowners or future landowners within Improvement Area No. 1. See "SPECIAL RISK FACTORS — Land Values" and APPENDIX B — "APPRAISAL REPORT" herein.

Teeter Plan. The District (including Improvement Area No. 1) participates in the County's Teeter Plan (as defined herein) pursuant to which the County pays to the District the full amount of Special Taxes levied without any reduction for delinquencies. The Net Taxes (as defined herein) pledged to repay the Bonds do not include any penalties, fees, costs, foreclosure proceeds or delinquent Special Taxes where the County has paid the delinquent installment to the District pursuant to the Teeter Plan.

See "SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan" and "SPECIAL RISK FACTORS — Teeter Plan Termination."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. 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 OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND CERTAIN AMOUNTS HELD UNDER THE BOND INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Parity Bonds and Liens. Under the terms of the Indenture, the District may issue additional bonds secured by the Net Taxes on a parity with the Bonds ("Parity Bonds") if certain conditions are met but only for the purpose of refunding the Bonds or Parity Bonds. See "SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds for Refunding Only." Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Bond owners. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — DEFEASANCE AND PARITY BONDS." Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes have been levied and may also be levied in the future on the property within Improvement Area No. 1 which could adversely affect the willingness of the property owners to pay the Special Taxes when due. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments" herein.

Appraisal Report

An MAI appraisal of the land and existing improvements within Improvement Area No. 1 was prepared by Harris Realty Appraisal, Newport Beach, California (the "Appraiser"). The appraisal is dated November 22, 2017, and entitled "Appraisal Report Community Facilities District No. 2017-1, IA-1 of the County of Orange (Village of Esencia)" (the "Appraisal Report"). See APPENDIX B — "APPRAISAL REPORT." The Appraisal Report provides an estimate of the approximate market value of the "as-is" condition of the property in Improvement Area No. 1 subject to the levy of Special Taxes, assuming that development of the property as currently planned will consist of 752 residential units (including 124 age-qualified units). Based on the contingencies, assumptions and limiting conditions in the Appraisal Report, the Appraiser concluded that the market value of all of the parcels within Improvement Area No. 1 subject to the Special Tax was $240,000,000 as of November 15, 2017.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in APPENDIX B. The District makes no representation as to the accuracy of the Appraisal Report. See "IMPROVEMENT AREA NO. 1 — Appraisal Report" and "— Appraised Value-to-Lien Ratios." There is no assurance that property within Improvement Area No. 1 can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by a property owner. See "IMPROVEMENT AREA NO. 1," "SPECIAL RISK FACTORS — Land Values" and APPENDIX B — "APPRAISAL REPORT" herein.

In August 2017, the Appraiser prepared an appraisal with a date of value of August 1, 2017 (the "Initial Appraisal") with respect to the property within Improvement Area No. 1 which provided an estimated appraised value for such property of $221,000,000, which is $19,000,000 lower than the amount set forth in the Appraisal Report. In order to have an appraisal with a date of value more recent than August 1, 2017, the County engaged the Appraiser to prepare the Appraisal Report with a date of value of November 15, 2017. Development activity, including home construction, within Improvement Area No. 1 progressed since the time of the Initial Appraisal and such progress, along with other factors set forth the Appraisal Report, were taken into consideration by the Appraiser in arriving at the estimated appraised value of the property within Improvement Area No. 1 as of November 15, 2017.

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX H — "BOOK-ENTRY ONLY SYSTEM."

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as described in the Indenture. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — GENERAL AUTHORIZATION AND BOND TERMS — Transfers Outside Book-Entry System" herein.

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See "THE BONDS — Redemption." For a more complete descriptions of the

Bonds and the basic documentation pursuant to which they are being sold and delivered, see "THE BONDS" and APPENDIX E —" SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE" herein.

Tax Exemption

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, the interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with certain covenants described in the Official Statement, is excluded from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Set forth in APPENDIX C is the form of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see "TAX MATTERS."

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated and Raymond James & Associates, Inc., are the underwriters (together, the "Underwriters") of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the District and the County by the Office of the County Counsel, for the Underwriters by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriters and for the Trustee by its counsel. Other professional services have been performed by Harris Realty Appraisal, Newport Beach, California, as the Appraiser, Empire Economics, Inc., Capistrano Beach, California as Market Absorption Consultant, Fieldman, Rolapp & Associates, Inc., Irvine, California as municipal advisor to the County and David Taussig & Associates, Inc., Newport Beach, California, as Special Tax Consultant, and initial dissemination agent under the Developer Continuing Disclosure Agreement, dated as of February 1, 2018, by and between the Special Tax Consultant and the Developer (the "Developer Continuing Disclosure Agreement").

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see "FINANCIAL INTERESTS" herein.

Continuing Disclosure

The District has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the "Rule") certain financial information and operating data on an annual basis (the "District Reports"). The District has further agreed to provide, in a timely manner, notice of certain events with respect to the Bonds (the "Listed Events"). These covenants have been made in order to assist the Underwriters in complying with the Rule. The District Reports will be filed with the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB") available on the Internet at http://emma.msrb.org. Notices of Listed Events will also be filed with the MSRB. The District has not entered into any prior continuing disclosure obligations. The County will assist the District in preparing the District Reports. Within the last five years, the County and certain related entities have failed to comply in certain respects with prior continuing disclosure undertakings as described under the caption "CONTINUING DISCLOSURE."

The Underwriters do not consider the Developer to be an "obligated person" with respect to the Bonds for purposes of the Rule. However, to assist in the marketing of the Bonds, the Developer has agreed to provide, or cause to be provided on EMMA, updated information with respect to the development within Improvement Area No. 1 (the "Developer Reports"), on a semiannual basis and notices of certain events until

such undertaking is terminated in accordance with the Developer Continuing Disclosure Agreement (as defined herein).

See "CONTINUING DISCLOSURE" herein and APPENDIX F and APPENDIX G hereto for a description of the specific nature of the annual reports to be filed by the District and the Developer and notices of Listed Events and a copy of the continuing disclosure undertakings pursuant to which such Reports are to be made.

Bond Owners' Risks

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves significant risks, and the Bonds are not appropriate investments for certain investors. See "SPECIAL RISK FACTORS" herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the Board, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture, the Appraisal Report and other documents and information are available for inspection and (upon request and payment to the District of a charge for copying, mailing and handling) for delivery from the Clerk of the Board of Supervisors' office at 333 West Santa Ana Boulevard, Santa Ana, California 92702.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds collected by the District.

Sources of Funds:	
Principal Amount of Bonds	$ 76,950,000.00
Plus Net Original Issue Premium	7,903,480.30
Total Sources	$ 84,853,480.30
Uses of Funds:	
Acquisition and Construction Fund[(1)]	$ 77,225,647.77
Administrative Expense Account	75,000.00
Costs of Issuance[(2)]	905,318.75
Reserve Account	6,647,513.78
Total Uses	$ 84,853,480.30

(1) Acquisition and Construction Fund includes the County Facilities Account, the Water Facilities Account and the Project Facilities Account.

(2) Includes Underwriters' Discount, Bond Counsel fees, Disclosure Counsel Fees, Special Tax Consultant fees, Municipal Advisor fees, Trustee fees, printing costs and other issuance costs.

Source: The Underwriters.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each February 15 and August 15, commencing on August 15, 2018 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

As used herein, Record Date means the first day of the month in which any Interest Payment Date occurs, regardless of whether such day is a Business Day.

Interest on any Bond will be paid to the person whose name appears in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Principal of the Bonds and any premium due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Trustee in Los Angeles, California.

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of $5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to

DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX H — "BOOK-ENTRY-ONLY SYSTEM."

In the event the Bonds are not held in book-entry form, interest on the Bonds will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Bondowner at its address on the Bond Register. In addition, with respect to any Bonds owned by the District and upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of $1,000,000 or more in principal amount of the Bonds, payment will be made by wire transfer in immediately available funds to an account designated by such Owner.

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including mandatory sinking fund redemption), assuming there are no optional or extraordinary redemptions. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE BONDS — Redemption."

Date (August 15)	***Principal***	***Interest***	***Total***
2018		$ 1,780,956.91	$ 1,780,956.91
2019	$ 290,000.00	3,706,037.50	3,996,037.50
2020	375,000.00	3,700,237.50	4,075,237.50
2021	465,000.00	3,692,737.50	4,157,737.50
2022	560,000.00	3,678,787.50	4,238,787.50
2023	665,000.00	3,661,987.50	4,326,987.50
2024	775,000.00	3,635,387.50	4,410,387.50
2025	895,000.00	3,604,387.50	4,499,387.50
2026	1,030,000.00	3,559,637.50	4,589,637.50
2027	1,175,000.00	3,508,137.50	4,683,137.50
2028	1,325,000.00	3,449,387.50	4,774,387.50
2029	1,485,000.00	3,383,137.50	4,868,137.50
2030	1,660,000.00	3,308,887.50	4,968,887.50
2031	1,840,000.00	3,225,887.50	5,065,887.50
2032	2,035,000.00	3,133,887.50	5,168,887.50
2033	2,240,000.00	3,032,137.50	5,272,137.50
2034	2,460,000.00	2,920,137.50	5,380,137.50
2035	2,690,000.00	2,797,137.50	5,487,137.50
2036	2,930,000.00	2,662,637.50	5,592,637.50
2037	3,190,000.00	2,516,137.50	5,706,137.50
2038	3,420,000.00	2,400,500.00	5,820,500.00
2039	3,665,000.00	2,272,250.00	5,937,250.00
2040	3,965,000.00	2,089,000.00	6,054,000.00
2041	4,285,000.00	1,890,750.00	6,175,750.00
2042	4,625,000.00	1,676,500.00	6,301,500.00
2043	4,980,000.00	1,445,250.00	6,425,250.00
2044	5,360,000.00	1,196,250.00	6,556,250.00
2045	5,760,000.00	928,250.00	6,688,250.00
2046	6,180,000.00	640,250.00	6,820,250.00
2047	6,625,000.00	331,250.00	6,956,250.00
Total	$ 76,950,000.00	$ 79,827,919.41	$ 156,777,919.41

Source: The Underwriters.

Redemption

Optional Redemption. The Bonds maturing on or after August 15, 2029 may be redeemed, at the option of the District from any source of funds on any date on or after August 15, 2028, in whole, or in part from such maturities as are selected by the District and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption as a whole or in part, on any Interest Payment Date on and after August 15, 2018, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account plus amounts transferred from the Reserve Account to the Redemption Account pursuant to the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

Redemption Dates	***Redemption Price***
Interest Payment Dates from August 15, 2018 through and including February 15, 2026	103%
August 15, 2026 and February 15, 2027	102
August 15, 2027 and February 15, 2028	101
August 15, 2028 and each Interest Payment Date thereafter	100

Prepayments and amounts released from the Reserve Account in connection with Prepayments will be allocated to the payment at maturity and redemption of Bonds and any Parity Bonds as nearly as practicable on a proportionate basis based on the outstanding principal amount of the Bonds and any Parity Bonds and such amounts shall be applied to redeem Bonds and Parity Bonds as nearly as practicable on a pro rata basis among maturities in increments of $5,000; provided, however, that, for Prepayments of less than $50,000, the District may specify in a Certificate of an Authorized Representative that Prepayments be applied to one or more maturities of the Bonds or Parity Bonds so long as there is delivered to the Trustee a Certificate of the Special Tax Consultant that, following such application of the Prepayments, the maximum Special Taxes that may be levied in each Fiscal Year on Taxable Property is not less than 110% of Annual Debt Service in the Bond Year that begins in such Fiscal Year.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on August 15, 2042 (the "2042 Term Bonds") shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on August 15, 2039, and on each August 15 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2042 Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed 2042 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Sinking Fund Redemption Date (August 15)	***Sinking Fund Payments***
2039	$ 3,665,000
2040	3,965,000
2041	4,285,000
2042 (maturity)	4,625,000

The Term Bonds maturing on August 15, 2047 (the "2047 Term Bonds") shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on August 15, 2043, and on each August 15 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2047 Term Bonds so called for redemption shall be selected by

the Trustee by lot and shall be redeemed at a redemption price for each redeemed 2047 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Sinking Fund Redemption Date (August 15)	***Sinking Fund Payments***
2043	$ 4,980,000
2044	5,360,000
2045	5,760,000
2046	6,180,000
2047 (maturity)	6,625,000

Notice of Redemption. So long as the Bonds are held in book-entry form, the Beneficial Owners will not be mailed any notice of redemption by the Trustee. It is the responsibility of DTC Participants to provide such notice to Beneficial Owners. See APPENDIX H — "BOOK-ENTRY ONLY SYSTEM." The Trustee is obligated to provide at least 30 days but not more than 45 days prior to the date of redemption, notice of intended redemption, by first-class mail, postage prepaid, to the respective registered owners of the Bonds at the addresses appearing on the Bond registration books; provided, however, so long as the Bonds are registered in the name of the Nominee, such notice shall be given in such manner as complies with the requirements of the Depository. The notice of redemption must: (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 or Parity 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 must further state that on the date fixed for redemption, there will 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 will cease to accrue and be payable.

So long as notice of redemption has been provided as set forth in the Indenture, the actual receipt by the owner of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the failure to receive such notice nor any defect therein will affect the validity of the proceedings for redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Any redemption notice for an optional redemption of the Bonds delivered in accordance with the Indenture may be conditional, and, if any condition stated in the redemption notice has not been satisfied on or prior to the redemption date: (i) the redemption notice will be of no force and effect, (ii) the District 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 to whom such conditional redemption notice was given 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.

Effect of Redemption. When notice of redemption has been given, and when the amount necessary for redemption has been made available for that purpose and is available therefor on the date fixed for such redemption, the Bonds designated for redemption will become due and payable on the date fixed for redemption upon presentation and surrender of the Bonds at the place specified in the notice of redemption. Bonds or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds, or portions thereof, will cease to bear further interest from and after the redemption date. As of the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

Purchase in lieu of Redemption. The Bonds may be purchased by the District in lieu or partially in lieu of redemption of Bonds. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Redemption Account of the Special Tax Fund."

Registration, Transfer and Exchange

Registration. The Trustee will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Trustee.

Transfer or Exchange. Whenever any Bond is surrendered for registration of transfer or exchange, the Trustee will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Trustee will not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date of any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Indenture and from no other sources.

In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund (other than the Administrative Expense Account therein), including amounts held in the Reserve Account therein, for the exclusive benefit of the owners of the Bonds and any Parity Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE COUNTY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN IMPROVEMENT AREA NO. 1 AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the County established the District and designated Improvement Area No. 1 therein on March 28, 2017 for the purpose of financing various public improvements required in connection with the proposed development within the District. On March 28, 2017, an election was held within Improvement Area No. 1 at which the landowners eligible to vote approved the issuance of bonds for Improvement Area No. 1 in an amount not to exceed $98,000,000, and the levy of the Special Taxes on property within Improvement Area No. 1 to repay such bonds and to finance the Facilities (as defined below). The landowners within Improvement Area No. 1 also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District with respect to Improvement Area No. 1, including the Bonds.

Section H of the Rate and Method provides for the process by which the District shall, upon the issuance of the Bonds, reduce the Assigned Special Tax rate for any Plan Type in a Land Use Class in a Zone such that the Total Effective Tax Rate (as such terms are defined in the Rate and Method) for such Plan Type will not exceed 2.00%. In accordance with Section H of the Rate and Method and the Price Point Study, the

Assigned Special Tax and Backup Special Tax rates for Zones 1 through 4 have been reduced from the amounts originally set forth in the Rate and Method approved for Improvement Area No. 1. The Assigned Special Tax and Backup Special Tax rates (as revised for Zones 1 through 4) are included in the Rate and Method attached hereto as APPENDIX A.

The District will covenant in the Indenture that it will levy Special Taxes up to the maximum rates permitted under the Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds and any Parity Bonds, to maintain the Reserve Account at the Reserve Requirement and to pay the estimated Administrative Expenses.

The "Special Taxes" are the special taxes authorized to be levied and collected by the District within Improvement Area No. 1 in accordance with the Rate and Method, the Ordinance, the Resolution of Formation and the Act. 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 APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The "Net Taxes" pledged by the District to secure the repayment of the Bonds (and any Parity Bonds) is defined in the Indenture as the "Gross Taxes" minus amounts permitted to be set aside prior to the payment of the principal of and interest on the Bonds and Parity Bonds in order to pay Administrative Expenses.

"Gross Taxes" is defined in the Indenture as the amount of all Special Taxes received by the District from 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 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 (as defined herein).

Except for Prepayments which shall be deposited to the Interest Account, the Principal Account and/or the Redemption Account as specified in the Indenture, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund. 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 Indenture, in the following order of priority, to:

(1) The Administrative Expense Account of the Special Tax Fund in an amount needed to pay Administrative Expenses when due (not to exceed the Administrative Expenses Cap);

(2) The Interest Account of the Special Tax Fund;

(3) The Principal Account of the Special Tax Fund;

(4) The Redemption Account of the Special Tax Fund;

(5) The Reserve Account of the Special Tax Fund;

(6) The Rebate Fund; and

(7) The Surplus Fund.

See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE."

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption "*Limitation on Special Tax Levy and Potential Impact on Coverage*" below and "SPECIAL RISK FACTORS — Insufficiency of Special Taxes" herein.

Rate and Method of Apportionment of Special Tax. The District is legally authorized and will covenant in the Indenture to cause the levy of the Special Taxes in an amount determined according to a methodology, i.e., the Rate and Method which the Board of Supervisors and the electors within Improvement Area No. 1 have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in Improvement Area No. 1 as more particularly described below.

Improvement Area No. 1 is comprised of six tax zone areas (each a "Zone") (pursuant to the Rate and Method, no Special Tax shall be levied within Zone E). The Zones generally coincide with the different product types that are being developed within Improvement Area No. 1 and the different merchant builders that have purchased properties in Improvement Area No. 1.

The following is a synopsis of the provisions of the Rate and Method for Improvement Area No. 1, which should be read in conjunction with the complete text of the Rate and Method which is attached as APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The meaning of the defined terms used in this section are as set forth in APPENDIX A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX A.

Assignment to Land Use Categories. Each Fiscal Year, commencing Fiscal Year 2017-18, all Taxable Property within Zone 1 through 6 of Improvement Area No. 1 shall be classified as Developed Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the Rate and Method determined pursuant to Sections C and D of APPENDIX A. The Assigned Special Tax for Residential Property shall be based on the Zone in which the Assessor's Parcel is located, the number of dwelling units, and the Residential Floor Area of the dwelling units located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Zone in which the Assessor's Parcel is located and the Acreage of the Assessor's Parcel.

Exemptions. No Special Tax shall be levied on property that is located in Zone E. No Special Tax shall be levied on Assessor's Parcels of Conservation Property, Property Owner Association Property, Public Property and/or Religious Property, that is within Zones 1 through 6; provided that an Assessor's Parcel shall not be exempt and shall be classified as Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property and/or Taxable Religious Property if exempting such property would increase the sum of all property exempt from the Special Tax within the applicable Zone to greater than the corresponding Acreage amount listed in Table 9 of the Rate and Method attached as APPENDIX A.

Maximum Special Tax, Assigned Annual Special Tax and Backup Special Tax.

Maximum Special Tax. The Maximum Special Tax for each Assessor's Parcel classified as Developed Property within a particular Zone shall be the greater of (i) the amount derived by application of the Assigned Special Tax for such Zone or (ii) the amount derived by application of the Backup Special Tax for such Zone. The Maximum Special Tax for an Assessor's Parcel of Undeveloped Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property or Taxable Religious Property within each Zone is shown in Table 8 of the Rate and Method attached as APPENDIX A and ranges from $51,220 to $87,719 per acre for Fiscal Year 2017-18.

Assigned Special Tax. The Fiscal Year 2017-18 Assigned Special Tax for each Land Use Class (as reduced for Zones 1 through 4 as described above) within each Zone is shown in Tables 1 through 6 of the Rate and Method attached as APPENDIX A. Assigned Special Tax rates have been established for Residential Property and Non-Residential Property in the six taxable Zones. The number of units projected in each of the foregoing land use classes within each Zone are as follows:

Zone	***Projected Residential Development***
1	80
2	190
3	197
4	161
5	62
6	62
Total Residential Units	**752**

The Assigned Special Tax levied against Developed Property that is Residential Property will generally correlate with the residential square footage of the unit in question. For a detailed description of Assigned Special Taxes for Residential Property in the Zones, see the Rate and Method attached as APPENDIX A.

The Assigned Special Tax levied against Non-Residential parcels of Developed Property within each Zone will generally be determined on a per acre basis. For a detailed description of Assigned Special Taxes for Non-Residential Property that is Developed Property, see the Rate and Method attached as APPENDIX A.

Multiple Land Use Classes. In some instances an Assessor's Parcel may contain both Undeveloped Property and Developed Property. Furthermore, Developed Property may contain more than one Land Use Class. In such cases, the Acreage of the Assessor's Parcel will be allocated between Developed Property and Undeveloped Property based on the portion of the Assessor's Parcel for which building permits had been issued prior to January 1 of the prior Fiscal Year and the portion of the Assessor's Parcel for which building permits had not been issued prior to January 1 of the prior Fiscal Year. The Acreage that is considered Developed Property will be allocated between Residential Property and Non-Residential Property based on the site plan. The Maximum Special Tax that can be levied on such Assessor's Parcel will be the sum of the Maximum Special Tax that can be levied on each type of property located on that Assessor's Parcel.

Backup Special Tax. The Fiscal Year 2017-18 Backup Special Taxes (as reduced for Zones 1 through 4 as described above) are detailed in Table 7 of the Rate and Method attached as APPENDIX A and range from $51,220 to $87,458 per acre.

Annual Increases. On each July 1, commencing on July 1, 2018, the Assigned Special Tax and the Backup Special Tax for Developed Property will be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year. On each July 1, commencing July 1, 2018, the Maximum Special Tax for Undeveloped Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property and Taxable Religious Property will be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

Method of Apportionment of Special Tax. Commencing with Fiscal Year 2017-18 and for each following Fiscal Year, the Board of Supervisors 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 for which the 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 Conservation Property, Taxable Property Owner Association Property or Taxable Religious Property at up to the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property or Taxable Religious Property; and

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax for Taxable Public Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year 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 (10%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 1. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on all other Assessor's Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

Prepayment of Annual Special Taxes. The Annual Special Tax obligation for an Assessor's Parcel may be prepaid in full, or in part, provided that the terms set forth under the Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, Administrative Fees and Expenses and less a credit for the resulting reduction in the Reserve Requirement for the Bonds (if any) and less capitalized interest (if any), all as specified in Section G of the Rate and Method attached as APPENDIX A. Prepayments of Special Taxes will be applied to effect an extraordinary redemption of Bonds and Parity Bonds. See "THE BONDS — Redemption — *Extraordinary Redemption from Special Tax Prepayments*."

Estimated Debt Service Coverage. Table 1 below illustrates that the debt service coverage from Net Taxes based on certain assumptions. The table sets forth the debt service coverage based on the actual Special Tax levy in Fiscal Year 2017-18 for the Bond Year ending August 15, 2018 and the estimated debt service coverage for the Bond Year ending August 15, 2019 assuming that in Fiscal Year 2018-19 the maximum Assigned Special Tax is levied on Developed Property and the Maximum Special Tax is levied on Undeveloped Property existing in Improvement Area No. 1 as of November 15, 2017. As the amount of Undeveloped Property within Improvement Area No. 1 is reduced, the total Special Taxes that may be levied within a Fiscal Year will also be reduced. Therefore, for all remaining Fiscal Years, Table 1 assumes that all building permits have been issued and only Developed Property is taxed at the Assigned Special Tax rates. As demonstrated in Table 1, assuming that all building permits were issued prior to January 1, 2019, the Assigned Special Tax that may be levied in each Bond Year is not less than 110% of the annual debt service in such Bond Year. It is not expected that all building permits will be issued by January 1, 2019 and Table 1 is intended only to demonstrate that the coverage from Net Taxes would be not less than 110% of debt service even if all building permits were issued this calendar year. At buildout, the District does not expect to levy the Special Taxes on Developed Property at the maximum Assigned Special Tax rates listed in Table 1. Rather, pursuant to the Rate and Method, and subject to the Maximum Special Taxes prescribed therein and permitted

by the Act, the District will only levy Special Taxes in each Fiscal Year in an amount sufficient to achieve the Special Tax Requirement.

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2017-1 OF THE COUNTY OF ORANGE
(VILLAGE OF ESENCIA)
(IMPROVEMENT AREA NO. 1)
ESTIMATED BOND DEBT SERVICE COVERAGE AT BUILD-OUT

Bond Year Ending August 15	*Developed Special Tax Revenues*	*Undeveloped Special Tax Revenues*	*Total Special Tax Revenues*	*Annual Administrative Expenses*[4]	*Net Special Tax Revenues*	*Series 2018 Special Tax Bonds Debt Service*	*Coverage on Series 2018 Bonds*[5]
2018	$ 0	$2,902,537[1]	$2,902,537	$75,000	$2,827,537	$1,780,957	158.77%
2019	1,033,459[2]	3,925,105[2]	4,958,564	76,500	4,882,064	3,996,038	122.17
2020	4,563,320[3]	0[3]	4,563,320	78,030	4,485,290	4,075,238	110.06
2021	4,654,587	0	4,654,587	79,591	4,574,996	4,157,738	110.04
2022	4,747,678	0	4,747,678	81,182	4,666,496	4,238,788	110.09
2023	4,842,632	0	4,842,632	82,806	4,759,826	4,326,988	110.00
2024	4,939,485	0	4,939,485	84,462	4,855,022	4,410,388	110.08
2025	5,038,274	0	5,038,274	86,151	4,952,123	4,499,388	110.06
2026	5,139,040	0	5,139,040	87,874	5,051,165	4,589,638	110.06
2027	5,241,821	0	5,241,821	89,632	5,152,189	4,683,138	110.02
2028	5,346,657	0	5,346,657	91,425	5,255,232	4,774,388	110.07
2029	5,453,590	0	5,453,590	93,253	5,360,337	4,868,138	110.11
2030	5,562,662	0	5,562,662	95,118	5,467,544	4,968,888	110.04
2031	5,673,915	0	5,673,915	97,020	5,576,895	5,065,888	110.09
2032	5,787,393	0	5,787,393	98,961	5,688,433	5,168,888	110.05
2033	5,903,141	0	5,903,141	100,940	5,802,201	5,272,138	110.05
2034	6,021,204	0	6,021,204	102,959	5,918,245	5,380,138	110.00
2035	6,141,628	0	6,141,628	105,018	6,036,610	5,487,138	110.01
2036	6,264,461	0	6,264,461	107,118	6,157,342	5,592,638	110.10
2037	6,389,750	0	6,389,750	109,261	6,280,489	5,706,138	110.07
2038	6,517,545	0	6,517,545	111,446	6,406,099	5,820,500	110.06
2039	6,647,896	0	6,647,896	113,675	6,534,221	5,937,250	110.05
2040	6,780,854	0	6,780,854	115,948	6,664,905	6,054,000	110.09
2041	6,916,471	0	6,916,471	118,267	6,798,203	6,175,750	110.08
2042	7,054,800	0	7,054,800	120,633	6,934,168	6,301,500	110.04
2043	7,195,896	0	7,195,896	123,045	7,072,851	6,425,250	110.08
2044	7,339,814	0	7,339,814	125,506	7,214,308	6,556,250	110.04
2045	7,486,611	0	7,486,611	128,016	7,358,594	6,688,250	110.02
2046	7,636,343	0	7,636,343	130,577	7,505,766	6,820,250	110.05
2047	7,789,070	0	7,789,070	133,188	7,655,881	6,956,250	110.06

(1) Special Tax Revenues for Fiscal Year 2017-18 based on actual levy on Undeveloped Property.

(2) Special Tax Revenues for Fiscal Year 2018-19 reflect a levy at the Maximum Special Tax rate for Undeveloped Property and the Assigned Special Tax rates for Developed Property based on development status as of November 15, 2017.

(3) Special Tax Revenues for Fiscal Year 2019-20 and each year thereafter are based on 100% of the Assigned Special Tax rates and development at build-out as indicated in the Price Point Study. Until Improvement Area No. 1 is substantially built-out, the actual Special Tax levy will be made on Developed Property and Undeveloped Property in accordance with the Rate and Method. The Assigned Special Tax rates escalate by 2.00% per year. Assigned Special Tax rates are based on the tax rates set forth in Section C of the Rate and Method attached as APPENDIX A.

(4) The Administrative Expenses Cap is equal to $75,000, escalating at 2.00% per Fiscal Year, commencing July 1, 2018.

(5) Calculated by dividing the Net Special Tax Revenues column by the Series 2018 Special Tax Bonds Debt Service column.

Source: David Taussig & Associates, except for debt service on the Bonds, which was provided by the Underwriters.

Limitation on Special Tax Levy and Potential Impact on Coverage. Pursuant to Section 53321(d) of the Government Code, the special tax levied against any Assessor's parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's parcel within Improvement Area No. 1 by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the tax levy to the Assigned Special Tax in all

years. However, subject to the limitations on the District's ability to levy the necessary amount of Special Taxes as imposed by Section 53321(d) of the Government Code, the District can levy Special Taxes on Undeveloped Property to make-up all or a portion of any shortfall in the Special Tax levy.

Collection of Special Taxes. The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The District may, however, collect the Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

The County assesses and collects secured and unsecured property taxes for the cities, school districts, and special districts within the County, including the Special Taxes for Improvement Area No. 1 of the District. The delinquency dates for property tax payment are December 10 for the first installment and April 10 for the second installment. Once the property taxes are collected, the County conducts its internal reconciliation for accounting purposes and distributes the County's share of such taxes (including the Special Taxes) to the County, periodically and typically pursuant to a published schedule. Prior to distribution, the moneys are deposited in an account established on behalf of the County in the Orange County Investment Pool (the "Pool") which is invested by the County Treasurer. If the County or the Pool were at any time to become subject to bankruptcy proceedings, it is possible that District property taxes held in the Pool (including the Special Taxes), if any, could be temporarily unavailable to the County. The District participates in the County's Teeter Plan, which is an alternate method for allocating property taxes by counties. A Teeter Plan requires counties to allocate 100 percent of property taxes billed to participating taxing entities in exchange for retaining future delinquent tax payments, penalties and interest. See "SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan."

The District will make certain covenants in the Indenture for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District will covenant that, to the extent it is legally permitted to do so, it will not reduce the maximum Special Tax rates and will oppose the reduction of maximum Special Tax rates by initiative where such reduction would reduce the maximum Special Taxes below current levels unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, among other things, on the basis of the parcels of land and improvements existing in Improvement Area No. 1 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 Improvement Area No. 1) in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the Administrative Expenses Cap and 110% of 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, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

Second, the District will covenant not to permit the tender of Bonds or Parity Bonds in 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. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE."

Although the Special Taxes constitute liens on taxed parcels within Improvement Area No. 1, they do not constitute a personal indebtedness of the owners of property within Improvement Area No. 1. In addition to the obligation to pay Special Taxes, properties in Improvement Area No. 1 are subject to other assessments and special taxes as set forth in Table 3 herein. These other special taxes and assessments are co-equal to the lien for the Special Taxes. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of the County or the landowners in Improvement

Area No. 1. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments" herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled "SPECIAL RISK FACTORS."

Proceeds of Foreclosure Sales. The proceeds of delinquent Special Taxes received following a judicial foreclosure sale of parcels within Improvement Area No. 1 resulting from a landowner's failure to pay the Special Taxes when due, up to the amount of the delinquent Special Tax lien, are included within the Special Tax revenues pledged to the payment of principal and interest on the Bonds under the Indenture, except 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 Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the Board of Supervisors of the County, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant for the benefit of the Owners of the Bonds that it will commence and diligently pursue until the delinquent Special Taxes are paid, judicial foreclosure proceedings against (i) 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) 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. Notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement.

See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — COVENANTS AND WARRANTY" herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the County and the District. See "SPECIAL RISK FACTORS — Bankruptcy and Foreclosure" herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS — Land Values" herein. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the County any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Reserve Account of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account an amount equal to the Reserve Requirement and thereafter to levy Special Taxes to maintain in the Reserve Account an amount equal to the Reserve Requirement. The Indenture provides that the amount to be maintained in the Reserve Account as the Reserve Requirement shall, as of any date of calculation, equal the lesser of (i) 10% of the initial principal

amount of the Bonds and any Parity Bonds; (ii) the Maximum Annual Debt Service on the then Outstanding Bonds and any Parity Bonds; (iii) one hundred twenty-five percent (125%) of average annual debt service on the then Outstanding Bonds and any Parity Bonds; or (iv) $6,647,513.78, the initial Reserve Requirement. As of the date of issuance of the Bonds the Reserve Requirement will be fully funded from a portion of the proceeds of the Bonds in the amount of $6,647,513.78.

Subject to the limits on the maximum annual Special Tax which may be levied within Improvement Area No. 1 in accordance with the Rate and Method set forth in APPENDIX A, the District will covenant to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement. Amounts in the Reserve Account are to be applied to (i) pay debt service on the Bonds and any Parity Bonds, to the extent other moneys in the Interest Account and the Principal Account are insufficient therefor; (ii) make any required transfer to the Rebate Fund pursuant to the Indenture; (iii) redeem the Bonds and any Parity Bonds in whole or in part; and (iv) pay the principal and interest due in the final year of maturity of the Bonds and any series of Parity Bonds. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Reserve Account of the Special Tax Fund" herein.

Surplus Fund

After the deposit to the Administrative Expense Account, the payment of principal of and interest on the Bonds when due, transfers to the Redemption Account to pay principal and premium, if any, on Bonds called for redemption, transfers to replenish the Reserve Account to the Reserve Requirement and any required transfers to the Rebate Fund, as soon as practicable after each August 15, and in any event prior to each September 1, the Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, other than amounts in the Special Tax Fund which (i) the District has included 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 or (ii) amounts to be transferred to the Acquisition and Construction Fund because such amounts were included in the levy of Special Taxes for the previous Fiscal Year to pay for the acquisition or construction of the Project. Moneys deposited in the Surplus Fund may be applied 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 of the Special Tax Fund are insufficient therefor, to replenish the Reserve Account to the Reserve Requirement, to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses, to pay Project Costs, or for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or any Parity Bonds and may be used by the District for any lawful purpose.

Issuance of Parity Bonds for Refunding Only

The District may issue Parity Bonds, in addition to the Bonds, which shall be secured by a lien on the Special Taxes and funds pledged for the payment of the Bonds under the Indenture on a parity with the Outstanding Bonds as provided herein. The Parity Bonds may be issued only for the purpose of defeasing and refunding a portion of the Outstanding Bonds or other Parity Bonds, but only if such defeasance and refunding will not result in an increase in Annual Debt Service in any Bond Year. The Parity Bonds shall be issued by means of a Supplemental Indenture and without the consent of any Bondowners, upon compliance with the provisions of the Indenture. The District may issue such Parity Bonds subject to the following specific conditions:

(A) The District shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures; 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.

(B) The Supplemental Indenture providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on February 15 and August 15, and principal thereof shall be payable on August 15 in any year in which principal is payable (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) 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) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(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 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 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; and

(5) A certificate from one or more Independent Financial Consultants which, when taken together, certify that 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.

See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — DEFEASANCE AND PARITY BONDS — Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness."

Teeter Plan

Improvement Area No. 1 of the District is included in the County's Teeter Plan and, as described below, so long as the Teeter Plan remains in effect with respect to Improvement Area No. 1 of the District, the

District 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.

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 District and Improvement Area No. 1 therein, 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.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments (if a county has elected to include assessments), 100% of the special tax delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the special tax. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

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.

IMPROVEMENT AREA NO. 1

General Description of the District and Improvement Area No. 1

The District is located in the southern portion of Orange County, in the vicinity of Ortega Highway (Route 74) and Antonio Parkway, south of the community of Ladera Ranch and east of the City of San Juan Capistrano. Improvement Area No. 1, located within the District, consists of approximately 154 gross acres. The land within which the District sits is part of a larger area acquired through a series of Mexican land grants from 1843-1845. The areas conveyed by these land grants included the areas of the County known as the Rancho La Paz, Mission San Juan Capistrano, Rancho Trabuco, Rancho Santa Margarita, and Las Flores (collectively, this property is referred to as the "Ranch"). In 1939, the Ranch was split in two, with

representatives of the O'Neill family retaining the portion located in Orange County, and representatives of the Flood family retaining the southern portion located in San Diego County. In 1942, the United States Marine Corps acquired the entire southern portion to expand Camp Pendleton. After World War II, what remained of the historic Ranch encompassed two Orange County parcels, united under the name of Rancho Mission Viejo. These two parcels totaled 52,000 acres.

In 1966, the O'Neill family and its partners established The Mission Viejo Company and embarked on residential development of a 10,000 acre master planned community now known as the City of Mission Viejo. In 1972, The Mission Viejo Company was sold to Philip Morris Inc., which completed the master planned community. Rancho Mission Viejo, the entity established by the O'Neill family and its partners to develop the remaining Ranch land, is responsible for the creation and development of the master planned communities of Rancho Santa Margarita, Las Flores, and Ladera Ranch. Between the years 2001 and 2009, Rancho Mission Viejo secured all approvals for a comprehensive land use management/operation and open space preservation plan for the remaining 22,815 acres of the family ranch. With these approvals secured, approximately 25% of the Ranch is anticipated to be developed over the next few decades into a new community and the remaining 75% is planned to be set-aside in perpetuity as a permanent habitat reserve covered by a conservation easement to a 501c(3) non-profit corporation known as "The Reserve at Rancho Mission Viejo." The property within Improvement Area No. 1 is a portion of the Village of Esencia project, which is the second phase of the final development within the Ranch. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development" herein.

The District was formed and Improvement Area No. 1 was designated therein in 2017 by the Board under the Act to provide for the financing of public improvements to meet the needs of new development. The Developer and the other owners of the property within Improvement Area No. 1, as the qualified electors of Improvement Area No. 1, authorized the District to incur bonded indebtedness for Improvement Area No. 1 to finance certain public facilities to meet the needs of new development within the District and approved the Rate and Method for Improvement Area No. 1 and authorized the levy of the Special Tax.

Approximately 67 acres of property in Improvement Area No. 1 are expected to be subject to the Special Tax at build-out. The remaining property within Improvement Area No. 1 consists generally of open space, property owned by an owner association, and public property. The development within Improvement Area No. 1 is planned for nine residential projects consisting of 752 for-sale residential units, with 628 market-rate residential units and 124 age-qualified residential units. The remaining nonresidential property within Improvement Area No. 1 is anticipated to be used for recreational facilities, parks and open space and is not anticipated to be subject to the Special Tax. Recreational facilities located within Improvement Area No. 1 are expected to include a park site with amenities such as fire pits, playhouses, barbeques and picnic tables, and a sports park that is planned to include a ball field, tennis courts and swimming pool. The residential development within Improvement Area No. 1 will also be served by the completed recreational facilities located within adjacent CFD No. 2015-1 and CFD No. 2016-1, which include the Hilltop Club, a community hall with coffee house and farm, and a joint use multi-purpose building.

Merchant homebuilders have entered into contracts with the Developer to purchase the land within Improvement Area No. 1 for residential development in phased takedowns. As of November 15, 2017, model home complexes have been completed for six of the nine projects within Improvement Area No. 1 and construction of the three remaining model home complexes is underway. Certain of the merchant builders have commenced vertical construction of production homes.

The area included in Improvement Area No. 1 has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within Improvement Area No. 1 is substantially complete. Improvement Area No. 1 is accessed via Chiquita Canyon Parkway, which borders the southern boundary of Improvement Area No. 1. The merchant builders are responsible for completing all in-tract improvements within their respective projects. See "PROPERTY OWNERSHIP AND THE

DEVELOPMENT." A detailed description of the status of the construction and ownership as of the date of the Appraisal Report is included in APPENDIX B — "APPRAISAL REPORT."

Water and sewer service to the property is provided by the Santa Margarita Water District. Electricity is supplied by San Diego Gas and Electric, natural gas is supplied by The Gas Company, police services are provided by the Orange County Sheriff's Department, and fire services are provided by the Orange County Fire Authority.

Description of Authorized Facilities

The expected total cost of the Facilities eligible to be financed with the proceeds of the bonds to be issued by the District, which includes the Bonds and any bonds issued by the District for Improvement Area No. 2, based on the current estimated cost of the Facilities, is approximately $110,000,000. The facilities authorized to be constructed and acquired by the District with the proceeds of bonds to be issued by the District, consist of roadway improvements, tunnels, regional hiking and biking trails, storm drains, water and wastewater facilities (including, without limitation, domestic and non-domestic water facilities, wells, reservoirs, pipelines, storm and sewer drains and related infrastructure and improvements), wet and dry utilities, bridges and pedestrian bridges, parks, traffic signals, school facilities and equipment, sheriff's substations and equipment and library facilities and equipment, and related infrastructure improvements, both onsite and offsite appurtenances and appurtenant work in connection with the foregoing (collectively, the "Facilities").

The estimated cost of the Facilities eligible to be financed with proceeds of bonds to be issued by the District for Improvement Area No. 1 and Improvement Area No. 2, based on the current estimated cost of the Facilities, is set forth in Table 2 below. However, the actual cost of the Facilities will depend on various factors, including product mix and the timing of construction within the undeveloped portion of the District, and such costs could be significantly higher. The costs of the Facilities in excess of available proceeds from the sale of the Bonds and any bonds to be issued for Improvement Area No. 2 of the District are expected to be paid for by the Developer. Upon the delivery of the Bonds, $77,225,647.77 will be deposited to the Acquisition and Construction Fund to finance the Facilities. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development — *Infrastructure Requirements and Financing Plan*" below.

TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2017-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
FACILITIES ELIGIBLE TO BE FINANCED
WITH BOND PROCEEDS

Facility Description	***Estimated Amount*[(1)]**	***Amount Expended as of November 15, 2017*[(2)]**
Santa Margarita Water District Facilities	$ 20,000,000	$ 4,528,250
Onsite and Offsite Facilities and Dry Utilities	90,000,000	38,609,450
Total Facilities	**$110,000,000**	**$43,137,700**

(1) Based on the current estimated cost of the Facilities. Includes amounts eligible to be financed from proceeds of any bonds issued by the District for Improvement Area No. 2.

(2) Reflects amounts expended on the Facilities which are eligible for reimbursement from Bond proceeds. Does not include all costs of backbone infrastructure related to development within the District. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development — *Infrastructure Requirements and Financing Plan*" below.

Source: The Developer.

Direct and Overlapping Indebtedness

The ability of an owner of land within Improvement Area No. 1 to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments consist of the direct and overlapping debt in Improvement Area No. 1 and are set forth in Table 3 below, (the "Debt Report"). The Debt Report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, *ad valorem* taxes or special taxes. See "SAMPLE PROPERTY TAX BILLS" in APPENDIX I for information regarding other entities levying taxes, assessments or other charges on property in Improvement Area No. 1. The Debt Report includes the principal amount of the Bonds. The Debt Report has been derived from data assembled and reported to the District by David Taussig & Associates, Inc. as of September 2, 2017. None of the District, the County, or the Underwriters have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2017-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
(IMPROVEMENT AREA NO. 1)
OVERLAPPING DEBT SUMMARY

Overlapping District	*Total Levy*	*Amount of Levy on Parcels in Improvement Area No. 1*[(1)]	*Percent of Levy on Parcels in Improvement Area No. 1*	*Total Debt Outstanding*[(2)]	*District Share of Total Debt Outstanding*[(3)]
Metropolitan Water District	$121,647,024	$ 4,000	0.0033%	$74,905,000	$ 2,463
Capistrano Unified SFID No. 1 Series 2001B	2,382,241	4,765	0.2000	7,408,787	14,820
Capistrano Unified SFID No. 1 Series 2012 Refunding	2,188,004	4,377	0.2000	17,090,000	34,186
Santa Margarita Water District ID No. 4/4C	968,781	148,971	15.3772	3,347,529[(4)]	514,756
Estimated Share of Overlapping Debt Allocable to Improvement Area No. 1					$ 566,226
Plus the Series A of 2018 Bonds					76,950,000
Estimated Share of Direct and Overlapping Debt Allocable to Improvement Area No. 1					$ 77,516,226

(1) Based on actual Fiscal Year 2017-18 levy.
(2) As of September 2, 2017.
(3) Calculated by multiplying Percent of Levy on Parcels in District column by Total Debt Outstanding column.
(4) Allocated based on Santa Margarita Water District ID No. 4C share of ID No. 4 debt service, as shown in Table I of the Fiscal Year 2017-18 Santa Margarita Water District Benefit Analysis Study.

Source: David Taussig & Associates, Inc.

Expected Tax Burden

For Fiscal Year 2017-18, the projected total effective tax rates for all categories of residential units are approximately 2.0% to 1.8% of total projected base sales prices (based on the Price Point Study) for market-rate units and age-qualified units, respectively. See APPENDIX I — "SAMPLE PROPERTY TAX BILLS" attached hereto for sample property tax bills for the average residential unit sizes of each type in the various tax Zones of Improvement Area No. 1. The actual amounts charged and the effective tax rates may vary and may increase or decrease in future years.

Market Absorption Study

In order to determine the projected absorption of the residential property within Improvement Area No. 1, the County engaged Empire Economics, Inc. (the "Market Absorption Consultant") to perform a comprehensive analysis of the product mix characteristics as well as the macroeconomic and microeconomic factors that are expected to influence the absorption of the forthcoming products within Improvement Area No.

1. The Market Absorption Consultant delivered its Market Absorption Study dated May 26, 2017, as revised on November 21, 2017 (the "Market Absorption Study"), in which the Market Absorption Consultant has concluded based on a statistical comparison of the currently active comparable projects to the forthcoming projects in Improvement Area No. 1 using their total housing prices (base price plus Special Tax liens) and their sizes of living area, that the projects in Improvement Area No. 1 are competitive in the marketplace. The Market Absorption Study notes that the all-ages detached smaller products generally have similar/slightly higher total housing prices than comparable projects in the Esencia developments located in CFD No. 2015-1 and CFD No. 2016-1. With respect to the Topaz product to be developed by the New Home Company, the Market Absorption Study notes that the square footage and total housing prices are higher than the current market comparables and such homes that are highly amenitized are generally regarded as an emerging market in the Escenia development.

Based on the assumptions and limiting conditions set forth in the Market Absorption Study, the Market Absorption Consultant has estimated the calendar year absorption schedules for the residential projects as follows:

Year	***Projected Absorption Schedule***
2018	185
2019	257
2020	199
2021	65
2022	46
Total	**752**

Source: The Market Absorption Consultant.

Based on the assumptions and subject to the limiting conditions set forth in the Market Absorption Study, the Market Absorption Consultant expects 185 home closings in calendar year 2018, including 35 age-qualified detached homes and 150 homes in the all-ages segment. In calendar year 2019, the Market Absorption Consultant expects 257 home closings based upon the fact that most of such units will have been on the market for a year since becoming available for sale. The Market Absorption Consultant expects 199 home closings to occur in 2020, 65 home closings to occur in 2021, and the final 46 home closings in 2022 (which include the larger all-ages detached product). The absorption schedules for the for-sale property assumes grand openings of the projects in Improvement Area No. 1 between October 2017 and early 2018.

The Market Absorption Consultant identifies potential risks that could affect the estimated absorption, including economic downturn, a sudden spike in mortgage rates, potential tax reform policies relating to housing, and competition from remaining homes to be sold in adjacent CFD No. 2015-1 and CFD No. 2016-1. See "SPECIAL RISK FACTORS — Risks of Real Estate Secured Investments Generally" and "—Tax Cuts and Jobs Act." A complete copy of the Market Absorption Study is attached hereto as APPENDIX J.

Appraisal Report

The estimated assessed value of the property within Improvement Area No. 1, as shown on the County's assessment roll for Fiscal Year 2017-18, is approximately $121,805,272. However, as a result of the requirements of Article XIIIA of the California Constitution, a property's assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within Improvement Area No. 1, the County engaged Harris Realty Appraisal, the Appraiser, to prepare the Appraisal Report. The Appraiser has an "MAI" designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the County and has no material relationships with the County, the District, or the owners of the land within Improvement Area No. 1

other than the relationship represented by the engagement to prepare the Appraisal Report. The County instructed the Appraiser to prepare its analysis and report in conformity with County-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as APPENDIX B — "APPRAISAL REPORT" to this Official Statement.

The purpose of the Appraisal Report was to estimate the aggregate market value of the "as is" condition of the property within Improvement Area No. 1 subject to the Special Taxes. The estimate of market value takes into consideration and assumes the improvements to be funded with the proceeds of the Bonds have been installed and that the development costs provided to the Appraiser by the Developer include all of the costs necessary to bring the subject properties to a finished lot condition. As a result, the value conclusions are based upon a hypothetical condition that the Bonds have been sold with proceeds available for construction of improvements of approximately $77,000,000. Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of November 15, 2017 (the "Date of Value"), the market value of the Taxable Property within Improvement Area No. 1 was $240,000,000. In valuing the 305 lots owned by the Developer, which are under contract to be sold to the merchant builders, the Appraisal Report assumes that the non-refundable deposits which have been paid to the Developer by the merchant builders for those lots (approximately $20.7 million as November 15, 2017) would transfer to any subsequent purchaser of the 305 lots, were they to be sold at a bulk sale. The Appraiser is of the view that the bulk sale value of the lots would be reduced below the appraised value by an amount equal to the deposits not transferred. The County and the District can make no assurances that any of such deposits will be so transferred.

Table 4 below shows the market value of the various parcels owned by the Developer and each of the merchant builders as set forth in the Appraisal Report as of the Date of Value. Since the Date of Value, certain merchant builders have acquired additional residential lots from the Developer. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT" below.

TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2017-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
(IMPROVEMENT AREA NO. 1)
SUMMARY OF APPRAISED VALUES

Owner	*Development Area*	*Ownership as of the Date of Value*[1]	*Projected Number of Units at Build-Out*[2]	*Appraised Value*
The New Home Company	MR-2	80	80	$16,694,960
The New Home Company	MR-4	48	72	12,407,241
The New Home Company	MR-30	7	56	5,147,616
Meritage Homes of California[6]	MR-5	118	118	32,140,265
CalAtlantic Group, Inc.	AH-13	41	79	14,508,536
CalAtlantic Group, Inc.	MR-12	35	105	12,906,727
William Lyon Homes, Inc.	AH-14	30	118	9,711,604
Pulte Home Company	AQ-14	62	62	21,094,818
Pulte Home Company	AQ-15	26	62	11,438,781
RMV PA2 Development, LLC	--	305[4]	--[5]	103,776,350
Total of Individual Appraised Values		**752**	**752**	**$239,826,898**
Total Appraised Value				**$240,000,000**[3]

(1) Based on ownership as of the Date of Value set forth in the Appraisal Report. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT" below.

(2) Based on the total number of units expected to be developed by the merchant builders. The merchant builders are expected to continue to acquire lots within Improvement Area No. 1 in phased takedowns. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT" below.

(3) The total appraised value represents a rounded amount of the appraised values of each owner's property as of the Date of Value.

(4) As of November 15, 2017, property owned by the Developer is planned to be developed into 305 residential units by the merchant builders. Such lots are under contract to be conveyed to merchant builders in phased takedowns.

(5) Property owned by the Developer that is not planned for residential development consists of property to be developed into a community park, recreational facilities and other open space/public property. Such property owned by the Developer that is not planned for residential development is not expected to be subject to the Special Tax levy and was not appraised.

(6) As of January 21, 2018, Meritage Homes had conveyed four homes to individual homeowners.

Source: The Appraiser.

In estimating the market value of the property owned by the merchant builders, the Appraiser utilized a direct comparison approach and static residual analysis for such property to derive a value indication for the finalized lots within each tract adjusted by any costs to complete such finished lots. To arrive at the absorption schedule for the proposed residential developments within Improvement Area No. 1, the Appraiser used the absorption set forth in the Market Absorption Study.

To arrive at the estimated value of the property owned by the Developer, the Appraiser used the developmental analysis approach. The developmental analysis discounts the revenue from future sales to merchant builders over an estimated absorption period and deducts all related direct and indirect expenses associated with sales of the parcels. The on-site improvements completed by the merchant builders which are under contract to purchase such property is then added to the residual value arrived at by the foregoing discounted cash flow analysis.

Reference is made to APPENDIX B for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser's opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within Improvement Area No. 1 may be less than the amount reported in the Appraisal Report. In any case,

there can be no assurance that any portion of the property within Improvement Area No. 1 would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report merely indicates the Appraiser's opinion as to the market value of the property referred to therein as of the date and under the conditions specified therein. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser's opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future. See "SPECIAL RISK FACTORS — Land Values."

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the District a certification to the effect that, while the Appraiser has not updated the Appraisal Report since the date of the Appraisal Report and has not undertaken any obligation to do so, nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal Report that would cause the Appraiser to believe that the value of the property in Improvement Area No. 1 is less than the value of Improvement Area No. 1 reported in the Appraisal Report. However, the Appraiser notes that acts and events may have occurred since the date of the Appraisal Report which could result in both positive and negative effects on market value within Improvement Area No. 1. The Appraiser has reviewed the merchant builder base prices as of the date of this Official Statement and concluded that those base prices do not cause it to believe that the value of property listed for any owner in Table 4 above would be reduced.

In August 2017, the Appraiser prepared the Initial Appraisal with respect to the property within Improvement Area No. 1 which provided an estimated appraised value for such property of $221,000,000, which is $19,000,000 lower than the amount set forth in the Appraisal Report. In order to have an appraisal with a date of value more recent than August 1, 2017, the County engaged the Appraiser to prepare the Appraisal Report with a date of value of November 15, 2017. Development activity, including home construction, within Improvement Area No. 1 has progressed since the time of the Initial Appraisal and such progress, along with factors set forth the Appraisal Report, were taken into consideration by the Appraiser in arriving at the estimated appraised value of the property within Improvement Area No. 1 as of November 15, 2017.

Appraised Value-To-Lien Ratios

Table 5 below incorporates the values assigned to parcels in the Appraisal Report, the estimated principal amount of the Bonds allocable to each category of parcels and the estimated appraised value-to-lien ratios for various categories of parcels based upon appraised values and property ownership in Improvement Area No. 1 as of the Date of Value as set forth in the Appraisal Report. Based on the principal amount of the Bonds, the estimated appraised value-to-lien ratio within Improvement Area No. 1 including all Taxable Property as of the Date of Value is 3.12-to-1. This ratio does not include other overlapping debt within Improvement Area No. 1. See "— Direct and Overlapping Indebtedness" above. Taking that direct and overlapping debt into account, the ratio of the aggregate appraised value of the Taxable Property within Improvement Area No. 1 to the total principal amount of all direct and overlapping general obligation debt for Improvement Area No. 1 is approximately 3.09-to-1.

As shown in Table 5 below, the estimated appraised value-to-lien ratios within Improvement Area No. 1 vary from a low of 2.16-to-1 to a high of 7.21-to-1 when categorized by ownership, land use and development status. The estimated appraised value-to-lien ratios for each owner's property, in the aggregate, within Improvement Area No. 1 are as follows: 3.22-to-1 for the New Home Company; 2.80-to-1 for Meritage Homes; 3.14-to-1 for CalAlantic; 2.58-to-1 for Lyon Homes; 4.21-to-1 for Pulte; and 2.95-to-1 for the Developer.

The share of Bonds set forth in Table 5 below is allocated based on each property's share of the estimated Fiscal Year 2018-19 Special Tax levy based on land use and ownership as of the Date of Value. In the Annual Reports provided pursuant to the District Continuing Disclosure Certificate, Table 5 will not be

updated based on appraised value, but similar information will be provided based on current assessed value. Based on the Fiscal Year 2017-18 assessed value of $121,805,272, the assessed value-to-lien ratio, taking the total direct and overlapping debt in Table 5 into account, is approximately 1.57-to-1.

TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 2017-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
(IMPROVEMENT AREA NO. 1)
APPRAISED VALUE-TO-LIEN RATIOS

Property Classification / Owner[1]	*Estimated Fiscal Year 2018-19 Number of Units/Lots*	*County of Orange CFD No. 2017-1 Improvement Area No. 1 Estimated Fiscal Year 2018-19 Special Tax Levy*	*County of Orange CFD No. 2017-1 Improvement Area No. 1 Bonds Outstanding*[2]	*Metropolitan Water District Bonds Outstanding*[3]	*Capistrano Unified School District SFID Bonds Outstanding*[3]	*Santa Margarita Water District ID 4/4C Bonds Outstanding*[3]	*Total Direct and Overlapping Debt*	*Appraised Value*[4]	*Estimated Appraised Value-to-Lien Ratios*[6][7]
Developed Property[5]									
New Home Company – Completed	12	$ 49,134	$ 928,388	$ 19	$ 378	$ 3,967	$ 932,751	$ 6,201,068	6.65
New Home Company – Under Construction	30	137,564	2,599,258	55	1,100	11,542	2,611,955	9,716,437	3.72
New Home Company – Finished Lots	28	116,700	2,205,034	45	894	9,380	2,215,353	4,783,714	2.16
Meritage Homes – Completed	4	21,482	405,903	13	252	2,647	408,816	2,395,960	5.86
Meritage Homes – Under Construction	25	130,603	2,467,722	79	1,576	16,546	2,485,923	8,715,305	3.51
CalAtlantic Homes – Completed	3	19,086	360,632	10	197	2,071	362,910	2,126,250	5.86
CalAtlantic Homes – Under Construction	29	180,611	3,412,626	95	1,898	19,938	3,434,558	12,013,313	3.50
CalAtlantic Homes – Finished Lots	17	105,921	2,001,360	56	1,112	11,679	2,014,206	5,151,637	2.56
William Lyon Homes – Under Construction	6	43,205	816,355	20	396	4,160	820,931	2,442,000	2.97
William Lyon Homes – Finished Lots	12	86,410	1,632,710	40	793	8,320	1,641,863	3,634,802	2.21
Pulte Homes- Completed	8	41,484	783,842	35	696	7,306	791,879	5,709,545	7.21
Pulte Homes – Finished Lots	19	101,256	1,913,225	86	1,714	17,999	1,933,024	6,742,890	3.49
Subtotal	**193**	**$ 1,033,459**	**$ 19,527,054**	**$ 553**	**$ 11,006**	**$ 115,556**	**$ 19,654,169**	**$ 69,632,921**	**3.54**
Undeveloped Property[5]									
New Home Company – Finished Lots	65	$ 256,367	$ 4,844,016	$ 121	$ 2,404	$ 25,235	$ 4,871,777	$ 13,548,598	2.78
Meritage Homes – Finished Lots	89	450,915	8,519,972	282	5,610	58,904	8,584,768	21,029,000	2.45
CalAtlantic Homes – Finished Lots	27	152,940	2,889,780	89	1,767	18,557	2,910,193	8,124,063	2.79
William Lyon Homes – Finished Lots	12	68,637	1,296,885	40	793	8,320	1,306,038	3,634,802	2.78
Pulte Homes– Finished Lots	61	262,033	4,951,074	256	5,093	53,487	5,009,910	20,081,164	4.01
RMV PA2 Development, LLC – Finished Lots	305	1,848,187	34,921,219	1,123	22,334	234,695	35,179,371	103,776,350 [6	2.95
Subtotal	**559**	**$ 3,039,079**	**$ 57,422,946**	**$ 1,910**	**$ 38,001**	**$ 399,200**	**$ 57,862,056**	**$ 170,193,977**	**2.94**
TOTAL	**752**	$ **4,072,538**	$ **76,950,000**	$ **2,463**	$ **49,007**	$ **514,756**	$ **77,516,226**	$ **239,826,898**	**3.09**

(1) Based on Appraisal Report as of the Date of Value. Since the Date of Value, the New Home Company, William Lyon Homes, Inc. and Pulte Home Company, LLC acquired an additional 24, 24 and 36 lots, respectively, from the Developer and Meritage Homes had conveyed four homes to individual homeowners. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in Improvement Area No. 1" below.

(2) Based on estimated Fiscal Year 2018-19 Special Tax levy.

(3) As of September 2, 2017. Allocated based on actual Fiscal Year 2017-18 levy.

(4) Represents the Appraiser's opinion of unrounded appraised values as of November 15, 2017.

(5) Based on development status as of November 15, 2017. Pursuant to the Rate and Method, Undeveloped Property is any property that did not have a building permit as of January 1, of the preceding fiscal year. Undeveloped Property will be taxed based on acreage pursuant to the Rate and Method. Between November 15, 2017 and January 1, 2018, the New Home Company, Meritage Homes and CalAtlantic pulled an additional five, 13 and eight building permits, respectively, for their projects within Improvement Area No. 1 (for a total of 219 building permits issued within Improvement Area No. 1 as of January 1, 2018).

(6) Calculated by dividing the Appraised Value column by the Total Direct and Overlapping Debt column.

(7) Estimated appraised value-to-lien ratios for each owner's property, in the aggregate, are as follows: 3.22-to-1 for the New Home Company; 2.80-to-1 for Meritage Homes; 3.14-to-1 for CalAlantic; 2.58-to-1 for Lyon Homes; 4.21-to-1 for Pulte; and 2.95-to-1 for the Developer.

Source: David Taussig & Associates, Inc.

Largest Taxpayers

Table 6A below lists the taxpayers within Improvement Area No. 1 within each Zone based on ownership as of November 15, 2017 and measured by the percentage of the Fiscal Year 2017-18 Special Tax levy. Table 6B below lists the taxpayers within Improvement Area No. 1 within each Zone based on ownership and development status as of November 15, 2017 and measured by the percentage of the projected Fiscal Year 2018-19 Special Tax levy. Based on the ownership status as of November 15, 2017 provided in the Appraisal Report, assuming no additional conveyance of property by the Developer to merchant builders or any transfer of property by merchant builders to individual homeowners, for Fiscal Year 2017-18 and Fiscal Year 2018-19, the largest taxpayer within Improvement Area No. 1 is the Developer, which is responsible for approximately 55.70% and 45.38% of the Fiscal Year 2017-18 and the estimated Fiscal Year 2018-19 Special Tax levy, respectively. Since November 15, 2017, the New Home Company, Lyon Homes and Pulte acquired an additional 24, 24 and 36 lots, respectively, from the Developer, which reduces the Developer's expected share of the estimated Fiscal Year 2018-19 Special Tax levy to approximately 35.77%. Based on the scheduled takedown of residential lots by the merchant builders, the Developer's share of the Special Tax levy can be expected to decrease further. See "SPECIAL RISK FACTORS — Concentration of Ownership."

TABLE 6A
COMMUNITY FACILITIES DISTRICT NO. 2017-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
(IMPROVEMENT AREA NO. 1)
ESTIMATED FISCAL YEAR 2017-18 LARGEST TAXPAYERS

Zone	*Owner* [1]	*Planning Area*	*Fiscal Year 2017-18 Taxable Acreage*[2]	*Fiscal Year 2017-18 Tax Class*	*Fiscal Year 2017-18 Special Tax Levy*	*Percent of Total Levy*
1	New Home Company	MR-2	2.68	Undeveloped	$ 103,907	3.58%
2	New Home Company	MR-4	3.22	Undeveloped	141,271	4.87
4	New Home Company	MR-30	0.24	Undeveloped	7,273	0.25
	Subtotal		6.15		$ 252,452	8.70%
2	Meritage Homes	MR-5	4.69		$ 205,486	7.08%
3	CalAtlantic Homes	AH-13	5.08	Undeveloped	$ 180,205	6.21%
4	CalAtlantic Homes	MR-12	7.81	Undeveloped	237,643	8.19
	Subtotal		12.89		$ 417,848	14.40%
3	William Lyon Homes	AH-14	6.23	Undeveloped	$ 220,999	7.61%
5	Pulte Homes	AQ-14	3.74	Undeveloped	$ 87,425	3.01%
6	Pulte Homes	AQ-15	4.49	Undeveloped	101,475	3.50
	Subtotal		8.23		$ 188,900	6.51%
1	RMV PA2 Development, LLC	MR-2	1.80	Undeveloped	$ 69,685	2.40%
2	RMV PA2 Development, LLC	MR-4 & MR-5	5.47	Undeveloped	239,806	8.26
3	RMV PA2 Development, LLC	AH-13 & AH-14	13.17	Undeveloped	467,149	16.09
4	RMV PA2 Development, LLC	MR-12 & MR-030	19.78	Undeveloped	601,822	20.73
5	RMV PA2 Development, LLC	AQ-14	3.97	Undeveloped	92,994	3.20
6	RMV PA2 Development, LLC	AQ-15	6.43	Undeveloped	145,397	5.01
	Subtotal		50.62		$ 1,616,853	55.70%
Total			**88.80**		**$ 2,902,537**	**100.00%**

(1) Based on Appraisal Report as of the Date of Value.
(2) Approximately 67 acres within Improvement Area No. 1 are expected to be subject to the Special Tax levy at build-out.
Source: David Taussig & Associates, Inc.

TABLE 6B
COMMUNITY FACILITIES DISTRICT NO. 2017-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
(IMPROVEMENT AREA NO. 1)
ESTIMATED FISCAL YEAR 2018-19 LARGEST TAXPAYERS

Zone	*Owner* [1]	*Planning Area*	*Estimated Number of Lots*[2]	*Estimated Fiscal Year 2018-19 Taxable Acreage*[2]	*Fiscal Year 2018-19 Tax Class*[1]	*Fiscal Year 2018-19 Special Tax Levy*	*Percent of Total Levy*
2	RMV PA2 Development, LLC	MR-4	24	0.92	Undeveloped	$ 72,238	1.77%
3	RMV PA2 Development, LLC	AH-13 & AH-14	126	11.73	Undeveloped	744,792	18.29
4	RMV PA2 Development, LLC	MR-12 & MR-30	119	15.59	Undeveloped	848,730	20.84
6	RMV PA2 Development, LLC	AQ-15	36	4.51	Undeveloped	182,427	4.48
	Subtotal		305	32.75		$ 1,848,187	45.38%
2	Meritage Homes[3]	MR-5	29	1.87	Developed	$ 152,085	3.73%
2	Meritage Homes	MR-5	89	5.75	Undeveloped	450,915	11.07
	Subtotal		118	7.62		$ 603,000	14.81%
1	New Home Company	MR-2	40	1.89	Developed	$ 153,643	3.77%
1	New Home Company	MR-2	40	1.93	Undeveloped	133,375	3.27
2	New Home Company	MR-4	28	1.10	Developed	128,892	3.16
2	New Home Company	MR-4	20	0.77	Undeveloped	60,633	1.49
4	New Home Company[4]	MR-30	2	0.39	Developed	20,864	0.51
4	New Home Company[4]	MR-30	5	1.15	Undeveloped	62,359	1.53
	Subtotal		135	7.23		$ 559,766	13.74%
3	CalAtlantic Homes[5]	AH-13	27	2.47	Developed	$ 169,732	4.17%
3	CalAtlantic Homes	AH-13	14	1.34	Undeveloped	85,218	2.09
4	CalAtlantic Homes	MR-12	22	1.98	Developed	135,886	3.34
4	CalAtlantic Homes	MR-12	13	1.24	Undeveloped	67,722	1.66
	Subtotal		76	7.03		$ 458,559	11.26%
5	Pulte Homes	AQ-14	14	1.33	Developed	$ 63,960	1.57%
5	Pulte Homes	AQ-14	48	4.65	Undeveloped	194,847	4.78
6	Pulte Homes	AQ-15	13	1.75	Developed	78,781	1.93
6	Pulte Homes	AQ-15	13	1.66	Undeveloped	67,186	1.65
	Subtotal		88	9.39		$ 404,774	9.94%
3	William Lyon Homes	AH-14	18	1.76	Developed	$ 129,615	3.18%
3	William Lyon Homes	AH-14	12	1.08	Undeveloped	68,637	1.69
	Subtotal		30	2.84		$ 198,252	4.87%
Total			**752**	**66.86**		**$ 4,072,538**	**100.00%**

(1) Based on Appraisal Report as of the Date of Value. Since the Date of Value, the New Home Company, Lyon Homes and Pulte acquired an additional 24, 24 and 36 lots, respectively, from the Developer. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in Improvement Area No. 1" below.

(2) Property that is classified as Developed Property under the Rate and Method will be taxed on a per lot basis. Property that is classified as Undeveloped Property under the Rate and Method will be taxed on a per acre basis. See APPENDIX A attached hereto.

(3) As of January 1, 2018, Meritage Homes had pulled an additional 13 building permits. As of January 21, 2018, Meritage had conveyed four homes to individual homeowners.

(4) As of January 1, 2018, the New Home Company had pulled an additional five building permits.

(5) As of January 1, 2018, CalAtlantic had pulled an additional eight building permits.

Source: David Taussig & Associates, Inc.

Delinquency History

Fiscal Year 2017-18 is the first fiscal year in which Special Taxes were levied within Improvement Area No. 1. Unpaid amounts of the first installment of the Fiscal Year 2017-18 Special Taxes became delinquent on December 12, 2017. There were no delinquencies for the first installment of the Fiscal Year 2017-18 Special Taxes.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The following information about RMV PA2 Development, LLC and the merchant builders and their respective developments within Improvement Area No. 1 has been provided by RMV PA2 Development, LLC (except information regarding estimated base sales prices of homes within Improvement Area No. 1, which has been provided by the Market Absorption Consultant. No information has been provided directly by the merchant builders to the District or the County. No assurance can be given that the proposed developments will occur as described in this Official Statement or that they will be completed in a timely manner, if at all, or that the current property owners will continue to own the property. Neither the Bonds nor the Special Taxes securing the Bonds are personal obligations of the property owners or any affiliate thereof and, in the event that a property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of such property owner or any affiliate thereof. None of the information with respect to the merchant builders (other than the building permits issued in Table 7) will be subject to future update in the Developer Continuing Disclosure Agreement. See "SPECIAL RISK FACTORS" herein and APPENDIX G—"FORM OF CONTINUING DISCLOSURE AGREEMENT OF RMV PA2 DEVELOPMENT, LLC."

General Description of the Development

The District is located in the southern portion of Orange County, in the vicinity of Ortega Highway (Route 74) and Antonio Parkway, south of Ladera Ranch and east of the City of San Juan Capistrano. The property in Improvement Area No. 1 is a portion of Planning Area 2, which is the second phase of one of six planning areas of the Rancho Mission Viejo Ranch Plan Planned Community, a proposed 22,815-acre master planned community which is anticipated to be the final master planned community within the Ranch. Improvement Area No. 1 consists of approximately 154 gross acres, of which approximately 67 acres are expected to be subject to the Special Tax at build-out. Development within Improvement Area No. 1 is expected to include 752 residential units (consisting of 628 market-rate residential units and 124 age-qualified residential units). In addition, there are expected to be a neighborhood recreation center consisting of a park and related amenities as well as a sports park which is planned to include a ball field, tennis courts and a swimming pool. The residential development within Improvement Area No. 1 will also be served by the completed recreational facilities located within the adjacent earlier phases of the Esencia development in CFD No. 2015-1 and CFD No. 2016-1, which include the Hilltop Club, a community hall with coffee house and farm, and a joint use multi-purpose building.

Merchant homebuilders have entered into contracts with the Developer to purchase all of the land available that is currently planned for development of the residential projects in Improvement Area No. 1. The residential lots are expected to continue to be conveyed by the Developer to such merchant builders in phased takedowns. As of November 15, 2017, model home complexes have been completed for six of the nine projects within Improvement Area No. 1 and construction of the three remaining model home complexes was underway. Certain of the merchant builders have commenced vertical construction of production homes. Between November 15, 2017 and January 21, 2018, the merchant builders within Improvement Area No. 1 have entered into contracts for the sale of 49 homes, four of which (within Meritage Homes' Modena project) have closed to individual homeowners. See "—Merchant Builders in Improvement Area No. 1" herein.

The District is the third phase of the Esencia development. The first phase, which is located within CFD No. 2015-1 is planned for 522 market-rate residential units and 318 age-qualified residential units and

opened for sale in September 2015. As of January 14, 2018, 759 of the 840 planned residential units within CFD No. 2015-1 had been sold to individual homeowners. Special taxes levied within CFD No. 2015-1 are not pledged to and are not available to pay debt service on the Bonds.

The second phase of the Esencia development is located within CFD No. 2016-1 and is planned for 605 market-rate residential units and 288 age-qualified units. Sales in CFD No. 2016-1 commenced in September 2016. As of January 14, 2018, 428 of the 893 planned residential units within CFD No. 2016-1 had been sold to individual homeowners. Special taxes levied within CFD No. 2016-1 are not pledged to and are not available to pay debt service on the Bonds.

The area included in Improvement Area No. 1 has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within Improvement Area No. 1 has been completed. Residential lots are expected to be finished in phases by the merchant builders. Seven of the nine residential projects within Improvement Area No. 1 held grand openings and commenced home sales between October and December of 2017. The Reverie project by Lyon Homes (planned for 118 single family detached homes) and the Topaz project by the New Home Company (planned for 56 single family detached homes) are expected to hold grand opening events in February and March 2018, respectively. As of November 15, 2017, merchant builders had pulled 193 building permits within Improvement Area No. 1, including building permits for all 39 of the planned model homes. Between November 15, 2017 and January 1, 2018, the New Home Company, Meritage Homes and CalAtlantic pulled an additional five, 13 and eight building permits, respectively, for their projects within Improvement Area No. 1 (for a total of 219 building permits issued within Improvement Area No. 1 as of January 1, 2018).

In May 2015, the Developer started pre-opening marketing efforts for the Esencia development, including advertising and creating a website. The Developer has continued to market the Esencia development as new homes within Improvement Area No. 1 (phase three of Esencia) are developed by the merchant builders. The Developer represents that, as of January 1, 2018, more than 700,000 people have visited the website and more than 16,000 people have signed up to receive more information on the new homes in Esencia.

The Developer

RMV PA2 Development, LLC is the master developer of Esencia. The Developer is a limited liability company created under the laws of the State of Delaware, was formed on April 17, 2013 and is governed by that certain Amended and Restated Limited Liability Company Operating Agreement, dated as of June 30, 2015. The sole member of the Developer is RMV Community Development, LLC, a California limited liability company ("RMV CD"). RMV CD is the managing member of the Developer. Excerpts from the Developer's unaudited financial statements for the period ended November 30, 2017 and the fiscal year ended December 31, 2016, are attached hereto as APPENDIX K. The excerpts from the financial statements of the Developer are included for informational purposes only and the inclusion of such information does not mean that the Bonds are secured by any resources of the Developer.

RMV CD was formed on April 5, 2006 and is governed by that certain Limited Liability Company Operating Agreement, dated as of April 25, 2006, as amended on April 14, 2009 (the "RMV Community Development Operating Agreement"). The members of RMV CD are DMB Ladera, L.L.C., a Delaware corporation ("DMB Ladera"), and RMV Community Development Company, Inc., a California corporation ("RMV CDCI"), as the managing member of RMV CD. RMV CD is the developer of Sendero, a community that represents the first phase of the RMV Ranch Plan Planned Community. DMB Ladera is the developer of Ladera Ranch.

The members of DMB Ladera are DMB Consolidated Holdings, L.L.C., an Arizona limited liability company ("DMB"), and Ladera Development Company, L.L.C., a Delaware limited liability company ("Ladera").

DMB is a privately-held, diversified real estate investment and development firm with real estate holdings through affiliated companies that include residential communities, commercial developments and golf course properties located in Arizona, California, Hawaii, and Utah. DMB was formed in 1984 by Drew Brown, Mark Sklar and Bennett Dorrance. Since its inception, DMB has pursued large-scale real estate development. Early activities focused on commercial development, including the 1.2 million square-foot Centerpoint project in Tempe, Arizona. In the late 1980s and early 1990s, DMB focused on acquisition of both commercial properties and forming joint ventures to develop master planned communities.

Starting in 1994, DMB focused primarily on master planned community development. In most cases, a DMB managed entity partners with a landowner. Master planned communities developed or in development by DMB affiliated entities include Verrado in Buckeye, Arizona (8,800 acres), DC Ranch in Scottsdale, Arizona (8,000 acres); Marley Park in Surprise, Arizona (956 acres); One Scottsdale in Scottsdale, Arizona (120 acres); Power Ranch in Gilbert, Arizona (2,000 acres); Forest Highlands in Flagstaff, Arizona (500 acres); Ladera Ranch in Orange County, California (4,000 acres); Lahontan in North Lake Tahoe, California (720 acres), Martis Camp in North Lake Tahoe, California (2,200 acres); Santaluz in San Diego, California (4,000 acres); Kukui'ula, on Kauai, Hawaii (1,010 acres); Glenwild in Park City, Utah (950 acres) and Eastmark in Mesa, Arizona (3,200 acres).

The members of Ladera are members of the O'Neill family and key employees of Rancho Mission Viejo, L.L.C. ("RMV"), a Delaware limited liability company which is controlled and majority owned by members of the O'Neill family (with the remaining ownership held by key employees of RMV). Ladera was formed in February 1995 to acquire an option to purchase the property comprising Ladera Ranch from Santa Margarita Company ("Santa Margarita"), an affiliate of RMV, and to develop the property in Ladera Ranch.

The members of RMV CDCI are the principals of DMB and their family trusts, members of the O'Neill family and key employees of RMV. RMV CDCI was formed in September 2004 to acquire an option to purchase the property comprising the residential portions of Esencia from DMB San Juan Investment North, LLC ("DMB SJIN"), an affiliate of RMV, and to develop the properties in Sendero and Esencia.

History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy. The Developer has represented to the District as follows: a) neither the Developer, nor any individual or entity which has an ownership interest in the Developer, has ever defaulted in the payment of a special tax or an assessment on property owned by it; b) neither the Developer, nor any individual or entity which has an ownership interest in the Developer, is now in default on any loans, lines of credit or other obligation, or has been in default on any loans, lines of credit or other obligation in the past two years; c) neither the Developer, nor any individual or entity which has an ownership interest in the Developer, has ever filed for bankruptcy or been declared a bankrupt; and d) the Developer has not been served with notice of any claim or suit, nor to the best of the Developer's knowledge is any claim or suit now threatened against the Developer, with respect to the development within Improvement Area No. 1.

The Development

General. The area included in Improvement Area No. 1 has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within Improvement Area No. 1 has been substantially completed. Merchant homebuilders have entered into contracts with the Developer to purchase the land within Improvement Area No. 1 for residential development in phased takedowns. As of November 15, 2017, the merchant builders have commenced the takedown of property. As of November 15, 2017, model home complexes have been completed for six of the nine projects within Improvement Area No. 1 and construction of the three remaining model home complexes was underway. Certain of the merchant builders have commenced vertical construction of production homes. As of November 15, 2017, the property owned by the Developer that is planned for development (305 residential units) was under contract to be sold to merchant builders. As of such date, the property owned by the Developer that is

not planned for residential use is expected to be developed into a community park and recreational facilities, open space and public property.

Infrastructure Requirements and Financing Plan. The Developer estimates that total project cost for the infrastructure improvements benefitting the development within the District to be installed by the Developer, Santa Margarita Water District and the County and be partially funded by the District will total approximately $247 million, of which approximately $184 million has been spent as of November 15, 2017. Of this amount, approximately $110 million is identified as being eligible for reimbursement from proceeds of bonds to be issued by the District, including the Bonds. Of the approximately $247 million in total costs, the Developer estimates that approximately $15 million remains to be spent as of November 15, 2017 on improvements to be installed by the Developer within the boundaries of the District, including: a) $3 million for streets and utilities; b) $3 million for landscaping, hardscape and parks; c) $6 million for amenities; and d) $3 million for engineering, miscellaneous processing and legal fees, and marketing. All remaining infrastructure improvements to be installed by the Developer within the boundaries of the District are anticipated to be completed by December 2018 and are planned to be funded by the Developer with cash on hand, and available Bond proceeds, and proceeds of bonds to be issued by the District in the future for Improvement Area No. 2.

The remaining infrastructure improvements to be installed by the Developer outside the boundaries of the District are anticipated to be installed over the next three years as required by the County, but such improvements are not a condition to the development or sale of residences within the District. The improvements to be installed by the Developer outside the boundaries of the District are anticipated to be funded through proceeds of bonds to be issued by the District, other public funding mechanisms and cash on hand.

Notwithstanding the Developer's belief that the funding sources described above are expected to be sufficient to complete the remaining backbone infrastructure to be completed by the Developer in Improvement Area No. 1, there is no assurance that amounts necessary to finance the construction of such remaining backbone infrastructure to be completed within Improvement Area No. 1 will be available from the Developer or any other funding source when needed. If and to the extent the sources of financing described above are inadequate to complete the remaining backbone infrastructure to be completed by the Developer, the planned development of the property may not proceed as planned. Neither the Developer nor any of the merchant builders have any legal obligation to the Bondowners to expend funds for the development of the property within Improvement Area No. 1 or the payment of *ad valorem* property taxes or the Special Taxes, though the Developer and the merchant builders have legal obligations to each other to expend certain funds relating to the development. The Developer has posted improvement bonds to guarantee completion of the backbone infrastructure. Additionally, each of the merchant builders has posted improvement bonds to guarantee completion of its in-tract improvements.

Entitlements for the Overall Rancho Mission Viejo Ranch Plan Planned Community. The Rancho Mission Viejo Ranch Plan Planned Community application was approved by the Board of Supervisors with a General Plan Amendment, zone change, and development agreement on November 8, 2004. There were subsequently a number of entitlements and lawsuits that were settled, as noted below. A requirement by the County for the Rancho Mission Viejo Ranch Plan Planned Community, Condition of Approval No. 1, is that a Master Area Plan is required for each of the planning areas. As a result, a Master Area Plan for Planning Area 2.3 and 2.4, which includes the property in the District, was prepared and approved by the County on March 27, 2013 and updated on May 8, 2017.

On November 8, 2004, the County approved a Development Agreement with the owners of the property (the "Original Property Owners") within the Rancho Mission Viejo Ranch Plan Planned Community (the "Development Agreement"). The Development Agreement includes requirements of the County that would need to be accomplished by the Original Property Owners in return for vesting of project approvals to allow build-out of the Rancho Mission Viejo Ranch Plan Planned Community under the development

standards and requirements in place at the time of the approval. The Development Agreement has a term of 30 years.

On November 1, 2016, the Original Property Owners entered into an Assignment and Assumption Agreement with the Developer (the "Assignment Agreement"). Prior to execution of the Assignment Agreement, DMB San Juan Investment North, LLC, transferred land within Planning Area 2, including land within Improvement Area No. 1, to the Developer. Pursuant to the Assignment Agreement, the Original Property Owners assigned to the Developer certain of their rights and obligations under the Development Agreement which were appurtenant and pertained to the lands transferred to the Developer, including the land within Improvement Area No. 1. These obligations included dedication of certain rights of way, funds for local improvements, funding of certain studies relating to traffic projects, and funding of certain street improvements. Each of these obligations has been fulfilled with respect to the land within Improvement Area No. 1. The assigned rights included allocation of certain development rights and associated milestones permitted under the Development Agreement, which include a number of permitted dwellings sufficient to complete build-out of properties in Improvement Area No. 1.

Environmental Impact Report and Litigation. On November 8, 2004, the Board of Supervisors certified the environmental impact report for the project and granted a number of approvals that would allow the implementation of the Rancho Mission Viejo Ranch Plan Planned Community. On December 8, 2004, the Endangered Habitats League, Natural Resources Defense Council, Sea and Sage Audubon Society, Laguna Greenbelt, Inc., and Sierra Club filed suit challenging the County's approval of the Rancho Mission Viejo Ranch Plan Planned Community and related environmental impact report.

On August 16, 2005, RMV, the County, the Endangered Habitats League, Natural Resources Defense Council, Sea and Sage Audubon Society, Laguna Greenbelt, Inc., and Sierra Club reached an agreement to settle the lawsuit challenging the County's approval of the Rancho Mission Viejo Ranch Plan Planned Community and the comprehensive open space and land use management plan for the remaining 22,815 acres of Rancho Mission Viejo, including the area comprising Improvement Area No. 1. The settlement resolved all outstanding litigation of the parties regarding the Rancho Mission Viejo Ranch Plan Planned Community and expanded the protection of open space and species found in the area covered by the Ranch Plan.

As a result of the litigation settlements, the Ranch Plan and the Development Agreement, the remaining undeveloped portions of the Ranch consisting of the Rancho Mission Viejo Ranch Plan Planned Community is entitled for the development of up to 14,000 dwelling units and 5.2 million square feet of commercial, business and urban centers located on 5,873 acres within six planning areas. The remaining 16,942 acres will remain open space.

Other Settlement Agreements. On December 8, 2004, RMV entered into an agreement with the City of San Clemente. RMV agreed not to enter into any agreements with any third party to transfer residential density in the Rancho Mission Viejo Ranch Plan Planned Community from the San Juan Watershed to the San Mateo Creek Watershed over that residential density currently allocated pursuant to the Rancho Mission Viejo Ranch Plan Planned Community entitlements. The City of San Clemente agreed not to challenge any transfer of residential density from the San Juan Creek to any one or more of the planning areas in the San Mateo Watershed that is ten percent or less of the San Mateo Watershed density. The agreement also requires RMV to complete a recreational facilities study and restricts the ability of the City of San Clemente to challenge the Rancho Mission Viejo Ranch Plan Planned Community approvals.

On June 9, 2005, RMV entered into an agreement with the City of Mission Viejo in order to resolve such city's challenge to the County's approval of the Rancho Mission Viejo Ranch Plan Planned Community and related environmental impact report. The settlement agreement resolved the City's litigation and, in relevant part, provided for the reallocation of certain funds to be provided by RMV pursuant to the South County Roadway Improvement Program (the "SCRIP") so as to better address local and regional roadway improvements benefiting the City of Mission Viejo.

At this time, the Developer believes that all fees and obligations required by the Development Agreement, related litigation settlements, and the Assignment Agreement for the development of property in Improvement Area No. 1 have been paid or fulfilled, with the exception of construction of Los Patrones Parkway, a portion of which is contemplated to be paid for through the Bond proceeds. The Developer is responsible for the construction of Los Patrones Parkway and intends to construct the same when required by the Development Agreement, however, construction of Los Patrones Parkway is not a condition to the development or sale of residences within the District.

Merchant Builders in Improvement Area No. 1

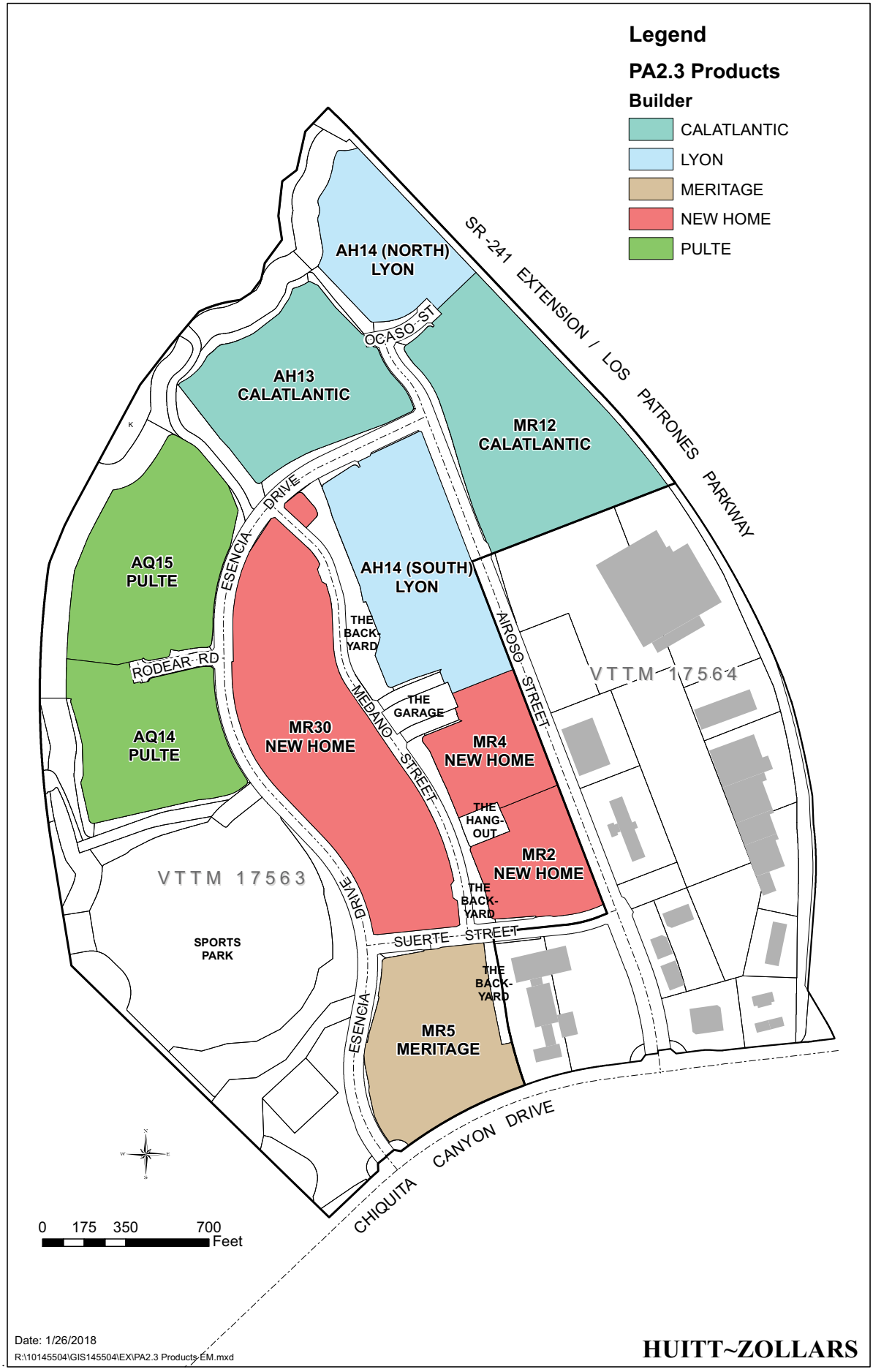
The property in Improvement Area No. 1 consists of nine for-sale residential developments and other lands to be retained by the Developer for nonresidential projects (consisting of an approximately 32 acre sports park, recreational facilities and other open space and public property) which are not expected to be subject to the Special Tax levy. The following table summarizes the residential developments planned within Improvement Area No. 1.

TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 2017-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
(IMPROVEMENT AREA NO. 1)
SUMMARY OF MERCHANT BUILDER DEVELOPMENTS

Merchant Builder	*Project*	*Product Type*[(1)]	*Average Living Area Sq.Ft.*[(2)]	*Number of Units*[(3)]	*Number of Models Complete/ Under Construction*[(4)]	*Number of Building Permits Pulled*[(4)]	*Estimated Average Base Sales Price*[(2)]
Market-Rate							
The New Home Company	Azure (MR-2)	Attached	1,362	80	8	40	$501,800
The New Home Company	Cobalt (MR-4)	Attached Cluster[(6)]	1,387	72	4	28	546,667
The New Home Company	Topaz (MR-30)	Detached	3,612	56	2	2	1,356,250
Meritage Homes of California[(5)]	Modena (MR-5)	Attached Cluster[(6)]	1,671	118	4	29	598,990
CalAtlantic Group, Inc.	Avant (MR-12)	Detached	1,943	105	4	22	708,750
CalAtlantic Group, Inc.	Vivaz (AH-13)	Detached Cluster	1,977	79	3	27	708,750
William Lyon Homes, Inc.	Reverie (AH-14)	Detached Cluster	2,382	118	6	18	740,000
Age-Qualified							
Pulte Home Company	Vida (AQ-14)	Detached Cluster	1,641	62	5	14	665,365
Pulte Home Company	Alma (AQ-15)	Detached	2,113	62	3	13	791,240
TOTAL				**752**	**39**	**193**	

(1) Reflects the product classification for the Zone in which each project is located as set forth in the Rate and Method. See Appendix A hereto.
(2) Averages as set forth in the Appraisal Report. Amounts differ from those set forth in the Market Absorption Study, which includes a weighted average taking into account the number of units per floor plan within each project.
(3) Reflects projected number of units at buildout.
(4) As of November 15, 2017. With the exception of the models for the Avant, Reverie, and Topaz projects, construction of model home complexes was complete. Between November 15, 2017 and January 1, 2018, the New Home Company, Meritage Homes and CalAtlantic pulled an additional five, 13 and eight building permits, respectively, for their projects within Improvement Area No. 1 (for a total of 219 building permits issued within Improvement Area No. 1 as of January 1, 2018).
(5) As of January 21, 2018, Meritage Homes had conveyed four homes to individual homeowners.
(6) Consists of duplex structures with two homes per building.

Source: The Developer, the Appraiser and the Market Absorption Consultant.


Legend
PA2.3 Products
Builder
CALATLANTIC
LYON
MERITAGE
NEW HOME
PULTE
AH14 (NORTH)
LYON
AH13
CALATLANTIC
MR12
CALATLANTIC
AQ15
PULTE
AH14 (SOUTH)
LYON
AQ14
PULTE
MR30
NEW HOME
MR4
NEW HOME
MR2
NEW HOME
MR5
MERITAGE
VTTM 17563
VTTM 17564
SPORTS
PARK
THE
BACK-
YARD
THE
GARAGE
THE
HANG-
OUT
SR-241 EXTENSION / LOS PATRONES PARKWAY
OCASO ST
ESENCIA DRIVE
RODEAR RD
MEDANO STREET
AIROSO STREET
DRIVE
SUERTE STREET
ESENCIA
CHIQUITA CANYON DRIVE
0 175 350 700
Feet
Date: 1/26/2018
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HUITT~ZOLLARS

The projects listed in Table 7 are in various stages of development. A general overview of each merchant builder and its development is set forth below.

The following information about the merchant builders and their respective developments within Improvement Area No. 1 has been provided by RMV PA2 Development, LLC (except information regarding estimated base sales prices of homes within Improvement Area No. 1, which has been provided by the Market Absorption Consultant). No information has been provided directly by the merchant builders to the District or the County. The development and financing plans discussed for each of the merchant builders below are solely projections as of the date of this Official Statement. Such plans are subject to change. No assurance can be given that such plans will remain in their current state or that the plans will ultimately be carried out according to the discussion set forth below. The projected dates of occupancy and sellout of the merchant builders' projects described below may differ from those set forth in the Market Absorption Study. The websites referenced in this section are included for reference only and the information on such websites is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites.

Proposed Development by The New Home Company – Azure (MR-2). The New Home Company Southern California, LLC (previously defined as the "New Home Company") is a subsidiary of The New Home Company, Inc. The New Home Company, Inc., designs, constructs and sells homes in major metropolitan areas in California and Arizona, including coastal Southern California, the San Francisco Bay area, metro Sacramento and the greater Phoenix area. The New Home Company, Inc. is publicly traded on the New York Stock Exchange ("NYSE") and its SEC filings are available to the public at the SEC's website at www.sec.gov.

As of November 15, 2017, the New Home Company had acquired 80 residential lots (approximately 4.6 acres) to develop its Azure project, which is planned to consist of 80 single-family attached homes. Tract map 17603 was recorded for this property on July 18, 2017. Construction of the project commenced in April 2017, first occupancy is expected in February 2018 and sellout by March 2019. As of November 15, 2017, there were eight completed model homes and 16 production homes under construction and 56 near-physically finished lots within the Azure project. The New Home Company provided estimates to the Developer that its construction costs will be between $20 million and $21 million and that it plans to finance that cost using a combination of internal funding and a revolving credit facility. The estimated base sales prices in the Azure project range from $348,000 to $560,000 with units ranging from approximately 707 square feet to 1,619 square feet.

Proposed Development by The New Home Company – Cobalt (MR-4). The New Home Company entered into a contract with the Developer to purchase 72 residential lots (approximately 4.8 acres) in phased takedowns to develop its Cobalt project, which is planned to consist of 72 cluster single-family attached homes (consisting of duplex structures with two homes per building). As of November 15, 2017, the New Home Company had exercised its right to purchase 48 lots for the Cobalt project. In December 2017, the New Home Company acquired the remaining 24 lots within the Cobalt project from the Developer. Tract map 17604 was recorded for this property on July 18, 2017. Construction of the project commenced in April 2017, first occupancy is expected in February 2018 and sellout by June 2019. As of November 15, 2017, there were four completed model homes and 12 production homes under construction and 56 near-physically finished lots within the Cobalt project. The New Home Company provided estimates to the Developer that its construction costs will be between $21 million and $22 million and that it plans to finance that cost using internal funding and a revolving credit facility. The estimated base sales prices in the Cobalt project range from $520,000 to $575,000 with units ranging from approximately 1,223 square feet to 1,527 square feet.

Proposed Development by The New Home Company – Topaz (MR-30). The New Home Company has entered into a contract with the Developer to purchase 56 residential lots (approximately 17.7 acres) in phased takedowns to develop its Topaz project, which is planned to consist of 56 single-family detached

homes. As of November 15, 2017, the New Home Company has exercised its right to purchase seven lots for the Topaz project. Pursuant to its contract with the Developer, the New Home Company is expected to purchase the remaining 49 lots in phased takedowns of approximately six lots per quarter between April 2018 and January 2020. Tract map 17596 was recorded for this property on October 6, 2017. Construction of the project commenced in July 2017, first occupancy is expected in August 2018 and sellout by July 2020. As of November 15, 2017, there were two model homes under construction and 54 blue top lots (including the 49 lots to be conveyed by the Developer to the New Home Company) within the Topaz project. The New Home Company provided estimates to the Developer that its construction costs will be between $43 and $44 million and that it plans to finance that cost using internal funding and a revolving credit facility. The estimated base sales prices in the Topaz project range from $1,295,000 to $1,410,000 with units ranging from approximately 2,897 square feet to 4,420 square feet.

Proposed Development by Meritage Homes – Modena (MR-5). Meritage Homes of California, Inc. (previously defined as "Meritage Homes") is a subsidiary of Meritage Homes Corporation. Meritage Homes' parent company builds and sells single-family homes for various market segments across the Western, Southern and Southeastern United States. Meritage Homes' parent company is publicly traded on the NYSE and its SEC filings are available to the public at the SEC's website at www.sec.gov.

As of November 15, 2017, Meritage Homes had acquired 118 lots (approximately 9.0 acres) to develop its Modena project, which is planned to consist of 118 cluster single-family attached homes (consisting of duplex structures with two homes per building). Tract map 17602 was recorded for this property on May 4, 2017. Construction of the project commenced in July 2017 and sellout is expected by March 2020. As of November 15, 2017, there were four completed model homes and 24 production homes under construction and 90 near-physically finished lots within the Modena project. As of January 21, 2018, Meritage Homes had conveyed four homes to individual homeowners. Meritage Homes provided estimates to the Developer that its construction costs will be between $38 million and $39 million and that it plans to finance that cost using internal funding. The estimated base sales prices in the Modena project range from $564,990 to $652,990 with units ranging from approximately 1,479 square feet to 1,962 square feet.

Proposed Development by CalAtlantic Group – Vivaz (AH-13). CalAtlantic Group, Inc., a Delaware corporation, is a homebuilder incorporated in Delaware in 1991 with principal executive offices located in Irvine, California. CalAtlantic is a publicly traded company with its stock listed on the NYSE. CalAtlantic's SEC filings are available to the public at the SEC's website at www.sec.gov. On October 30, 2017, Lennar Corporation announced that it would acquire CalAtlantic for $5.7 billion in a combination of cash and stock. The proposed transaction is expected to close in early 2018, but no assurances can be made that the proposed transaction will close in the currently estimated timeframe, if at all. Lennar Corporation is a publicly traded company with its stock listed on the NYSE. If Lennar Corporation's acquisition of CalAtlantic is completed, Lennar Corporation may market CalAtlantic's residential developments within Improvement Area No. 1 under one of Lennar Corporation's homebuilding brands. The marketing of CalAtlantic's two residential developments within Improvement Area No. 1 described below under a Lennar Corporation homebuilding brand (if Lennar Corporation elects to do so) is not expected to materially change the sales prices or rate of absorption of such residential developments.

CalAtlantic has entered into a contract with the Developer to purchase 79 residential lots (approximately 10.0 acres) in phased takedowns to develop its Vivaz project, which is planned to consist of 79 cluster single-family detached homes. As of November 15, 2017, CalAtlantic had exercised its right to purchase 41 lots for the Vivaz project. Pursuant to its contract with the Developer, CalAtlantic is expected to purchase the remaining 38 lots within the Vivaz project in May 2018. Tract map 17599 was recorded for this property on June 5, 2017. Construction of the project commenced in May 2017, first occupancy is expected in March 2018 and sellout by July 2019. As of November 15, 2017, there were three completed model homes, 16 production homes under construction and 60 near-physically finished lots (including the remaining 38 lots to be conveyed by the Developer to CalAtlantic) within the Vivaz project. The estimated base sales prices in the Vivaz project range from $669,500 to $735,500 with units ranging from approximately 1,701 square feet to

2,169 square feet. CalAtlantic provided estimates to the Developer that its construction costs will be between $34 million and $35 million and that it plans to finance that cost using funding under a revolving credit facility.

Proposed Development by CalAtlantic Group – Avant (MR-12). CalAtlantic has entered into a contract with the Developer to purchase 105 residential lots (approximately 14.5 acres) in phased takedowns to develop its Avant project, which is planned to consist of 105 single-family detached homes. As of November 15, 2017, CalAtlantic had exercised its right to purchase 35 lots for the Avant project. Pursuant to its contract with the Developer, CalAtlantic is expected to purchase the remaining 70 lots within the Avant project as follows: 39 lots in February 2018 and 31 lots in August 2018. Tract map 17598 was recorded for this property on August 3, 2017. Construction of the project commenced in June 2017, first occupancy is expected in March 2018 and sellout by the end of 2019. As of November 15, 2017, there were four model homes and nine production homes under construction, nine lots for which framing for foundations had commenced and 83 near-physically finished lots (including the remaining 70 to be conveyed by the Developer to CalAtlantic) within the Avant project. The estimated base sales prices in the Avant project range from $669,500 to $735,500 with units ranging from approximately 1,677 square feet to 2,151 square feet. CalAtlantic provided estimates to the Developer that its construction costs will be between $47 million and $48 million and that it plans to finance that cost using funding under a revolving credit facility.

Proposed Development by Lyon Homes – Reverie (AH-14). William Lyon Homes, Inc. (previously defined as "Lyon Homes") is engaged in the design, construction, and sale of single family detached and attached homes in California, Arizona and Nevada. Lyon Homes is publicly-traded on the NYSE. Lyon Homes' SEC filings are available to the public at the SEC's website at www.sec.gov.

Lyon Homes has entered into a contract with the Developer to purchase 118 residential lots (approximately 17.7 acres) in phased takedowns to develop its Reverie project, which is planned to consist of 118 single-family detached homes. As of November 15, 2017, Lyon Homes had exercised its right to purchase 30 lots for the Reverie project. In December 2017, Lyon Homes acquired an additional 24 lots from the Developer. Pursuant to its contract with the Developer, Lyon Homes is expected to purchase the remaining 64 lots within the Reverie project as follows: 23 lots in July 2018 and 41 lots in February 2019. Tract map 17601 and tract map 17600 were recorded for this property on July 18, 2017 and August 3, 2017, respectively. Construction of the project commenced in November 2017, first occupancy is expected in May 2018 and sellout by November 2021. As of November 15, 2017, there were six model homes under construction, 71 near-physically finished lots and 41 blue-top lots (including the remaining 64 lots to be conveyed by the Developer to Lyon Homes), within the Reverie project. Lyon Homes provided estimates to the Developer that its construction costs will be between $51 million and $52 million and that it plans to finance that cost using internal funding. The estimated base sales prices in the Reverie project range from $690,000 to $780,000 with units ranging from approximately 1,914 square feet to 2,664 square feet.

Proposed Development by Pulte Home Company – Vida (AQ-14). Pulte Home Company, LLC (previously defined as "Pulte") is a subsidiary of PulteGroup, Inc. ("PulteGroup"), a publicly-held holding company whose subsidiaries engage primarily in the homebuilding business. The company also has mortgage banking operations, conducted principally through Pulte Mortgage LLC and title operations. PulteGroup is a Michigan corporation organized in 1956 whose common stock trades on the NYSE under the symbol "PHM." PulteGroup's SEC filings are available to the public at the SEC's website at www.sec.gov.

As of November 15, 2017, Pulte had acquired 62 residential lots (approximately 8.5 acres) to develop its Vida project, which is planned to consist of 62 age-qualified cluster single-family detached homes. Tract map 17597 was recorded for this property on June 29, 2017. Construction of the project commenced in July 2017, first occupancy is expected in March 2018 and sellout in October 2019. As of November 15, 2017, there were five completed model homes and 57 near-physically finished lots within the Vida project. The estimated base sales prices in the Vida project range from $594,990 to $724,990 with units ranging from approximately

1,279 square feet to 2,013 square feet. Pulte provided estimates to the Developer that its construction costs will be between $22 million and $23 million and that it plans to finance that cost using internal funding.

Proposed Development by Pulte Home Company – Alma (AQ-15). Pulte entered into a contract with the Developer to purchase 62 residential lots (approximately 8.5 acres) in phased takedowns to develop its Alma project, which is planned to consist of 62 single-family detached homes. As of November 15, 2017, Pulte had exercised its right to purchase 26 lots for the Alma project. In December 2017, Pulte acquired the remaining 36 lots within the Alma project from the Developer. Tract map 17595 was recorded for this property on June 29, 2017. Construction of the project commenced in July 2017, first occupancy is expected in March 2018 and sellout in November 2019. As of November 15, 2017, there were three completed model homes and 59 near-physically finished lots within the Alma project. The estimated base sales prices in the Alma project range from $739,000 to $845,990 with units ranging from approximately 1,827 square feet to 2,451 square feet. Pulte provided estimates to the Developer that its construction costs will be between $28 million and $29 million and that it plans to finance that cost using internal funding.

Remaining Developer Properties. As of November 15, 2017, the Developer owned 305 residential lots within Improvement Area No. 1, all of which are under contract to be conveyed to merchant builders in phased takedowns, as described above. In December 2017, the Developer conveyed an additional 84 lots to the merchant builders as described above and currently owns 221 lots. The final takedown of residential lots by merchant builders is scheduled to occur in January 2020 (consisting of seven lots to be conveyed to the New Home Company). As of November 15, 2017, the Developer also owned approximately 36.5 acres, consisting of the portion of Improvement Area No. 1 planned for nonresidential projects (consisting of an approximately 32 acre sports park, recreational facilities and other open space and public property). The Developer has completed the design phase of the sports park, which is planned to include ball fields, tennis courts and a swimming pool. The Developer expects to commence construction of the sports park in September 2018 and complete construction in January 2020. An approximately five acre community park which is planned to include amenities such as fire pits, playhouses, barbeques and picnic tables is expected to be included within Improvement Area No. 1. Such community park is expected to be complete in February 2018.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area No. 1 to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in Improvement Area No. 1. See "— Land Values" and "— Limited Secondary Market."

Risks of Real Estate Secured Investments Generally

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 the vicinity of Improvement Area No. 1, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous

materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that the Developer, the merchant builders or any future homeowners within Improvement Area No. 1 will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See "— Bankruptcy and Foreclosure" below, for a discussion of certain limitations on the County's ability to pursue judicial proceedings with respect to delinquent parcels.

Tax Cuts and Jobs Act

H.R. 1 of the 115th U.S. Congress, known as the "Tax Cuts and Jobs Act," was enacted into law on December 22, 2017 (the "Tax Act"). The Tax Act makes significant changes to many aspects of the Code. For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes. These changes could increase the cost of home ownership within Improvement Area No. 1 and could slow the pace of home sales by the merchant builders or result in price reductions from the current expected levels. However, neither the County nor the District can predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in Improvement Area No. 1, the pace at which homes in Improvement Area No. 1 are sold to individual homeowners by the merchant builders, or the ability or willingness of homeowners to pay Special Taxes or property taxes.

Concentration of Ownership

Based on the ownership status of the property within Improvement Area No. 1 as of November 15, 2017, assuming no additional conveyance of property by the Developer to merchant builders or any transfer of property by merchant builders to individual homeowner within Improvement Area No. 1, approximately 45.38% of the Special Taxes estimated to be levied in Fiscal Year 2018-19 would be payable by the Developer, approximately 14.81% would be payable by Meritage Homes and approximately 13.74% would be payable by the New Home Company. The remaining merchant builders are expected to be responsible for between approximately 4.87% and 11.26% of the estimated Fiscal Year 2018-19 Special Tax levy. See Tables 6A and 6B above. Since November 15, 2017, the New Home Company, Lyon Homes and Pulte acquired an additional 24, 24 and 36 lots, respectively, from the Developer, which reduces the Developer's expected share of the estimated Fiscal Year 2018-19 Special Tax levy to approximately 35.77%. Based on the scheduled takedown of residential lots by the merchant builders, the Developer's share of the Special Tax levy can be expected to decrease further

Failure of the merchant builders, or any successors, to pay the annual Special Taxes when due could result in a draw on the Reserve Account of the Special Tax Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that the Developer, the merchant builders or their successors, will complete the remaining intended construction and development in Improvement Area No. 1. See "— Failure to Develop Properties."

In Fiscal Year 2017-18, the District levied Special Taxes on property within Improvement Area No. 1 classified as Undeveloped Property which is owned by the Developer and the merchant builders. Undeveloped Property is defined in the Rate and Method as property not classified as Developed Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property or Taxable Religious Property. In the event that the Developer, entities affiliated with the Developer, or any of the merchant builders fail to complete the remaining intended construction and development in Improvement Area No. 1, Special Taxes will continue to be levied on Undeveloped Property owned by such entities. No assurance can be given that the Developer, the merchant builders, or any successors, will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See "— Bankruptcy and Foreclosure" for a discussion of certain limitations on the District's ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of the County. Except with respect to the Special Taxes, neither the faith and credit nor the taxing power of the District or the County is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Indenture, no owner of the Bonds may compel the exercise of any taxing power by the District or the County or force the forfeiture of any County or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the County or a legal or equitable pledge, charge, lien or encumbrance upon any of the County's or the District's property or upon any of the County's or the District's income, receipts or revenues, except the Net Taxes and other amounts pledged under the Indenture.

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in Improvement Area No. 1 will generally be based on the land use class to which a parcel of Developed Property is assigned. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Rate and Method of Apportionment of Special Tax.*"

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District will establish and fund upon the issuance of the Bonds a Reserve Account of the Special Tax Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See "SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund." The District will covenant to maintain in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement subject, however, to the limitation that the District may not levy the Special Tax in Improvement Area No. 1 in any fiscal year at a rate in excess of the maximum amounts permitted under the Rate and Method. As a result, if a significant number of delinquencies occurs, the District could be unable to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Reserve Account of the Special Tax Fund could be depleted and a default on the Bonds could occur.

The District will covenant in the Indenture that, under certain conditions, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*" for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds (if the Reserve Account of the Special Tax Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in Improvement Area No. 1, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Account of the Special Tax Fund to an amount equal to the Reserve Requirement and to pay all current expenses; provided, however, that the Act and the Rate and Method provide that under no circumstances will the Special Tax levied in a Fiscal Year 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 (10%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 1. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in

Improvement Area No. 1 will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates. See "—Bankruptcy and Foreclosure" for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on property that is not located in a Zone. No Special Tax shall be levied on any property in Zone E or on Assessor's Parcels of Conservation Property, Property Owner Association Property, Public Property and/or Religious Property that is within a Zone; provided that an Assessor's Parcel shall not be exempt and shall be classified as Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property and/or Taxable Religious Property if exempting such property would increase the sum of all property exempt from the Special Tax within the applicable Zone to greater than the corresponding acreage amount listed Table 9 in APPENDIX A. See Section E of APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." If for any reason property within Improvement Area No. 1 becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within Improvement Area No. 1. This would result in the owners of such 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 Rate and Method governing the levy of the Special Tax provides that, once a parcel is classified as Taxable Property, it will remain subject to a Special Tax levy even if it is subsequently acquired by a public agency. The Act provides that, if any property within Improvement Area No. 1 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 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 Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within Improvement Area No. 1 was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

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 provide local agencies and taxing areas, including the District and Improvement Area No. 1 therein, with full 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 Improvement Area No. 1 would eliminate such protection from delinquent Special Taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Teeter Plan."

Failure to Develop Properties

Development of property within Improvement Area No. 1 may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer, the merchant builders, or any property owner to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning,

school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in Improvement Area No. 1 is also subject to the availability of water. Finally, development of land is subject to economic considerations.

The Developer reports that the area included in Improvement Area No. 1 has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within Improvement Area No. 1 has been substantially completed. In-tract streets are expected to be completed by the merchant builders as home development within their respective projects continue. The Developer expects to complete a park site with amenities such as fire pits, playhouses, barbeques and picnic tables in February 2018 and a sports park in January 2020 within Improvement Area No. 1.

Merchant builders have entered into contracts with the Developer to purchase all of the land planned for residential development of homes. See PROPERTY OWNERSHIP AND THE DEVELOPMENT" above for a description of the status and schedule of phased takedowns of residential lots by each of the merchant builders. A majority of the residential lots owned by the merchant builders are in a finished lot condition and certain of the merchant builders have commenced construction of model and production homes. No assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete development of the required infrastructure for development in Improvement Area No. 1 as planned, or substantial delays in the completion of the development or the required infrastructure for the development due to litigation or other causes may reduce the value of the property within Improvement Area No. 1 and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within Improvement Area No. 1 to pay the Special Taxes when due.

There can be no assurance that land development operations within Improvement Area No. 1 will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to develop land in Improvement Area No. 1 would cause the property values within Improvement Area No. 1 to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within Improvement Area No. 1 to pay the Special Taxes when due.

The District has levied Special Taxes on Undeveloped Property for Fiscal Year 2017-18 and expects to levy Special Taxes on Undeveloped Property in future fiscal years until the Special Taxes levied on Developed Property are sufficient to fund the Special Tax Requirement. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The Undeveloped Property also provides less security to the Bondowners should it be necessary for the District to foreclose on Undeveloped Property due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within Improvement Area No. 1 as currently proposed will make the Bondowners dependent upon timely payment of the Special Taxes levied on Undeveloped Property. A slowdown or stoppage in the continued development of Improvement

Area No. 1 could reduce the willingness and ability of the Developer, the merchant builders, or any successors, to make Special Tax payments on Undeveloped Property and could greatly reduce the value of such property in the event it has to be foreclosed upon. See "— Land Values."

No Representation as to Merchant Builders

No representation is made as to the experience, abilities or financial resources of the merchant builders who currently own property in Improvement Area No. 1 or of any other purchaser or potential purchaser of property in Improvement Area No. 1 or the likelihood that such merchant builders, purchasers or potential purchasers will be successful in developing such purchased properties within Improvement Area No. 1 beyond the stage of development reached by the Developer within Improvement Area No. 1 as of the Date of Value. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development." The description of expected development by merchant builders in this Official Statement is based on information provided to the District by the Developer and the Appraiser, and none of the merchant builders have provided any information to the District or the County in connection with the preparation of this Official Statement. In making an investment decision, purchasers of the Bonds should not assume that such merchant builders or such other persons or entities that purchase property within Improvement Area No. 1 will develop such properties beyond the current stage of development reached by the Developer and the merchant builders.

Natural Disasters

Improvement Area No. 1, like all California communities, may be subject to unpredictable seismic activity, fires, floods, or other natural disasters. No known active or potentially active faults, as defined in the Alquist-Priolo Earthquake Fault Zone Act, cross the property within Improvement Area No. 1, and Improvement Area No. 1 is not located in an Alquist Priolo Earthquake Study Zone. However, Southern California is a seismically active area; and active faults exist within the vicinity of Improvement Area No. 1. Seismic activity represents a potential risk for damage to buildings, roads, and property within Improvement Area No. 1. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. Improvement Area No. 1 is not located in a flood plain area.

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 Esencia development, including the property within Improvement Area No .1, is located adjacent to 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 area also experience high winds known as Santa Ana winds which frequently accompany and magnify the intensity of wildfires.

The County, the Orange County Fire Authority and the Developer prepared a "Ranch Plan Fire Protection Program" which was adopted by the County Board of Supervisors in 2007 and has been amended from time-to-time (as amended, the "Fire Protection Plan"). The purpose of the Fire Protection Plan was to set forth certain fire protection measures to be implemented within the Ranch development (including the District). Among other measures, the Fire Protection Plan provides for a 110-foot wide "Fuel Modification Zone" that will run along the boundary of the District and limits the type of vegetation that may be planted within such Fuel Modification Zone. The Fuel Modification Zone is subject to inspection by the Orange County Fire Authority and is expected to be maintained by the property owner's association within the District. Notwithstanding the foregoing mitigation measures, there is a risk of residential property within Improvement Area No. 1 being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the vicinity of Improvement Area No. 1.

In the event of a severe earthquake, wildfire, flood or other natural disaster, there may be significant damage to both property and infrastructure in Improvement Area No. 1. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in Improvement Area No. 1 could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Endangered/Threatened Species

During the 1990s, there was an increase in activity at the State and federal level related to the possible listing of certain plant and animal species found in the Southern California area as endangered or threatened species. In response to this activity, several large landowners began an effort to move away from "species by species" entitlement to multiple species entitlement, in order to minimize the risk of future species listings and maximize the certainty of development. The Original Property Owners are some of such landowners. The Original Property Owners are permittees under the Southern Subregion Habitat Conservation Plan ("SSHCP") which addresses seven (7) federally listed species and twenty-five (25) sensitive species. The Rancho Mission Viejo Ranch Plan Planned Community is permitted by the SSHCP. Accordingly, such development within Improvement Area No. 1 is in compliance with this habitat conservation plan and is not anticipated to be impeded as a result of endangered or threatened species.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. 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 the 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 such substance. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

The value of the taxable property within Improvement Area No. 1, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The Developer has represented to the District that it is not aware of any hazardous substance condition of the property within Improvement Area No. 1. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within Improvement Area No. 1 has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

Payment of the Special Tax is not a Personal Obligation of the Property 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 value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the property owner.

Land Values

The value of the property within Improvement Area No. 1 is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "IMPROVEMENT AREA NO. 1 — Appraised Value-to-Lien Ratios."

The Appraiser has estimated, on the basis of certain definitions, contingencies, assumptions and limiting conditions contained in the Appraisal Report that as of November 15, 2017, the market value of the land and improvements within Improvement Area No. 1 was approximately $240,000,000. The Appraisal Report is based on a number of contingencies, assumptions and limiting conditions as stated in APPENDIX B — "APPRAISAL REPORT." The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within Improvement Area No. 1, the listing of endangered species or the determination that habitat for endangered or threatened species exists within Improvement Area No. 1, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within Improvement Area No. 1 could be sold for the amount stated in the Appraisal Report at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value, the Appraiser assumes that any property will be sold in a competitive market after a reasonable exposure time, and assuming that neither the buyer or seller is under duress, which is not always present in a foreclosure sale. See APPENDIX B — "APPRAISAL REPORT" for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within Improvement Area No. 1 from that estimated by the Appraiser.

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, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — COVENANTS AND WARRANTY — Covenants — Commence Foreclosure Proceedings."

Parity Taxes and Special Assessments

Property within Improvement Area No. 1 is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within Improvement Area No. 1. See "IMPROVEMENT AREA NO. 1 — Direct and Overlapping Indebtedness."

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 all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general 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 except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation or other federal agencies. See "— FDIC/Federal Government Interest in Properties" and "— Bankruptcy and Foreclosure."

Neither the District nor 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 Improvement Area No. 1. In addition, the landowners within Improvement Area No. 1 may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* taxes or assessments. Any such special 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 the property within Improvement Area No. 1 described herein. See "SOURCES OF PAYMENT FOR THE BONDS" and "IMPROVEMENT AREA NO. 1— Direct and Overlapping Indebtedness" and "— Appraised Value to Lien Ratios."

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value is sufficient 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 to be recorded in the Office of the Recorder for the County against each parcel. 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 Improvement Area No. 1 or lending of money thereon.

The 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 special tax under the Act 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.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within Improvement Area No. 1 on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. The 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.

See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — COVENANTS AND WARRANTY — Covenants — Commence Foreclosure Proceedings" for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See "— Bankruptcy and Foreclosure" for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District's ability to foreclosure on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Properties

General. The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: "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, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within Improvement Area No. 1 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 District wishes 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. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within Improvement Area No. 1, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within Improvement Area No. 1 is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including

interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes under the Act.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within Improvement Area No. 1 in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Account and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Proceeds of Foreclosure Sales*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the Bankruptcy Code might prevent moneys on deposit in the Acquisition and Construction Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner or other party and if the court found that the landowner or other party had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the

bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") included a provision which excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

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 or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture, an owner is given the right for the equal benefit and protection of all owners of the Bonds similarly situated to pursue certain remedies described in APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — EVENTS OF DEFAULT; REMEDIES" and "— Limitations on Rights and Remedies of Owners."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Indenture with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

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 such Bonds can be sold for any particular price. Although the District has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. See "CONTINUING DISCLOSURE." Any failure to provide annual financial information, if required, 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 for the Bonds or because of 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 at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID 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 as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIIC 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 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 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 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 July 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 Bonds.

It may be possible, however, for voters or the Board of Supervisors acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. 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 Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within Improvement Area No. 1. In connection with the foregoing covenant, the District will make an express determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District will also covenant that, in the event an initiative is adopted which purports to alter the Rate and Method, 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 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 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 election held in Improvement Area No. 1 had less than 12 registered voters at the time of the election to authorize the 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 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 election in Improvement Area No. 1. Moreover, Section 53341 of the 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 Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds.

The County, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Section 53359, filed a complaint in the Superior Court of the State of California for the County of Orange seeking judicial validation of the formation of the District and the designation of Improvement Area No. 1 and Improvement Area No. 2 therein, the authorization of the issuance of bonds for the District with respect to such improvement areas, and the levy of the special tax within such improvement areas. The Validation Judgment was entered by the court, to the effect, among other things, that the proceedings conducted by the Board of Supervisors in connection with the establishment of the District and the designation of Improvement Area No. 1 and Improvement Area No. 2 therein, the authorization to incur bonded indebtedness for the District with respect to such improvement areas through the issuance of bonds and the levy of the special tax within such improvement areas were valid and in conformity with the Constitution of the State and applicable laws of the State. Based on the Validation Judgment, Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought.

The interpretation and application of Article XIII C and Article XIII D 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 "SPECIAL RISK FACTORS — Limitations on Remedies."

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D 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. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the

referendum requirements does not apply to initiatives. 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 local districts to increase revenues or to increase appropriations or on the ability of the Developer or the merchant builders within Improvement Area No. 1 to complete the remaining proposed development within Improvement Area No. 1.

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 tax-exempt status of interest on the Bonds.

Bond Counsel has limited 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 creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. 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.

CONTINUING DISCLOSURE

District Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate (the "District Continuing Disclosure Certificate"), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) website, or other repository authorized under Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, certain annual financial information and operating data concerning Improvement Area No. 1. The District Reports are to be filed not later than March 1 of each year, beginning March 1, 2018. The initial District Report to be filed by March 1, 2018, shall consist of this Official Statement and audited financial statements of the District, if any. The District Reports will include the audited financial statements of the District, if any are prepared. The District does not currently prepare audited financial statements and does not anticipate doing so in the future. The full text of the District Continuing Disclosure Certificate is set forth in APPENDIX F — "FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE DISTRICT."

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

The District has not entered into any prior continuing disclosure obligations. During the last five years, the County and certain of its related entities, 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, other than the District, 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 District in preparing the District Reports. In order to ensure ongoing compliance by the District with its continuing disclosure undertaking, (i) County staff will take 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 District.

Developer Continuing Disclosure

To provide updated information with respect to the development within Improvement Area No. 1, the Developer will enter into a Continuing Disclosure Agreement of the Developer (the "Developer Continuing Disclosure Agreement") by and between the Developer and David Taussig & Associates, Inc., as dissemination agent, and will covenant to provide an Annual Report not later than June 15 of each year beginning June 15, 2018, and a Semiannual Report on each December 15, beginning December 15, 2018, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Agreement. The Annual Report provided by the Developer and the Semiannual Report will contain updates regarding the development within Improvement Area No. 1 as outlined in Section 4 of the Developer Continuing Disclosure Agreement attached as APPENDIX G. In addition to its Annual Reports and Semiannual Reports, the Developer will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Agreement.

The Developer's obligations under the Developer Continuing Disclosure Agreement will terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all the Bonds; or (b) (1) with respect to updates of the number building permits issued, at such time that 75% of the building permits for the planned residential development within Improvement Area No. 1 have been issued, and (2) with respect to the updates of information described in Section 4 of the Developer Continuing Disclosure Agreement other than the number of building permits issued, at such time that ninety percent (90%) of the public improvements to be constructed by the Developer as described under the caption "PROPERTY OWNERSHIP AND THE DEVELOPMENT—The Development" have been completed, based on costs expended.

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 District, the County and others and is subject to the condition that the District, the County and others making such representations 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 District and the County will covenant to comply with all such requirements.

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

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. 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 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 District and the County continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

LEGAL MATTERS

The legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, approving the validity of the Bonds in substantially the form set forth as APPENDIX C hereto, will be made available to purchasers at the time of original delivery. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the County and the District by the Office of County Counsel, and for the Underwriters by Best Best & Krieger LLP, Riverside California, as counsel to the Underwriters. 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.

VALIDATION

On May 2, 2017, the County, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Section 53359, filed a complaint in the Superior Court of the State of California for the County of Orange seeking judicial validation of the formation of the District and the designation of Improvement Area No. 1 and Improvement Area No. 2 therein, the authorization of the issuance of bonds for the District with respect to such improvement areas and the levy of the special tax within such improvement areas. On July 13, 2017, the court entered the Validation Judgment to the effect, among other things, that the proceedings conducted by the Board of Supervisors in connection with the establishment of the District and the designation of Improvement Area No. 1 and Improvement Area No. 2 therein, the authorization to incur bonded indebtedness for the District with respect to such improvement areas through the issuance of bonds and the levy of the special tax within such improvement areas were valid and in conformity with the Constitution of the State and applicable laws of the State. The last day of the appeal period for the validation action was August 14, 2017. As of the date of this Official Statement, no appeal has been filed with respect to the Validation Judgment. In issuing the opinion as to the validity of the Bonds and as a condition thereof, Bond Counsel will rely upon the entry of the Validation Judgment and the absence of a timely appeal therefrom. See APPENDIX C—"PROPOSED FORM OF BOND COUNSEL OPINION."

ABSENCE OF LITIGATION

No litigation is pending or, to the knowledge of the District, threatened concerning the validity of the Bonds and a certificate of the District to that effect will be furnished to the Underwriters at the time of the original delivery of the Bonds. Neither the County nor the District is aware of any litigation pending or

threatened which questions the existence of the District or the County or contests the authority of the District to levy and collect the Special Taxes or to issue and retire the Bonds.

NO RATING

The District has not made and does not contemplate making application to any rating agency for the assignment of a rating to the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, as representative of itself and Raymond James & Associates, Inc. (the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a price of $84,438,161.55 (being $76,950,000.00 aggregate principal amount thereof, plus net original issue premium of $7,903,480.30 and less Underwriters' discount of $415,318.75). The purchase contract relating to the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

Under certain circumstances, the Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering price stated on the page immediately following the cover page hereof. The offering prices may be changed from time to time by the Underwriters.

FINANCIAL INTERESTS

The fees being paid to the Underwriters, Bond Counsel, Disclosure Counsel, Municipal Advisor to the County, the Trustee and Underwriters' Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Appraiser, to the Market Absorption Consultant and to the Special Tax Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriters on matters unrelated to the Bonds.

PENDING LEGISLATION

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions. 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.

The execution and delivery of this Official Statement by the County Executive Officer has been duly authorized by the Board of Supervisors of the County of Orange acting in its capacity as the legislative body of the District.

COMMUNITY FACILITIES DISTRICT NO. 2017–1 OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)

By: /s/ Frank Kim
County Executive Officer

APPENDIX A

The Special Tax rates for all Land Use Classes in Zones 1 through 4 shown below reflect the reduced rates that will be in effect upon the issuance of the Bonds pursuant to Section H below.

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

COMMUNITY FACILITIES DISTRICT NO. 2017-1
OF THE COUNTY OF ORANGE
(VILLAGE OF ESENCIA)
(IMPROVEMENT AREA NO. 1)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area No. 1 ("IA No. 1") of Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) ("CFD No. 2017-1") and collected each Fiscal Year commencing in Fiscal Year 2017-18, in an amount determined by the Board through the application of the Rate and Method of Apportionment as described below. All of the real property in IA No. 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 IA No. 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, IA No. 1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 2017-1 or any designee thereof of complying with disclosure requirements of the County, IA No. 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. 2017-1 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 or advanced by the County or CFD No. 2017-1 for any other administrative purposes of IA No. 1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel shown on 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.1.(b) and Section C.1.(e) below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.(d) and Section C.1.(e) below.

"Board" means the Board of Supervisors of the County of Orange, acting as the legislative body of CFD No. 2017-1.

"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. 2017-1 and secured by Special Taxes of IA No. 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. 2017-1" means Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia).

"Conservation Property" means, for each Fiscal Year, any property within the boundaries of IA No. 1, excluding Property Owner Association Property, Public Property and Religious Property, that is subject to a declaration of irrevocable covenant, conservation easement deed, or similar document that was recorded restricting the use of such property to open space, habitat preservation, or other conservation purposes as of January 1 of the prior Fiscal Year. In order to ensure that such property is correctly classified as Conservation Property, the owner of such property shall provide the CFD Administrator with a copy of a declaration of irrevocable covenant, conservation easement deed, or similar document.

"County" means the County of Orange.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, for which a building permit for new construction was issued prior to January 1 of the prior Fiscal Year. Notwithstanding the foregoing, (a) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same property prior to the issuance of Bonds, then the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, (b) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same property after the issuance of Bonds, and the amount of Assigned Special Taxes which may be levied pursuant to the new building permit is greater than the Assigned Special Taxes which may be levied pursuant to the original building permit, then the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, otherwise the Land Use Class pursuant to the original building permit shall continue to be used, and (c) if a building permit is revoked, expired or otherwise cancelled and no new building permit is issued for the same property, then the property will continue to be considered Developed Property and taxed based on the original building permit.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Improvement Area No. 1" or **"IA No. 1"** means Improvement Area No. 1 of CFD No. 2017-1.

"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 within each Zone listed in Tables 1 through 6 below.

"Maximum Special Tax" means for each Fiscal Year for each Assessor's Parcel, the maximum Special Tax, determined in accordance with Section C below, that can be levied on such Assessor's Parcel in such Fiscal Year.

"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, for each Fiscal Year, any property within the boundaries of IA No. 1 that is owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association as of January 1 of the prior Fiscal Year. Notwithstanding the foregoing, any property previously classified as Developed Property and subsequently owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association, shall remain classified as Developed Property.

"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 IA No. 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 IA No. 1. For Taxable Conservation Property, Taxable Property Owner Association Property, and Taxable Religious 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 Taxable Conservation Property, Taxable Property Owner Association Property, or Taxable Religious Property, as applicable, in IA No. 1. For Taxable Public 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 Taxable Public Property, as applicable, in IA No. 1.

"Public Property" means, for each Fiscal Year, any property within the boundaries of IA No. 1 that is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County or any other public agency as of January 1 of the prior Fiscal Year; 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. In order to ensure that such property is correctly classified as Public Property, the owner of such property shall provide the CFD Administrator with a copy of any applicable documents.

"Religious Property" means, for each Fiscal Year, all property within the boundaries of IA No. 1 which (i) is either (a) used primarily as a place of worship or (b) vacant land or land under construction that is intended to be used primarily as a place of worship as determined by the CFD Administrator; and (ii) is exempt from ad valorem property taxes because it is owned by a religious organization as of January 1 of the prior Fiscal Year. Religious Property, without limitation, does not include any Assessor's Parcels used primarily for religious schools, day care centers, or congregate care facilities.

"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.

"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.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means for each Fiscal Year, that amount required for IA No. 1 to pay the sum of: (i) debt service on all Outstanding Bonds or Bonds expected to be issued in such Fiscal Year; (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 Outstanding Bonds or Bonds expected to be issued in such Fiscal Year by IA No. 1; and (v) any amounts required for construction of facilities eligible to be constructed or acquired by IA No. 1 under the Act provided that inclusion of such amount does not increase the amount of Special Taxes to be levied on Assessor's Parcels of Undeveloped Property. 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 Conservation Property" means all Assessor's Parcels of Conservation Property that are not exempt pursuant to Section E below.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of IA No. 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.

"Taxable Religious Property" means all Assessor's Parcels of Religious 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 Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property.

"Zone" means any one of the separate geographic areas within IA No. 1 designated on Exhibit A herein as: Zone 1, Zone 2, Zone 3, Zone 4, Zone 5, Zone 6, or Zone E.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Zones 1 through 6 of IA No. 1 shall be classified as Developed Property, Taxable Conservation Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable 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.

The Assigned Special Tax for Residential Property shall be based on the Zone in which the Assessor's Parcel is located, the number of dwelling units, and the Residential Floor Area of the dwelling units located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Zone in which the Assessor's Parcel is located and 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 within a particular Zone shall be the greater of (i) the amount derived by application of the Assigned Special Tax for such Zone or (ii) the amount derived by application of the Backup Special Tax for such Zone.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class within each Zone for Fiscal Year 2017-18 is shown below in Tables 1 through 6.

TABLE 1
Zone 1
(All Ages - Traditional Single Family Attached)
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,600 SF	Residential Property	$4,476 per unit
2	1,401 – 1,600 SF	Residential Property	$4,084 per unit
3	1,201 – 1,400 SF	Residential Property	$3,742 per unit
4	1,001 – 1,200 SF	Residential Property	$3,607 per unit
5	< 1,001 SF	Residential Property	$2,100 per unit
6	N/A	Non-Residential Property	$87,719 per Acre

TABLE 2
Zone 2
(All Ages – Cluster Single Family Attached)
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	$5,890 per unit
2	1,701 – 1,900 SF	Residential Property	$5,499 per unit
3	1,501 – 1,700 SF	Residential Property	$4,836 per unit
4	1,301 – 1,500 SF	Residential Property	$4,505 per unit
5	< 1,301 SF	Residential Property	$4,199 per unit
6	N/A	Non-Residential Property	$99,317 per Acre

TABLE 3
Zone 3
(All Ages – Cluster Single Family Detached)
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,600 SF	Residential Property	$7,487 per unit
2	2,401 – 2,600 SF	Residential Property	$7,198 per unit
3	2,201 – 2,400 SF	Residential Property	$6,988 per unit
4	2,001 – 2,200 SF	Residential Property	$6,356 per unit
5	1,801 – 2,000 SF	Residential Property	$6,000 per unit
6	< 1,801 SF	Residential Property	$5,499 per unit
7	N/A	Non-Residential Property	$80,377 per Acre

TABLE 4
Zone 4
(All Ages – Traditional Single Family Detached)
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 4,400 SF	Residential Property	$11,897 per unit
2	4,201 – 4,400 SF	Residential Property	$11,381 per unit
3	4,001 – 4,200 SF	Residential Property	$10,911 per unit
4	3,801 – 4,000 SF	Residential Property	$10,440 per unit
5	3,601 – 3,800 SF	Residential Property	$9,970 per unit
6	3,401 – 3,600 SF	Residential Property	$9,868 per unit
7	3,201 – 3,400 SF	Residential Property	$9,028 per unit
8	3,001 – 3,200 SF	Residential Property	$8,558 per unit
9	2,801 – 3,000 SF	Residential Property	$8,313 per unit
10	2,601 – 2,800 SF	Residential Property	$7,557 per unit
11	2,401 – 2,600 SF	Residential Property	$7,100 per unit
12	2,201 – 2,400 SF	Residential Property	$6,643 per unit
13	2,001 – 2,200 SF	Residential Property	$6,381 per unit
14	1,801 – 2,000 SF	Residential Property	$5,887 per unit
15	< 1,801 SF	Residential Property	$5,443 per unit
16	N/A	Non-Residential Property	$68,954 per Acre

TABLE 5
Zone 5
(Age Qualified – Cluster Single Family Detached)
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	$5,102 per unit
2	1,701 – 1,900 SF	Residential Property	$4,853 per unit
3	1,501 – 1,700 SF	Residential Property	$4,428 per unit
4	1,301 – 1,500 SF	Residential Property	$4,360 per unit
5	< 1,301 SF	Residential Property	$4,292 per unit
6	N/A	Non-Residential Property	$53,022 per Acre

TABLE 6
Zone 6
(Age Qualified – Traditional Single Family Detached)
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,400 SF	Residential Property	$6,280 per unit
2	2,001 – 2,400 SF	Residential Property	$6,095 per unit
3	< 2,001 SF	Residential Property	$5,546 per unit
4	N/A	Non-Residential Property	$51,220 per Acre

c. Multiple Land Use Classes

In some instances an Assessor's Parcel may contain both Undeveloped Property and Developed Property. Furthermore, Developed Property may contain more than one Land Use Class.

In such cases, the Acreage of the Assessor's Parcel shall be allocated between Developed Property and Undeveloped Property based on the portion of the Assessor's Parcel for which building permits had been issued prior to January 1 of the prior Fiscal Year and the portion of the Assessor's Parcel for which building permits had not been issued prior to January 1 of the prior Fiscal Year. The Acreage that is considered Developed Property shall be allocated between Residential Property and Non-Residential Property based on the site plan. The Maximum Special Tax that can be levied on such Assessor's Parcel shall be the sum of the Maximum Special Tax that can be levied on each type of property located on that Assessor's Parcel.

d. Backup Special Tax

The Backup Special Tax in IA No. 1 shall equal an amount per Acre for each Zone as shown below in Table 7.

TABLE 7
All Zones
Fiscal Year 2017-18
Backup Special Tax

Zone	FY 2017-18 Backup Special Tax
1	$87,458 per Acre
2	$98,632 per Acre
3	$79,122 per Acre
4	$66,503 per Acre
5	$53,022 per Acre
6	$51,220 per Acre

e. Increase in the Assigned Special Tax and Backup Special Tax

On each July 1, commencing on July 1, 2018, the Assigned Special Tax and the Backup Special Tax for Developed Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

2. Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property within each Zone is shown below in Table 8.

TABLE 8
All Zones
Fiscal Year 2017-18
Maximum Special Taxes for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, or Undeveloped Property

Zone	FY 2017-18 Maximum Special Tax
1	$87,719 per Acre
2	$99,317 per Acre
3	$80,377 per Acre
4	$68,954 per Acre
5	$53,022 per Acre
6	$51,220 per Acre

b. Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2018, the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2017-18 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 for which the 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 Conservation Property, Taxable Property Owner Association Property and Taxable Religious Property at up to the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property and Taxable Religious Property, as applicable.

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax for Taxable Public Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year 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 (10%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within IA No. 1. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on all other Assessor's Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

E. EXEMPTIONS

No Special Tax shall be levied on (1) any property in Zone E and (2) Conservation Property, Property Owner Association Property, Public Property, and/or Religious Property in Zones 1 through 6 up to the Acreage amounts shown in Table 9 below:

TABLE 9

Zone	Exempt Acreage
1	0.86 Acres
2	3.49 Acres
3	8.39 Acres
4	8.43 Acres
5	2.04 Acres
6	3.40 Acres

Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property within each Zone becomes Conservation Property, Property Owner Association Property, Public Property, or Religious Property. However, should an Assessor's Parcel no longer be classified as Conservation Property, Property Owner Association Property, Public Property, or Religious Property its tax-exempt status will be revoked and it will thereafter be classified as Developed Property or Undeveloped Property in accordance with Section C above.

Conservation Property, Property Owner Association Property, Public Property, or Religious 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 or fifth steps, as applicable, in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious 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. 2017-1 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 the Act and permitted by CFD No. 2017-1. The use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

"CFD Public Facilities Cost" means either $87.8 million in 2017 dollars, which shall increase by the Construction Inflation Index on July 1, 2018, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 2017-1 on behalf of IA No. 1 under the authorized bonding program for IA No. 1, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means, for a Fiscal Year, the greater of 0% and the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities Cost minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 2017-1 for IA No. 1 prior to the date of prepayment.

1. Prepayment in Full

The obligation to pay the Special Tax for an Assessor's Parcel of Taxable Property may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this figure.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	Capitalized Interest Credit
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be calculated as follows:

Paragraph No.:

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel. For Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, compute the Maximum Special Tax for the Assessor's Parcel to be prepaid.

2. (a) For an Assessor's Parcel of Developed Property or Undeveloped Property for which a building permit has been issued (i) Divide the Assigned Special Tax computed pursuant to paragraph 1 by the total estimated Assigned Special Taxes for the entire IA No. 1 based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of IA No. 1, excluding any Assessor's Parcels for which the Special Taxes have been prepaid, and (ii) Divide the Backup Special Tax computed pursuant to paragraph 1 by the total estimated Backup Special Taxes for the entire IA No. 1 based on the Backup Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of IA No. 1, excluding any Assessor's Parcels for which the Special Taxes have been prepaid.

   (b) For Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, divide the Maximum Special Tax computed pursuant to paragraph 1 by the total estimated Maximum Special Tax for the entire IA No. 1 based on the Maximum Special Tax which could be charged in the current Fiscal Year on all expected development through buildout of IA No. 1, excluding any Assessor's Parcels for which the Special Taxes have been prepaid.

3. Multiply the larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to paragraph 2(b) for Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").

4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").

5. Compute the current Future Facilities Costs.

6. Multiply the larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to paragraph 2(b) for Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").

7. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.

8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.

10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the

Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").

12. Verify the administrative fees and expenses of IA No. 1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").

13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to paragraph 2(b) for Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").

15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 6, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").

16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2017-1.

The Prepayment Amount may be sufficient to redeem other than a $5,000 increment of Bonds. In such cases, the increment above $5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel for which the Special Tax is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation to pay the Special Tax for such Assessor's Parcel shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out),

after the proposed prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed prepayment, less expected Administrative Expenses, shall be at least equal to the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year.

2. Prepayment in Part

The Special Tax for an Assessor's Parcel of Developed Property and/or Undeveloped Property may be partially prepaid. The amount of the prepayment shall be calculated as in Section G.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = [(P_E - AE) \times F] + AE$$

These terms have the following meaning:

AE	=	the Administrative Fees and Expenses
PP	=	the partial prepayment amount
P_E	=	the Prepayment Amount calculated according to Section G.1
F	=	the percentage by which the owner of the Assessor's Parcel is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel for which the Special Tax is partially prepaid, CFD No. 2017-1 shall (i) distribute the funds remitted to it according to Section G.1, and (ii) indicate in the records of CFD No. 2017-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the applicable Assigned Special Tax, Backup Special Tax, and Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D. Furthermore, for Undeveloped Property that has been partially prepaid, the outstanding percentage (1.00 - F) of the applicable Assigned Special Tax, Backup Special Tax, and Maximum Special Tax shall continue to apply to such Assessor's Parcel after such Assessor's Parcel is considered Developed Property.

Notwithstanding the foregoing, no partial prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out), after the proposed partial prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed partial prepayment, less expected Administrative Expenses, shall be at least equal to the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year.

H. SPECIAL TAX REDUCTION

The following definitions apply to this Section H:

"Issuance Date" means the date a bond purchase contract related to the sale of the Bonds is entered into between the underwriter of the Bonds and CFD No. 2017-1.

"Plan Type" means a discrete residential plan type (generally consisting of residential dwelling units that share a common product type (e.g., detached, attached, cluster) and that have nearly identical amounts of living area) that is constructed or expected to be constructed within IA No. 1 as identified in the Price Point Study.

"Price Point" means, with respect to the residential dwelling units in each Plan Type, as of the date of the applicable Price Point Study, the base price of such residential dwelling units, estimated by the Price Point Consultant as of such date, including any incentives and concessions, but excluding potential appreciation or premiums, options or upgrades, based upon their actual or expected characteristics, such as living area, view, or lot size.

"Price Point Consultant" means any consultant or firm of such consultants selected by CFD No. 2017-1 that (a) has substantial experience in performing price point studies for residential units within community facilities districts or otherwise estimating or confirming pricing for residential units in community facilities districts, (b) is well versed in analyzing economic and real estate data that relates to the pricing of residential units in community facilities districts, (c) is in fact independent and not under the control of CFD No. 2017-1 or the County, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2017-1, (ii) the County, (iii) any owner of real property in CFD No. 2017-1, or (iv) any real property in CFD No. 2017-1, and (e) is not connected with CFD No. 2017-1 or the County as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2017-1 or the County.

"Price Point Study" means a price point study or a letter updating a previous price point study, which (a) has been prepared by the Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within Zones 1 through 6 of IA No. 1, (c) sets forth the estimated number of constructed and expected residential dwelling units for each Plan Type, (d) sets forth such Price Point Consultant's estimate of the Price Point for each Plan Type and (e) uses a date for establishing such Price Points that is no earlier than 30 days prior to the date the Price Point Study is delivered to the CFD Administrator pursuant to Step No. 1 of this Section H. The Price Point Study will only include the for-sale Residential Property in Zones 1 through 6.

"Total Effective Tax Rate" means, for a Plan Type, the quotient of (a) the Total Tax and Assessment Obligation for such Plan Type divided by (b) the Price Point for such Plan Type, converted to a percentage.

"Total Tax and Assessment Obligation" means, with respect to a Plan Type in a Zone, for the Fiscal Year for which the calculation is being performed, the quotient of (a) the sum of the Assigned Special Tax and estimated *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities districts, and any other governmental taxes, fees and charges levied or imposed on all residential dwelling units of such Plan Type in such Zone in such Fiscal Year or that would have been levied or imposed on all such residential dwelling units had such residential dwelling units been completed, sold and subject to such levies and impositions in such Fiscal Year divided by (b) the number of residential dwelling units in such Plan Type in such Zone. The Total Tax and Assessment Obligation for each Plan Type shall be calculated based on the applicable Residential Floor Area, Price Point, and number of constructed and expected residential dwelling units for such Plan Type in such Zone as identified in the Price Point Study.

Prior to the issuance of the first series of Bonds, the following steps shall be taken for each Land Use Class of for-sale Residential Property in Zones 1 through 6:

Step No.:

1. At least 30 days prior to the expected Issuance Date of the first series of Bonds, CFD No. 2017-1 shall cause a Price Point Study to be delivered to the CFD Administrator.

2. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Tax and Assessment Obligation and Total Effective Tax Rate for each Plan Type in each Zone.

3. Separately, for each Land Use Class of for-sale Residential Property in each Zone, the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Class is less than or equal to 2.00%.

    a. If the Total Effective Tax Rate for all Plan Types in a Land Use Class in a Zone is less than or equal to 2.00%, then there shall be no change in the Assigned Special Tax for such Land Use Class in such Zone.

    b. If the Total Effective Tax Rate for any Plan Type in a Land Use Class in a Zone is greater than 2.00%, the CFD Administrator shall calculate a revised Assigned Special Tax for such Land Use Class in such Zone, which revised Assigned Special Tax shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Effective Tax Rate for any Plan Type in such Land Use Class in such Zone to exceed 2.00%.

    c. If the revised Assigned Special Tax amounts result in a situation in which the Assigned Special Tax for a particular Land Use Class of Residential Property would be less than the Assigned Special Tax for the numerical Land Use Class of Residential Property directly above it (i.e., the Assigned Special Tax for Land Use Class 1 is less than the Assigned Special Tax for Land Use Class 2), then the Assigned Special Tax for the lower numbered Land Use Class shall be revised to be equal to the Assigned Special Tax for the higher numbered Land Use Class (i.e., the Assigned Special Tax for Land Use Class 1 shall be revised to be equal to the Assigned Special Tax for Land Use Class 2.)

4. If the Assigned Special Tax for any Land Use Class in a Zone is revised pursuant to step 3.b. or 3.c. above, the CFD Administrator shall calculate a revised Backup Special Tax for all property within such Zone. The revised Backup Special Tax per Acre for such Zone shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax per Acre for such Zone as set forth in Table 7 above, reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Taxes for all Land Use Classes of Residential Property in such Zone resulting from the calculations in steps 3.a. through 3.c. above. The weighted average percentage will be calculated by taking the sum of the products of the number of units constructed or expected to be constructed in each Land Use Class in such Zone multiplied by the percentage change in the Assigned Special Tax (pursuant to step 3.b. or 3.c. above) for each Land Use Class in such Zone (or 0 for Land Use Classes that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within the Zone and converted to a percentage.

5. If the Assigned Special Tax for any Land Use Class in any Zone is revised pursuant to step 3.b. or 3.c. above, the CFD Administrator shall prepare and execute a Certificate of Reduction

in Special Taxes substantially in the form of Exhibit B hereto and shall deliver such Certificate of Reduction in Special Taxes to CFD No. 2017-1. The Certificate of Reduction in Special Taxes shall be completed for all Land Use Classes in all Zones and shall set forth, as applicable, either (i) the reduced Assigned Special Tax for a Land Use Class in a Zone as calculated pursuant to step 3.b. or 3.c., or (ii) the Assigned Special Tax as identified in Tables 1 through 6 in Section C for a Land Use Class in a Zone that was not revised as determined pursuant to step 3.a.; as well as either (i) the revised Backup Special Tax for a Zone as calculated pursuant to step 4, or (ii) the Backup Special Tax as identified in Table 7 in Section C.1.(d) for a Zone that was not revised as determined pursuant to step 4.

6. If the Issuance Date of the first series of Bonds is within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 2017-1 shall execute the acknowledgement on such Certificate of Reduction in Special Taxes, dated as of the closing date of such Bonds, and upon the closing of such first series of Bonds, the Assigned Special Tax for each Land Use Class and the Backup Special Tax shall be, for all purposes, as set forth in such Certificate of Reduction in Special Taxes. If the Issuance Date of the first series of Bonds is not within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Taxes shall not be acknowledged by CFD No. 2017-1 and shall, as of such date, be void and of no further force and effect. In such case, if subsequently a first series of Bonds is expected to be issued, at least 30 days prior to the expected Issuance Date of such first series of Bonds, the CFD Administrator shall cause a new Price Point Study to be delivered to the CFD Administrator and, following such delivery, steps 2 through 5 of this section shall be performed based on such new Price Point Study.

7. As soon as practicable after the execution by CFD No. 2017-1 of the acknowledgement on the Certificate of Reduction in Special Taxes, CFD No. 2017-1 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for IA No. 1 reflecting the Assigned Special Taxes and the Backup Special Tax for each Zone set forth in such Certificate of Reduction in Special Taxes.

8. If the Assigned Special Tax is not required to be changed for any Land Use Class in any Zone based on the calculations performed under step 3 above, there shall be no reduction in the Maximum Special Tax, and no Certificate of Reduction in Special Taxes shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 2017-1 a Certificate of No Reduction in Special Taxes substantially in the form of Exhibit C hereto dated as of the closing date of the first series of Bonds that states that the calculations required pursuant to this Section H have been made and that no changes to the Maximum Special Tax are necessary.

9. CFD No. 2017-1 and the CFD Administrator shall take no further actions under this Section H upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2017-1 on a Certificate of Reduction in Special Taxes pursuant to step 6; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Taxes pursuant to step 8.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied on an 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.

J. DETERMINATIONS OF CFD ADMINISTRATOR CONSIDERED FINAL

Any determinations made by CFD Administrator under terms of this Rate and Method of Apportionment shall be final.

EXHIBIT A

ZONE DESIGNATION

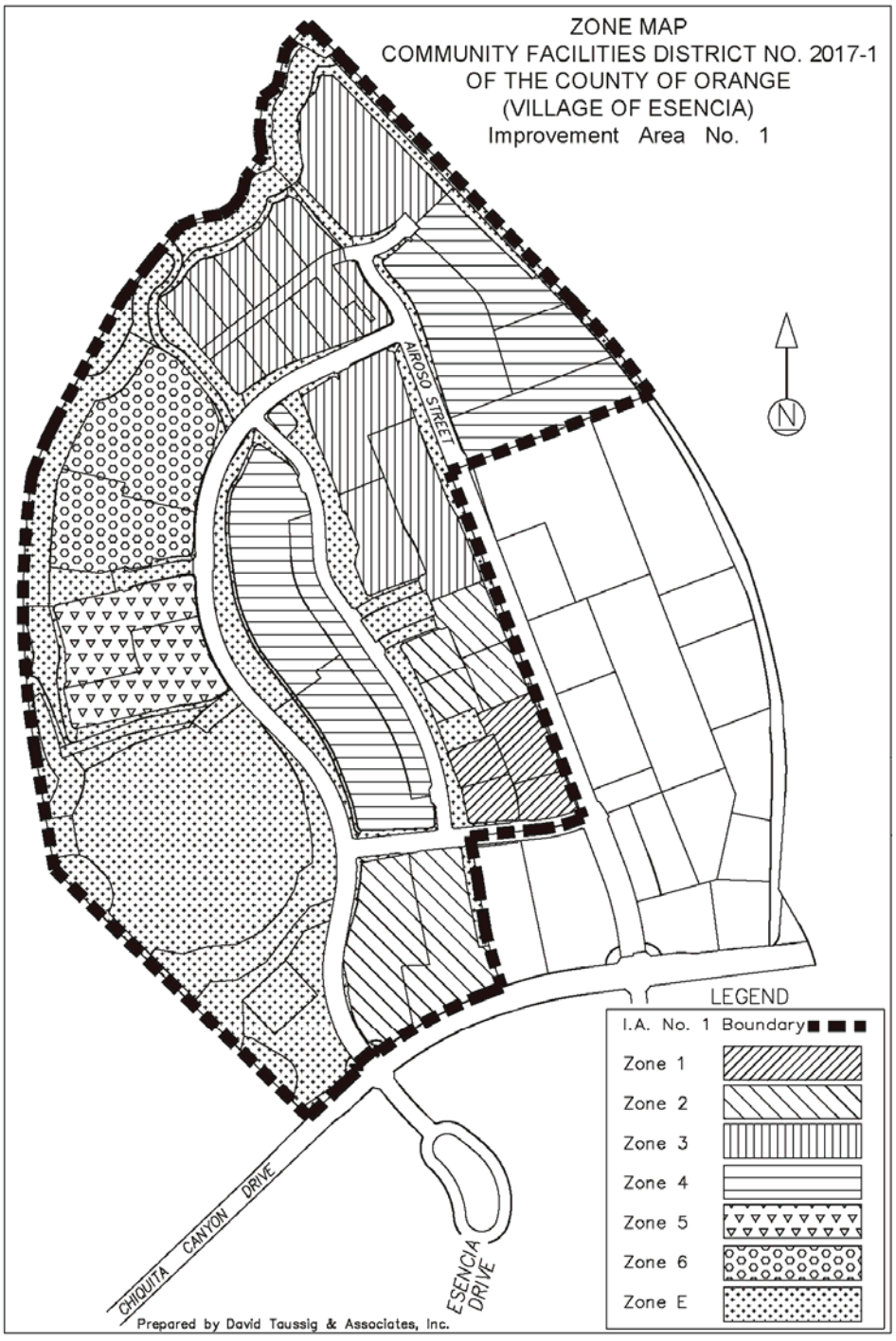


EXHIBIT B
CERTIFICATE OF REDUCTION IN SPECIAL TAXES

Improvement Area No. 1
Community Facilities District No. 2017-1 of the County of Orange
(Village of Esencia)

1. Pursuant to Section H of the Rate and Method of Apportionment, the Maximum Special Tax for Developed Property for [certain or all] Land Use Classes within IA No. 1 has been reduced.

2. The calculations made pursuant to Section H were based upon a Price Point Study that was received by the CFD Administrator on _____.

3. Tables 1A through 6A below show the Assigned Special Tax for each Land Use Class in Zones 1 through 6 after such reduction.

Table 1A
Assigned Special Tax for Developed Property in Zone 1
Fiscal Year 2017-18

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,600 SF	Residential Property	$____ per unit
2	1,401 – 1,600 SF	Residential Property	$____ per unit
3	1,201 – 1,400 SF	Residential Property	$____ per unit
4	1,001 – 1,200 SF	Residential Property	$____ per unit
5	< 1,001 SF	Residential Property	$____ per unit
6	N/A	Non-Residential Property	$_____ per Acre

Table 2A
Assigned Special Tax for Developed Property in Zone 2
Fiscal Year 2017-18

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	$____ per unit
2	1,701 – 1,900 SF	Residential Property	$____ per unit
3	1,501 – 1,700 SF	Residential Property	$____ per unit
4	1,301 – 1,500 SF	Residential Property	$____ per unit
5	< 1,301 SF	Residential Property	$____ per unit
6	N/A	Non-Residential Property	$_____ per Acre

Table 3A
Assigned Special Tax for Developed Property in Zone 3
Fiscal Year 2017-18

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,600 SF	Residential Property	$____ per unit
2	2,401 – 2,600 SF	Residential Property	$____ per unit
3	2,201 – 2,400 SF	Residential Property	$____ per unit
4	2,001 – 2,200 SF	Residential Property	$____ per unit
5	1,801 – 2,000 SF	Residential Property	$____ per unit
6	< 1,801 SF	Residential Property	$____ per unit
7	N/A	Non-Residential Property	$_____ per Acre

Table 4A
Assigned Special Tax for Developed Property in Zone 4
Fiscal Year 2017-18

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 4,400 SF	Residential Property	$____ per unit
2	4,201 – 4,400 SF	Residential Property	$____ per unit
3	4,001 – 4,200 SF	Residential Property	$____ per unit
4	3,801 – 4,000 SF	Residential Property	$____ per unit
5	3,601 – 3,800 SF	Residential Property	$____ per unit
6	3,401 – 3,600 SF	Residential Property	$____ per unit
7	3,201 – 3,400 SF	Residential Property	$____ per unit
8	3,001 – 3,200 SF	Residential Property	$____ per unit
9	2,801 – 3,000 SF	Residential Property	$____ per unit
10	2,601 – 2,800 SF	Residential Property	$____ per unit
11	2,401 – 2,600 SF	Residential Property	$____ per unit
12	2,201 – 2,400 SF	Residential Property	$____ per unit
13	2,001 – 2,200 SF	Residential Property	$____ per unit
14	1,801 – 2,000 SF	Residential Property	$____ per unit
15	< 1,801 SF	Residential Property	$____ per unit
16	N/A	Non-Residential Property	$_____ per Acre

Table 5A
Assigned Special Tax for Developed Property in Zone 5
Fiscal Year 2017-18

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	$____ per unit
2	1,701 – 1,900 SF	Residential Property	$____ per unit
3	1,501 – 1,700 SF	Residential Property	$____ per unit
4	1,301 – 1,500 SF	Residential Property	$____ per unit
5	< 1,301 SF	Residential Property	$____ per unit
6	N/A	Non-Residential Property	$_____ per Acre

Table 6A
Assigned Special Tax for Developed Property in Zone 6
Fiscal Year 2017-18

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,400 SF	Residential Property	$____ per unit
2	2,001 – 2,400 SF	Residential Property	$____ per unit
3	< 2,001 SF	Residential Property	$____ per unit
4	N/A	Non-Residential Property	$_____ per Acre

4. The Backup Special Tax for each Assessor's Parcel of Developed Property shall equal an amount per Acre after such reduction as shown in Table 7A below.

Table 7A
Backup Special Tax
Fiscal Year 2017-18

Zone	Backup Special Tax
1	$_____ per Acre
2	$_____ per Acre
3	$_____ per Acre
4	$_____ per Acre
5	$_____ per Acre
6	$_____ per Acre

5. Upon execution of this certificate by CFD No. 2017-1, CFD No. 2017-1 shall cause an amended notice of Special Tax lien for IA No. 1 to be recorded reflecting the Assigned Special Tax and Backup Special Tax set forth herein.

Submitted

CFD ADMINISTRATOR
By: _____ Date: _____

By execution hereof, the undersigned acknowledges, on behalf of CFD No. 2017-1, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

Community Facilities District No. 2017-1 of the County of Orange
(Village of Esencia)

By: _____ Date as of: [closing date of Bonds]

EXHIBIT C

CERTIFICATE OF NO REDUCTION IN SPECIAL TAXES

Improvement Area No. 1
Community Facilities District No. 2017-1 of the County of Orange
(Village of Esencia)

1. All calculations required pursuant to Section H of the Rate and Method of Apportionment have been made based upon a Price Point Study that was received by the CFD Administrator on _____.

2. Total Effective Tax Rate for all Plan Types in all Land Use Classes in all Zones is less than or equal to 2.00%

3. The Maximum Special Tax for Developed Property within IA No. 1, including the Assigned Special Taxes set forth in Sections C.1.(b) and the Backup Special Tax set forth in Section C.1.(d) of the Rate and Method of Apportionment, shall remain in effect and not be reduced.

Submitted

CFD ADMINISTRATOR

By: _____ Date as of: [closing date of Bonds]

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APPENDIX B

APPRAISAL REPORT

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APPRAISAL REPORT

COMMUNITY FACILITIES DISTRICT NO. 2017-1, IA-1
OF THE COUNTY OF ORANGE
(VILLAGE OF ESENCIA)

Prepared for:

COUNTY OF ORANGE
333 W. Santa Ana Blvd.
Santa Ana, CA 92701

James B. Harris, MAI
Harris Realty Appraisal
5100 Birch Street, Suite 200
Newport Beach, CA 92660

November 2017

Harris Realty Appraisal

5100 Birch Street, Suite 200
Newport Beach, California 92660
949-851-1227 FAX 949-851-2055
www.harris-appraisal.com

November 22, 2017

Ms. Suzanne Luster
Public Finance Director
COUNTY OF ORANGE
333 W. Santa Ana Blvd.
Santa Ana, CA 92701

Re: Community Facilities District No. 2017-1, IA-1 of the County of Orange (Village of Esencia)

Dear Ms. Luster:

In response to your authorization, we have prepared a self-contained appraisal report which addresses the property within the boundaries of the Community Facilities District No. 2017-1, Improvement Area No. 1 of the County of Orange (Village of Esencia) ("the District" or "CFD No. 2017-1, IA-1). This appraisal includes an estimate of Market Value for all the land and improvements subject to a special tax levy. CFD No. 2017-1, IA-1 is proposed for 628 for-sale market rate dwelling units and 124 for-sale age-restricted units. The land is in various stages of site construction from blue-top lots to finished lots. Six of the nine for-sale products have model homes complete as of the date of value. Based on information provided by the Master Developer, the Master Developer required improvements include grading, storm drains, sewer, water and street improvements which are 85% to 100% complete. Additional Master Developer improvements include dry utilities which are under construction and estimated to be 90% complete and the common area irrigation, landscape and hardscape improvements which are also under construction and estimated to be 75% complete. Perimeter walls are estimated to be 90% complete. The nine proposed for-sale products are built by five merchant builders. The grand opening for three products occurred on October 22, 2017. As of the date of value, 10 homes were reported as sold. Three additional products opened for sale on November 12, 2017. Four additional homes were reported to be sold as of November 15, 2017, the date of value. The three additional products are scheduled for their grand openings in December 2017 and February 2018.

According to the specific guidelines of the California Debt and Investment Advisory Commission (CDIAC), CFD No. 2017-1, IA-1 is valued in bulk, representing a discounted value to each ownership as of November 15, 2017, the date of value. The aggregate of the values, represents the Market Value of the entire property within CFD No. 2017-1, IA-1, subject to a special tax levy.

Based on the investigation and analyses undertaken, our experience as real estate appraisers, and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinion of Market Value is formed as of November 15, 2017.

CFD NO. 2017-1, IA-1 (VILLAGE OF ESENCIA)

TWO HUNDRED FORTY MILLION DOLLARS

$240,000,000

The District is under construction with site and dwelling improvements. Approximately $15,500,000 in remaining backbone infrastructure and impact fees are required from the Master Developer. The construction fund proceeds from CFD No. 2017-1, IA-1 are estimated to be $77,000,000. The Master Developer is expected to receive approximately $62,000,000.

The self-contained appraisal report that follows sets forth the results of the data and analyses upon which our opinions of value are, in part, predicated. This appraisal report has been prepared for the County of Orange for use in the sale of Community Facilities District No. 2017-1, IA-1 of the County of Orange (Village of Esencia) Special Tax Bonds, Series 2017. The intended users of this appraisal report are the County of Orange, its underwriters, legal counsel, consultants, and potential bond investors. This appraisal has been prepared in accordance with and is subject to the requirements of *The Appraisal Standards for Land Secured Financing* as published by the California Debt and Investment Advisory Commission; the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation; and the *Code of Professional Ethics* and the *Standards of Professional Appraisal Practice* of the Appraisal Institute.

I meet the requirements of the Competency Provision of the *Uniform Standards of Professional Appraisal Practice*. A statement of my qualifications appears in the Addenda.

Respectfully submitted,

James B. Harris, MAI
Principal
AG001846


County of Orange
Community Facilities District № 2017-1
Improvement Area 1
Village of Esencia
Esencia Dr
Chiquita Canyon Dr
Boundaries Approximate
6024_111817

SUMMARY OF FACTS AND CONCLUSIONS

EFFECTIVE DATE OF APPRAISAL	November 15, 2017
DATE OF REPORT	November 22, 2017
DISTRICT NAME	Community Facilities District No. 2017-1, Improvement Area No. 1 of the County of Orange (Village of Esencia) referred to herein as the "District" or "CFD No. 2017-1, IA-1."
INTEREST APPRAISED	Fee Simple Estate, subject to special tax

PROJECT NAMES, BUILDER, LEGAL DESCRIPTIONS AND SITE CONDITION

Product Name Merchant Builder Tract, Product Type	Site & Unit Condition
Azure New Home Co. Tr 17603 Recorded MR2	*80 total proposed units* 8 Models completed 16 Production under construction (u/c) 56 Near physically finished lots
Cobalt New Home Co. Tr 17604 Recorded MR4	*72 total proposed units* 4 Models completed 12 Production u/c 56 Near physically finished lots
Modena Meritage Tr 17602 Recorded MR5	*118 total proposed units* 4 Models completed 25 Production u/c 89 near physically finished lots
Avant CalAtlantic Tr 17598 Recorded MR12	*105 total proposed units* 4 Models u/c 9 Production u/c 92 Near physically finished lots
Topaz New Home Co. Tr 17596 Recorded MR30	*56 total proposed units* 2 Models u/c 54 Blue-top lots w/wet utilities
Vivaz CalAtlantic Tr 17599 Recorded AH13	*79 total proposed units* 3 Models completed 16 Production u/c 60 Near physically finished lots

SUMMARY OF FACTS AND CONCLUSIONS

PROJECT NAMES, OWNERSHIP, LEGAL DESCRIPTIONS AND SITE CONDITION CONT.

Product Name Merchant Builder Tract, Product Type	Site & Unit Condition
Reverie	*118 total proposed units*
Lyon Homes	6 Models u/c
Tr 17600 Recorded	71 Near physically finished lots
Tr 17601 Recorded	41 blue-top lots
AH14	
Vida	
Pulte	*62 total proposed units*
Tr 17597 Recorded	5 Models completed
AQ14	57 Near physically finished lots
Alma	
Pulte	*62 total proposed units*
Tr 17595 Recorded	3 Models completed
AQ15	59 Near physically finished lots

HIGHEST AND BEST USE

Continued development of nine residential for-sale products proposed for 752± dwellings.

VALUATION CONCLUSIONS

CFD No. 2017-1, IA-1 (Village of Esencia)

Market Value- $240,000,000

Ownerships	Product	Value (Not Rounded)
New Home Co.	MR2	$16,694,960
New Home Co.	MR4	$12,407,241
Meritage Homes	MR5	$32,140,265
CalAtlantic	MR12	$12,906,727
CalAtlantic	AH13	$14,508,536
Lyon Homes	AH14	$9,711,604
Pulte Home Corporation.	AQ14	$21,094,818
Pulte Home Corporation	AQ15	$11,438,781
New Home Co.	MR-30	$5,147,616

Merchant Builder Ownerships: $136,000,000

RMV PA2 Development, LLC Ownership: $104,000,000

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Addenda

- Qualifications
- Master Developer Site Cost Summary
- Merchant Builder Site Cost Summary
- Taxspreads

INTRODUCTION

Purpose of the Report

The purpose of this appraisal is to estimate the "as is" Market Value for the *fee simple estate, subject to special tax liens* for all the taxable property within Improvement Area No. 1 of Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) referred to herein as the "District" or "CFD No. 2017-1, IA-1". CFD No. 2017-1, IA-1 is proposed for 628 for-sale market rate dwelling units and 124 age-restricted dwelling units.

The for-sale residential properties subject to Special Tax are under the ownerships of the Master Developer, RMV PA2 Development LLC and five merchant builders, according to the recorded grant deeds, Meritage Homes of California, Inc.; William Lyon Homes, Inc., CalAtlantic Group, Inc.; Pulte Home Corporation; and the New Home Company Southern California, LLC.

The opinions set forth are subject to the assumptions and limiting conditions set forth herein and the specific appraisal guidelines as set forth by the County of Orange.

Function of the Report and Intended Use

It is our understanding that this appraisal report is to be used for CFD No. 2017-1, IA-1 bond financing purposes only. The subject property is described within this report. The bonds will be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The maximum authorized bond indebtedness for the CFD No. 2017-1, IA-1 is $98,000,000.

Client and Intended Users of the Report

This report was prepared for our client, the County of Orange. The intended users of the report include the County of Orange, its underwriter, legal counsel, consultants, and potential bond investors.

Scope of the Assignment

According to specific instructions from the County and the CDIAC guidelines, the total value conclusion includes the "as is" estimate of Market Value under the ownerships of the Master Developer and five merchant builders. The estimated values of the land and units under construction, for each merchant builder ownership, will represent the "as is" bulk value to each ownership. Similarly, the estimated value for the 305 lots under the Master Developer ownership represent the "as is" bulk value. Any lands designated for park, open space or civic uses within the District and not subject to tax are not included in this assignment.

According to the Engineer's Report for CFD No. 2017-1, IA-1 prepared by Stantec, the subject property consists of 154± gross acres. The subject property is part of the second community to be improved within the master planned community known as "Rancho Mission Viejo". The development within CFD No. 2017-1, IA-1 is known as "Esencia". The subject CFD includes ten final tract maps, proposed for nine for sale products. Six products opened for home sales in October and November 2017. One product is scheduled to open for sales in December 2017 and two products are scheduled to open in February 2018.

We have analyzed the subject property based upon the proposed uses and our opinion of its highest and best use. The following paragraphs summarize the process of collecting, confirming and reporting of data used in the analysis.

1. Gathered and analyzed demographic data from sources including the California Department of Finance (population data), Employment Development Department of the State of California (employment data), County of Orange (zoning information, building permit trends), South Orange County Chamber of Commerce (local demographic trends), Metrostudy (housing sales, inventory levels, and absorption), and sales personnel of comparable projects (market trends of individual home sales). Subject information was gathered from the District's Special Tax Consultant, the Master Developer, merchant builders and interviews.
2. Inspected the subject, the subject's neighborhood and the general market area. Inspected similar for-sale products for consideration of Highest and Best Use of the proposed lots/sites.

3. Gathered and analyzed comparably zoned residential land sales within the subject market areas, for use in valuing the merchant builder sites. Data was gathered from sources including Comps.com, brokers and appraisers within the Southern California area. Where feasible, data were confirmed with both the buyer and seller.

4. Residential attached and detached dwelling unit sales, within the subject's primary and secondary market areas were analyzed. Data was gathered from sources including, but not limited to, RealQuest, appraisers and builders active in the area.

Date of Value and Report

The opinions of Market Value expressed in this report are stated as of November 15, 2017. The date of the appraisal report is November 22, 2017.

Date of Inspection

The subject property was inspected on several occasions, with the most recent on November 20, 2017.

Property Rights Appraised

The property rights appraised are those of the *fee simple estate subject to special tax liens* of the real estate described herein.

Property Identification

CFD No. 2017-1, IA-1 is a part of the developing Rancho Mission Viejo planned community proposed for 14,000± dwelling units, urban activity center uses, neighborhood retail centers, business park uses and support uses on 5,873 developable acres. Over 75% of the original land ownership (22,815 acres) within Rancho Mission Viejo has been retained as permanent open space/conservation land. The community of Rancho Mission Viejo is located to the south and east of the cities of Rancho Santa Margarita, Mission Viejo, San Juan Capistrano and northeast of San Clemente. Also within the vicinity of Rancho Mission Viejo are the built-out communities of Las Flores, Coto de Caza and Ladera Ranch. To the northeast of the planned community is the Cleveland National Forest. To the south of Rancho Mission Viejo is Camp Pendleton and open space within unincorporated Orange County and San Diego County.

CFD No. 2017-1, IA-1 is a part of the second phase of development within Rancho Mission Viejo known as NorthWalk and can be identified within the "Ranch Plan Specific Plan" as a portion of Planning Area 2, referred to as PA 2.3 consisting of 180± gross acres. Residential uses are proposed on 170± gross acres plus a 10± acre park site. The first planning area of Rancho Mission Viejo, PA 1, Sendero, is built and sold out. Sendero includes market rate dwellings that have been built by seven merchant builders. Gavilan is the age-restricted neighborhood which was built by four merchant builders. In total, 971 dwellings have been built within Sendero. PA 2.1, Esencia, CFD No.2015-1, is being developed with 840 residential dwellings at this time. PA 2.2, Esencia, CFD No. 2016-1, is being developed with 878 residential dwellings at this time. The subject, PA 2.3, Esencia, CFD No. 2017-1, IA-1, is located to the east of Sendero and north of PA 2.1 and PA 2.2. In general, the subject, CFD. No. 2017-1, IA-1, is surrounded by undeveloped land, except for CFD Nos. 2015-1 and 2016-1, to the south.

Property History

The Master Developer, RMV PA2 Development, LLC or its affiliated owners have owned the property for over 100 years. The proposed nine products are planned to be developed by five merchant builders. Different from the three previous developments within Rancho Mission Viejo, the builders are purchasing the land in phased increments. As of the date of value, five merchant builders have closed escrow on portions of land proposed for all products. According to the merchant builders and the Master Developer, the builders will be buying the land at the same price per blue-top lot throughout the phased takedowns. The Master Developer reports that non-refundable deposits of 18% to 20% have been received for all proposed products. The first takedowns for eight of the nine products occurred in November or December, 2016. The first takedown for the ninth product occurred in October 2017. Please refer to the Product Area Site Information section that lists each transaction, beginning on page 48. The following table summarizes the legal descriptions and ownerships as of the date of value, as indicated on the recorded grant deeds.

HRA

SHEET 1 OF 1

104 44

PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2017-1 OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA) COUNTY OF ORANGE, STATE OF CALIFORNIA

ACCEPTED AND FILED AT THE REQUEST OF Clerk of the Board of Supervisors

DATE FEBRUARY 22, 2017
TIME 1:03PM FEE $EXEMPT
INSTRUMENT # 2017000075306
BOOK 104 PAGE 44
in the book of Maps of Assessment and Community Facilities Districts

Hugh Nguyen
County Clerk-Recorder of County of Orange
By _____ Deputy

(1) I hereby certify that the within map showing the proposed boundaries of Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia), County of Orange, State of California, was approved by the Board of Supervisors of the County of Orange at a regular meeting thereof, held on this 14th day of February, 2017, by its Resolution No. 17-023.

Robin Stieler
Clerk of the Board of Supervisors, County of Orange

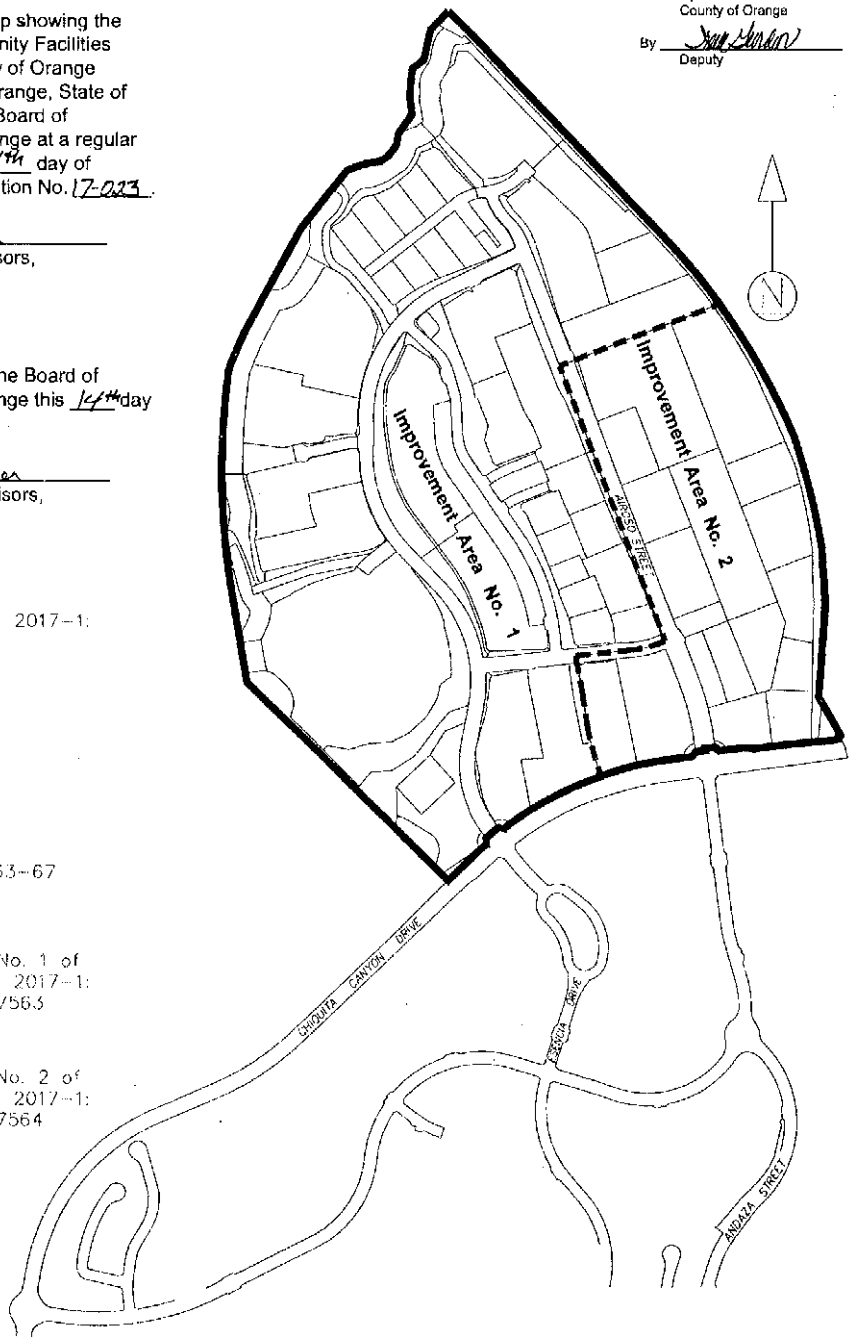
(2) Filed in the office of the Clerk of the Board of Supervisors of the County of Orange this 14th day of February, 2017

Robin Stieler
Clerk of the Board of Supervisors, County of Orange

Assessor Parcels within Community Facilities District No. 2017-1:
125-163-28 (Portion)
125-163-38 (Portion)
125-163-43 (Portion)
125-163-47 (Portion)
125-163-49 (Portion)
125-163-51 (Portion)
125-163-52 (Portion)
125-163-42
125-163-44
125-163-45
125-163-53 through 125-163-67

Lots within Improvement Area No. 1 of Community Facilities District No. 2017-1:
All lots in Tract Map No. 17563

Lots within Improvement Area No. 2 of Community Facilities District No. 2017-1:
All lots in Tract Map No. 17564



Reference is hereby made to the Assessor maps of the County of Orange, Tract Map No. 17563, recorded on October 18, 2016 as Instrument No. 2016000510635 in Book 960, pages 21 through 41 of Miscellaneous Maps, and Tract Map No. 17564, recorded on October 28, 2016 as instrument No. 20160533045 in Book 961, pages 12 through 17 of Miscellaneous Maps, for a description of the lines and dimensions of each lot and parcel.

LEGEND

———	Proposed Boundaries of Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia)
———	Lot Line
- - - - -	Improvement Area Boundary

Prepared by David Taussig & Associates, Inc.

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Legal Description and Ownership

Ownership	Product	Legal (at time of land sale)
New Home Company, Southern California, LLC	MR2	Lots 15-17, Tract 17563 & Lot 2, Tract 17603
New Home Company, Southern California, LLC	MR4	Lots 10-12, Tract 17563
New Home Company, Southern California, LLC	MR30	Lots 21-25, 54 & 55, Tract 17596
Meritage Homes of California, Inc.	MR5	Lot 1, Tract 17563 & Lots 2 & 3, Tract 17602
CalAtlantic Group, Inc.	MR12	Lots 20-21, Tract 17563
CalAtlantic Group, Inc.	AH13	Lots 24, 26-30, 33, Tract 17563
William Lyon Homes Inc.	AH14 (South)	Lots 7 & 8, Tract 17563
Pulte Home Company, LLC	AQ14	Lot 37, Tract 17563
Pulte Home Company, LLC	AQ15	Lot 35, Tract 17563
RMV PA2 Development, LLC	Various	Lots 2-6, 9,13-14, 18-19, 22, 23, 25 31-32, 34 & 36, Tract 17563

Definitions

Market Value[1]

The most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

(a) Buyer and seller are typically motivated.

(b) Both parties are well informed or well advised, and each acting in what he considers his own best interest.

(c) A reasonable time is allowed for exposure in the open market.

(d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.

(e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

[1] Part 563, subsection 563.17-1a(b)(2), Subchapter D, Chapter V, Title 12, Code of Federal Regulations.

Assessed Value[2]

The value of a property according to the tax rolls in ad valorem taxation. May be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.

Retail Value

Retail value should be estimated for all fully improved and occupied properties. Retail value is an estimate of what an end user would pay for a finished property under the conditions requisite to a fair sale.

Bulk Sale Value[3]

Bulk sale value should be estimated for all vacant properties--both unimproved properties and improved or partially improved but unoccupied properties. Bulk sale value is derived by discounting retail values to present value by an appropriate discount rate, through a procedure called *Discounted Cash Flow Analysis.* A second method is to use bulk land sales. These are sales of numerous individual parcels sold to one buyer. Bulk sale value is defined as follows:

The most probable price, in a sale of *all* parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue stress.

Fee Simple Estate[4]

Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.

Fee Simple Estate Subject to Special Tax and Special Assessment Liens[5]

Empirical evidence (and common sense) suggests that the selling prices of properties encumbered by such liens are discounted compared to properties free and clear of such liens. In new development projects, annual Mello-Roos special tax and/or special assessment payments can be substantial, and prospective buyers take this added tax burden into account when formulating their bid prices.

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[2] *The Dictionary of Real Estate Appraisal*, Third Edition, published by The Appraisal Institute, 1993, Page 22

[3] *Appraisals Standard for Land-Secured Financings*, published by CDIAC, 2004, Page 10

[4] *The Dictionary of Real Estate Appraisal*, Third Edition, published by The Appraisal Institute, 1993, Page 140

[5] California Debt and Investment Advisory Commission, Page 9

Finished Lot

Land that is improved so that it is ready to be used for a specific purpose. (Improvements include graded lot, streets to the lot boundary, utilities to the lot boundary, and all fees required to pull a building permit paid.)

Physically Finished Lot

Physically finished lot requiring development impact fees and possibly minor site work before a building permit is issued and development can proceed.

Blue-top Lot

Graded parcel which includes streets cut and padded lots with utilities stubbed to the site and perimeter streets in. The lot has been rough graded to within 0.1 feet of the grade as described in the approved rough grading plans. All slopes relating to the lot shall be graded within 0.5 feet of the grades stated in the rough grading plan. In addition, the recommendations set forth in the soils and environmental reports that have been prepared are complete. All water, sewer, and street improvement plans have been approved and a civil engineer has certified that the lots meet the above conditions.

Hypothetical Condition

The term Hypothetical Condition is defined by USPAP as: "A condition directly related to a specific assignment, which is contrary to what is known by the appraiser exists on the effective date of the assignment results, but is used for the purpose of analysis."

Extraordinary Assumption

The term Extraordinary Assumption is defined by USPAP as: "An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions."

Extraordinary Assumptions, Assumptions and Limiting Conditions

The analyses and opinions set forth in this report are subject to the following assumptions and limiting conditions:

Standards Rule ("S.R.") 2-1(c) of the "Standards of Professional Appraisal Practice" of the Appraisal Institute requires the appraiser to "clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects an appraisal analysis, opinion, or conclusion." In compliance with S.R. 2-1(c) and to assist the reader in

interpreting the report, the following contingencies, assumptions and limiting conditions are set forth as follows:

Extraordinary Assumption

The site development costs, which include major infrastructure improvements, land development improvements and merchant builder improvements, have been provided by the Rancho Mission Viejo Company and the merchant builders. The timing of the expenditure of the development costs has also been provided by the Master Developer. ***It is a specific assumption and contingency of this appraisal and its estimated values that the reported costs are all the costs associated with development of the subject properties to a finished lot ready to build condition.*** If any of the costs, reimbursements and/or timing of the costs or reimbursements change, the value conclusions reached in this report would likely be different.

The proposed nine products are planned to be developed by five merchant builders. Different from the three previous developments within Rancho Mission Viejo, the builders are purchasing the land in phased increments. As of the date of value, five merchant builders have closed escrow on portions of land proposed for all products. According to the merchant builders and Master Developer, the builders will be buying the land at the same price per blue-top lot throughout the phased takedowns. The Master Developer reports that non-refundable deposits of 18% to 20% have been received for all of the merchant builder land within the District. The first takedowns for eight of the nine products occurred in November or December, 2016. The first takedown for the ninth product occurred in October 2017. According to the Master Developer, the pro-rate share of the deposits are applied to the balance of the phased takedown price at the close of that purchase. *As discussed in the definitions section of this report, an estimate of Market Value assumes a sale. Therefore, it is a specific assumption of this appraisal report and estimated value for the Master Developer owned land, that the remaining deposits for the balance of the land to be sold to the merchant builders is in an account that would transfer to the new owners of the land, if a sale were to occur.*

Hypothetical Condition

This appraisal is contingent upon the successful issuance and funding of bonds for Community Facilities District No. 2017-1, IA-1 through the County of Orange. A list of the estimated eligible facilities totaling $110,000,000 was prepared on behalf of the County of Orange by Stantec, the District Engineer.

The Market Value estimates reported in this report reflect the funding for a portion of the infrastructure improvements and fees from the proceeds of Community Facilities District No. 2017-1, IA-1. If the CFD is not funded and/or

the amount of the reimbursements should change, the value opinions stated herein could change. Please refer to the Valuation section for further detail of the reimbursements and timeline for reimbursement.

Assumptions and Limiting Conditions of the Appraisal

The date of value, for which the opinions of Market Value are expressed in this report, is November 15, 2017. The dollar amount of this value opinion is based on the purchasing power of the United States dollar on that date.

Maps, plats, and exhibits included herein are for illustration only, as an aid for the reader in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.

Oil, gas, mineral rights and subsurface rights were not considered in making this appraisal unless otherwise stated and are not a part of the appraisal, if any exist.

The appraiser has not been provided with soils or geotechnical reports for review. CFD No. 2017-1, IA-1 has been improved to at least a blue-top lot condition. Of the total 752 lots, 39 lots are improved with model home construction, from framing to complete. In addition, 78 production homes are under construction and 9 production homes have slabs framed and will be valued as finished lots. *For purposes of this appraisal, the soil is assumed to be of adequate load-bearing capacity to support all uses considered under our conclusion of highest and best use.*

The appraiser has been provided with the original and a supplemental environmental report prepared for the property within the District. *For purposes of this appraisal, it is assumed that there are no environmental issues and the build-out of CFD* No. 2017-1, IA-1 *can be completed as currently planned.*

The appraiser has been provided with nine preliminary title reports for the District. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely affect the value of the subject property. The notice of Special Tax Lien was recorded on April 12, 2017.

Information contained in this report has been gathered from sources which are believed to be reliable, and, where feasible, has been verified. No responsibility is assumed for the accuracy of information supplied by others.

Since earthquakes are common in the area, no responsibility is assumed for their possible impact on individual properties, unless detailed geologic reports are made available.

Your appraiser inspected as far as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representations are made as to these matters unless specifically considered in the report.

The appraiser assumes no responsibility for economic or physical factors which may occur after the date of this appraisal. The appraiser, in rendering these opinions, assumes no responsibility for subsequent changes in management, tax laws, environmental regulations, economic, or physical factors which may or may not affect said conclusions or opinions.

No engineering survey, legal, or engineering analysis has been made by us of this property. It is assumed that the legal description and area computations furnished are reasonably accurate. However, it is recommended that such an analysis be made for exact verification through appropriate professionals before demising, hypothecating, purchasing or lending occurs.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances or conditions.

The presence of such substances such as asbestos, urea formaldehyde, foam insulation, or other hazardous substances or environmental conditions may affect the value of the property. The value estimated herein is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

The cost and availability of financing help determine the demand for and supply of real estate and therefore affect real estate values and prices. The transaction price of one property may differ from that of an identical property because financing arrangements vary.

My forecasts of future events which influence the valuation process are predicated on the continuation of historic and current trends in the market.

The property appraised is assumed to be in full compliance with all applicable federal, state, and local environmental regulations and laws, and the property is in conformance with all applicable zoning and use ordinances/restrictions, unless otherwise stated.

The appraiser shall not be required, by reason of this appraisal, to give testimony or to be in attendance in court or any governmental or other hearing with reference to the property without prior arrangements having first been made with the appraiser relative to such additional employment.

In the event the appraiser is subpoenaed for a deposition, judicial, or administrative proceeding, and are ordered to produce his appraisal report and files, the appraiser will immediately notify the client.

The appraiser will appear at the deposition, judicial, or administrative hearing with his appraisal report and files and will answer all questions unless the client provides the appraiser with legal counsel who then instructs him not to appear, instructs him not to produce certain documents, or instructs him not to answer certain questions. These instructions will be overridden by a court order, which the appraiser will follow if legally required to do so. It shall be the responsibility of the client to obtain a protective order.

The appraiser has personally inspected the exterior of the subject properties; however, no opinion is made as to structural soundness of proposed or existing improvements or conformity to the building code of any public agency is made. No responsibility for undisclosed structural deficiencies or conditions is assumed by the appraiser. No consideration has been given in this appraisal to personal property located on the premises; only the real estate has been considered unless otherwise specified.

James B. Harris is a Member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each Member and Associates to control the uses and distribution of each appraisal report signed by such Member or Associates. Except as hereinafter provided, possession of this report, or a copy of it, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser and in any event only with properly written qualification and only in its entirety.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations, news media or any other public means of communication without the prior consent and approval of the undersigned. **The County of Orange, its underwriter and legal counsel may publish this report in the Preliminary and Final Official Statements for Community Facilities District No. 2017-1, IA-1.**

The acceptance of and/or use of this appraisal report by the client or any third party constitutes acceptance of the following conditions:

The liability of Harris Realty Appraisal and the appraiser responsible for this report is limited to the client only and to the fee actually received by the appraiser. Further, there is no accountability, obligation or liability to any third party. If the appraisal report is placed in the hands of anyone other than the client for whom this report was prepared, the client shall make such party and/or parties aware of all limiting conditions and assumptions of this assignment and related discussions. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk.

If the client or any third party brings legal action against Harris Realty Appraisal or the signer of this report and the appraiser prevail, the party initiating such legal action shall reimburse Harris Realty Appraisal and/or the appraiser for any and all costs of any nature, including attorneys' fees, incurred in their defense.

AREA DESCRIPTION

The following section of this report will summarize the major demographic and economic characteristics such as population, employment, income and other pertinent characteristics for Orange County, Rancho Santa Margarita and the subject market area.

Orange County

Orange County consists of 34 individual cities and numerous unincorporated communities. Orange County is bounded by the Pacific Ocean to the west, Los Angeles County to the north, Riverside County to the east, San Bernardino County to the northeast and San Diego County to the south. Orange County offers a wide variety of terrain from the Pacific Ocean beaches to foothill landscapes.

A strategic location and quality of life are the primary factors for Orange County's evolution from a rural, agricultural dominated economy into a premier urbanized commercial center. Prior to 1959, the County was considered to be a bedroom community of Los Angeles County. During the 1950's and 1960's, improvements in the transportation network and economic growth in Los Angeles County gave rise to the suburbanization of Orange County. By the 1970's, the commercial and industrial development transformed Orange County into an urbanized commercial center. Today, despite the severe economic downturn of 1991-1996, the filing by the County of Orange for bankruptcy in December 1994, the 2001-2002 recession, and the recent national economic crash, Orange County remains one of the most economically vibrant and diverse components of the Southern California region.

Population

Orange County has added almost 1,215,000 new residents since 1980 as illustrated in the following table. The most recently released population data indicates that as of January 2017, the countywide population stood at 3,194,000 residents. Annual population gains and losses from natural increase and immigration have ranged from a gain of 11,000 persons to a gain of 35,300 persons annually, over the last five years. The

Regional Map



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population changes represent annual changes of 0.3% to 1.1%, over the last five years. The County population experienced a negative 4.1% adjustment in the year 2010. This was due to the population count in the U.S. Census and not from an actual out-migration from the County. The U.S. Census actual counts were significantly less than the prior State of California projections. The County's population increased 6.1% from 2010 to 2017. The 2015 population finally exceeded the prior record high population of 3,139,000, which occurred in 2009.

Population Trends
1980-2017[1]

		Average Annual Change	
Year	Population	Number	Percent
1980	1,932,921	--	--
1990	2,410,668	47,775	2.5%
2000	2,846,289	43,562	1.8%
2001	2,880,200	33,911	1.2%
2002	2,930,500	50,300	1.7%
2003	2,978,800	48,300	1.6%
2004	3,017,300	38,500	1.4%
2005	3,047,000	29,700	1.0%
2006	3,072,300	25,300	0.8%
2007	3,098,100	25,800	0.8%
2008	3,107,500	9,400	0.3%
2009	3,139,000	31,500	1.0%
2010	3,010,232	(128,768)	(4.1%)
2011	3,029,900	19,668	0.6%
2012	3,055,800	25,900	0.9%
2013	3,081,800	26,000	0.9%
2014	3,114,000	32,200	1.0%
2015	3,147,700	33,700	1.1%
2016	3,183,000	35,300	1.1%
2017	3,194,000	11,000	0.3%

[1] April 1, 1980, 1990, 2000, and 2010 all other years January 1.
Source: California Department of Finance, U.S. Census 5/17

The high cost of housing in Orange County compared to other areas has slowed the number of people relocating to Orange County. The past decline in the Orange County economy began in 2007 and continued until mid-2012. This weakness was led by the decline in the residential real estate market. Both the number of sales and median dwelling prices declined over 40% from the peak of June 2007 to early 2009. According to CoreLogic, as of September 2017, the median price had increased about 92% from the lows of early

2009, and is now about 10.1% above the previous peak, in 2007. Median prices have fluctuated between $635,000 and $695,500 over the last 12 months.

Employment

As of September 2017, Orange County had an unemployment rate of 3.6%, compared to the California rate of 4.7%. One year ago, in September 2016, the unemployment rate for Orange County was 4.0%. The annual average rate for 2015 was 4.4%. This indicates a 10.0% decrease in the unemployment rate in one year and an 18.2% decrease in two years. From 1980 to 2000, the Orange County employment base expanded rapidly as the area became a financial and service center in the Southern California region. The following table illustrates the area's unemployment compared to California as of September 2017.

	Labor Force	Unemployment
California	19,450,400	4.7%
Orange County	1,612,400	3.6%

The most common measure of employment growth is the increase in nonagricultural wage and salary employment. Job growth in 2003 increased 25,300 jobs. During 2004, the total non-farm employment was 1,456,700, an increase of 1.9% or 27,700 jobs. In 2005, the increase in job growth was reported at 2.4% or an increase of 34,300 jobs. Job growth slowed to 1.9% in 2006 or 27,900 new jobs, for a record high of 1,518,900 jobs. In 2007, job growth declined 3,400 jobs to 1,515,500, or a negative 0.2%. In 2008, there was a decline of 34,000 jobs, or a negative 2.2% job growth. In 2009, job growth declined 109,500 jobs, or a negative 7.4% to 1,372,100 jobs. This was the largest annual decline in Orange County history. Job declines continued into 2010 when 5,400 jobs were lost, a negative 0.4%. The four year decline ended in 2011, when 15,700 jobs were added, an increase of 1.1% to 1,366,700 jobs. In 2012, 37,200 new jobs were added, a 2.7% increase to a total of 1,419,600 jobs. In 2013, 39,800 jobs were added, an increase of 2.8% to 1,459,400 jobs. During 2014 36,500 jobs were added, an increase of 2.5% to 1,495,900 jobs. During 2015, 46,800 jobs were added, an increase of 3.1% to 1,542,700 jobs. During 2016, 37,100 jobs were added a 2.4% increase to a total of 1,579,800 jobs. The job losses between 2007 and

2010 wiped out about 11 years of job growth. 2015 was the first year that employment exceeded the previous record during 2006. The current employment level is at a record high level.

Employment Trends 1983-2016

Year	Employment	Average Annual Change Number	Percent
1983	869,200	--	--
1990	1,172,400	43,314	5.0%
2000	1,388,900	21,600	1.8%
2001	1,413,700	24,800	1.8%
2002	1,403,700	(10,000)	(0.7%)
2003	1,429,000	25,300	1.8%
2004	1,456,700	27,700	1.9%
2005	1,491,000	34,300	2.4%
2006	1,518,900	27,900	1.9%
2007	1,515,500	(3,400)	(0.2%)
2008	1,481,600	(34,000)	(2.2%)
2009	1,372,100	(109,500)	(7.4%)
2010	1,366,700	(5,400)	(0.4%)
2011	1,382,400	15,700	1.1%
2012	1,419,600	37,200	2.7%
2013	1,459,400	39,800	2.8%
2014	1,495,900	36,500	2.5%
2015	1,542,700	46,800	3.1%
2016	1,579,800	37,100	2.4%

[1] 20156benchmark
Source: Employment Development Department – 6/17

The ten largest employers in Orange County are shown below.

Orange County Ten Largest Employers

Company/Institution	No. of Employees
Walt Disney Co.	27,000
University of California, Irvine (UCI)	22,385
County of Orange	18,190
St. Joseph Health System (St. Joseph)	12,227
Kaiser Permanente	7,000
Boeing Co.	6,890
Wal-Mart	6,000
Memorial Care Health System	5,650
Bank of America	5,500
Target	5,400

Source: Orange CAFR, 2016

Income

The median household income in Orange County is estimated to be $80,283. These figures are significantly above the Southern California region average. The higher income level is due to the higher percentage of financial, insurance, real estate, and business service employment which typically has higher wage scales.

Orange County
Household Income Distribution
2017

Income Range	Households	Percent 1/
Less than $15,000	78,573	7.41%
$15,000 - $24,999	71,960	6.79%
$25,000 - $34,999	75,439	7.12%
$35,000 - $49,999	109,552	10.34%
$50,000 - $74,999	165,912	15.66%
$75,000 - $99,999	134,645	12.71%
$100,000 - $124,999	108,888	10.27%
$125,000 - $149,999	81,004	7.64%
$150,000 - $199,999	99,557	9.39%
$200,000 - $249,999	46,272	4.37%
$250,000 - $499,999	58,191	5.49%
$500,000 or more	29,785	2.81%
Total	1,059,778	100.0%
Median Household Income		$80,283
Average Household Income		$112,372

1/ Percent of total distribution

Source: Nielsen 6/17

Approximately 53% of the county's households have annual income over $75,000. This high income level, in part, provides the financial means to support the continued demand in the residential market.

Retail Sales

For Orange County, taxable retail sales increased from $8.5 billion in 1980 to an estimated $39± billion in 2006, when the recent decline began. Sales for 1999 and 2000 increased 10.4% and 10.9%, respectively, to $27.49 billion. In 2001 the sales growth moderated to 3.8% or $28.52 billion. For 2002, sales increased 4.0%, up to $29.65 billion. During 2003, taxable retail sales totaled $32.28 billion; this was an 8.9% increase. This increase continued through 2004 with retail sales at $35.44 billion, which is a 9.8% increase.

In 2005 the growth moderated to 6.3%, with sales at $37.67 billion. In 2006 the growth further moderated to 3.7%, with sales at $39.07 billion. In 2007, there was an actual decline to $38.99 billion, a 0.2% decline. In 2008, sales again declined to $35.77 billion, or a negative 8.3%. Declining sales worsened in 2009, declining 12.9% to $31.16 billion. This was the low point for retail sales in Orange County. In 2010 sales increased to $32.55 billion or a 4.5% gain. In 2011, retail sales increased 9.3% to $35.59 billion. The 2012 retail sales increased 7.8% to $38.37 billion. The 2013 sales increased 4.3% to $40.02 billion. The 2013 retail sales were at a record high level, finally exceeding the previous record high in 2006. Annual retail sales for 2014 increased 3.2% to $41.29 billion. During 2015, retail sales only increased 0.7% to $41.59 billion. During the first three quarters of 2016, retail sales totaled $31.27 billion, an increase of 1.4% over the first three quarters of 2015.

Retail Sales Trends[1]
1985-2015

Year	Taxable Retail Sales (000's)	Average Annual Change Number (000's)	Percent
1985	$13,007,407	--	--
1990	$17,486,433	$ 895,805	6.9%
2000	$27,485,000	$ 999,857	5.7%
2001	$28,519,000	$1,034,000	3.8%
2002	$29,646,818	$1,127,848	4.0%
2003	$32,287,697	$2,640,879	8.9%
2004	$35,441,953	$3,163,256	9.8%
2005	$37,672,834	$2,230,881	6.3%
2006	$39,074,451	$1,401,617	3.7%
2007	$38,988,227	($ 86,224)	(0.2%)
2008	$35,768,595	($3,219,632)	(8.3%)
2009	$31,162,619	($4,605,976)	(12.9%)
2010	$32,552,107	$1,384,488	4.5%
2011	$35,587,795	$3,035,688	9.3%
2012	$38,372,456	$2,784,661	7.8%
2013	$40,025,929	$1,653,473	4.3%
2014	$41,288,537	$1,262,080	3.2%
2015	$41,589,162	$ 300,625	0.7%

[1] Retail stores, taxable retail sales total
Source: State Board of Equalization 11/17

Real Estate

The following table shows Orange County in relation to the remaining Southern California counties for median price and number of dwellings sold.

Southern California Home Sales

	No. Sold – All Homes			Median Price – All Homes		
County	Sept 2016	Sept 2017	Pct. Chg.	Sept 2016	Sept 2017	Pct. Chg.
Los Angeles	7,179	6,921	-3.6%	$525,000	$575,000	9.5%
Orange County	**3,191**	**3,338**	**4.6%**	**$640,000**	**$710,000**	**10.9%**
Riverside	3,571	3,440	-3.7%	$335,000	$360,000	7.5%
San Bernardino	2,717	2,843	4.6%	$299,000	$325,000	8.7%
San Diego	3,786	3,553	-6.2%	$495,000	$535,000	8.1%
Ventura	881	861	-2.3%	$506,000	$549,500	8.6%
Southern California	21,325	20,956	-1.7%	$460,000	$505,000	9.8%

Source: CoreLogic 10/17

During the period from 1988 through 1989, housing values appreciated at rates approaching an average of 15% per annum throughout much of Orange County and Southern California. During the period from 1990 through 1993 as the economic recession influenced all segments of potential homebuyers, the rate of house price changes fell dramatically with decreases of approximately 4% to 6% per annum. During 1996 home prices stabilized, and most new subdivisions experienced significant price increases from 1997 to mid-2005 with annual double digit appreciation. Over the subsequent 6± years sales prices significantly decreased. However, over the last 5± years, sales prices have increased on a year over year basis in almost every month. The September 2017 sales were the lowest September sales since 2014. The change in sales was down 12.9% from August 2017 and down 1.7% since September 2016. The region's median sale price has increased for 66 straight months, with the last 40 months having single digit increases. Southern California's September median sale price equaled the peak median price of $505,000 reached in April, May and July 2007.

In all, 3,338 homes in the County sold in September 2017, which is an increase of 4.6% from September 2016 (Southern California had a decrease in sales of 1.7%). The County's September 2017 median price of $710,000 is 2.2% above the record median price from May 2017. Over the past year, the median sales price increased 10.9%, according to CoreLogic. The September 2017 median price of $710,000 was 10.1%

above the previous peak price of $645,000 in June 2007, and almost 92% higher than the January 2009 cyclical low median price of $370,000. Due to the strength in the new home market, the issuance of new home building permits in the County in 2012 was 70%± higher than the average number of permits issued over the previous five years. During 2013, single-family building permits increased to 3,783 from the 2012 total of 2,846 permits, about 33%. During 2014, single-family building declined 7.0% to 3,519 permits. In 2015, permits stabilized with a slight increase to 3,523 permits. In 2016, permits increased to 4,116 permits.

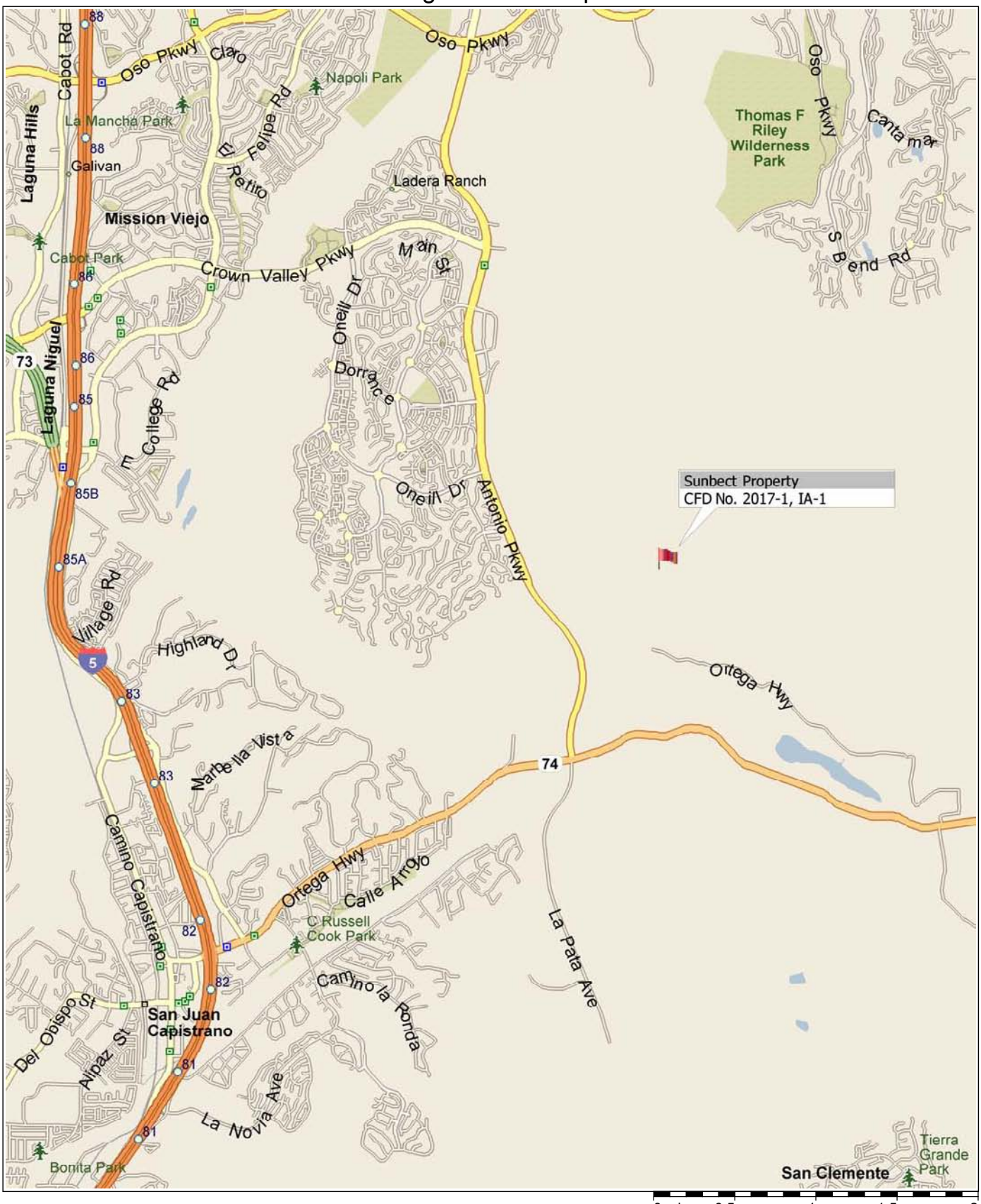
In Southern California, as a whole, September home sales were 10.5% below the September averages for the last 28 years. However, the September median price equaled the previous record high median price reached in April, May and July 2007.

City of Rancho Santa Margarita

The City of Rancho Santa Margarita is located in south Orange County. It was incorporated on January 1, 2000. It is adjacent to Mission Viejo to the west and the unincorporated areas of Orange County to the north, south and east. The more rural unincorporated areas of Orange County are located south and east of the City limits. Rancho Santa Margarita is accessible from the Santa Ana Freeway (I-5), via several surface streets, while the S-241 toll road bisects the City. Please refer to the next page for a neighborhood map.

In 1882, Richard O'Neill and James Flood purchased a large ranch, which covered over 200,000 acres from Oceanside to Lake Forest. In 1941, the ranch was divided into three family ownerships. Richard O'Neill, Jr. took title to the 52,000 acres in Orange County. This ranch was known as Rancho Mission Viejo. In the mid-1960s a 10,000 acre planned community (now city) of Mission Viejo was developed. In the mid-1980's the family developed its second planned community (now city) of Rancho Santa Margarita. Subsequently, the planned communities of Las Flores and Ladera Ranch were developed. Through the years, the company's land holdings have diminished as homes have been

Neighborhood Map



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sold and as land deemed sensitive for environmental or public recreational uses have been conveyed to governmental agencies to ensure preservation and public access. Today, approximately 22,000 acres remain under the company's stewardship.

Rancho Santa Margarita has a population as of January 1, 2017 of 48,600 persons. The City's most prominent business center is Rancho Santa Margarita Business Park, one of the County's major business, research and technology centers. The adjacent communities of Robinson Ranch and Dove Canyon were also included in the incorporation of Rancho Santa Margarita.

Rancho Santa Margarita has shared in the rapid growth of the region, particularly during the 1980s and 1990s. Nearly all of this population growth has been the result of people moving to the newer job markets in Orange County.

Population

As of the 2000 Census, the City had a population of 47,214 persons, a huge increase from its first residents in 1985. In 2010 the census reported a population of 47,853 persons. The State of California estimated the January 1, 2017 population at 48,600 persons. The City has nearly reached its maximum population.

Income Levels

The City has an income distribution substantially higher than the countywide distribution. The median household income for Rancho Santa Margarita is $114,376, which is significantly higher than the countywide figure. Sixty-eight percent of all households earn over $75,000, as compared to 53% for the County as a whole.

City of Rancho Santa Margarita
Household Income Distribution 2017

Income Range	Households	Percent
Less than $15,000	627	3.59%
$15,000 - $24,999	698	4.00%
$25,000 - $34,999	732	4.19%
$35,000 - $49,999	1,146	6.57%
$50,000 - $74,999	2,290	13.12%
$75,000 - $99,999	1,974	11.31%
$100,000 - $149,999	4,113	23.57%
$150,000 - $199,999	2,613	14.97%
$200,000 or more	3,262	18.69%
Total	17,455	100.00%
Median Household Income		$114,376
Average Household Income		$141,585

Source: Nielsen 6/17

Retail Sales

In 2015, the City generated retail sales of $453,338,921 or 1.1% of the County's total retail sales. The retail sales increased 42.7% from the City's 2001 level, while the County increased 45.8% during the same period. Annual retail sales for the first three quarters of 2016 increased 0.5% over the first three quarters of 2015.

Employment

As of September 2017, the City had an employment level of 27,400 persons. The unemployment rate for the City was 2.1%, which was 1.5% lower than the County as of September 2017. The top ten private employers in this area are shown on the following table. The information is from the City of Rancho Santa Margarita.

City of Rancho Santa Margarita Principal Employers 2016	
Employer	No. of Employees
Applied Medical Resources	1,304
Capistrano Unified School District	215
Car Sound Exhaust Systems, Inc.	150
Control Components Inc. (CCI)	200
Lucas & Mercier Construction	553
O'Connell Landscape	980
PADI	180
Saddleback Valley School District	606
Santa Margarita Catholic HS	175
Target Corporation	247

Source: City of Rancho Santa Margarita

Transportation

Rancho Santa Margarita has average freeway access provided by Interstate 5 (San Diego Freeway), the major north/south freeway in California, via Oso Parkway. The freeway merges with Interstate 405 at a major interchange situated about six miles north of the City. Both freeways intersect with State Highway 55 (Costa Mesa Freeway) to the west and northwest. From there, the Costa Mesa Freeway extends north to State Highway 91 (Riverside Freeway) providing access into Riverside and San Bernardino counties and west into Los Angeles County. The Costa Mesa Freeway continues southwest to Costa Mesa and Newport Beach. The San Diego Freeway (I-5) extends northwest to Los Angeles and further to Ventura County and central California. To the south, it provides access to San Clemente and ultimately to San Diego and the international border with Mexico.

Also available are the toll roads (the Eastern Transportation Corridor and the Foothill Transportation Corridor) that run from the Riverside Freeway near Anaheim to Oso Parkway at the south City limits.

Access to the subject neighborhood is primarily via the I-5, by way of Ortega Highway. Additional access is via the Foothill Transportation Corridor (S-241), by way of on/off ramps at Oso Parkway, then via Antonio Parkway to the subject neighborhood. The John Wayne Orange County Airport is about 15 miles northwest. The S-73 toll road is located 3.1 miles north of Ortega Highway.

Saddleback Valley

The subject property is located within an unincorporated area of Orange County. More specifically, this area is referred to as the "Saddleback Valley" which includes the unincorporated communities of Ladera Ranch, Foothill Ranch, Coto de Caza, and Wagon Wheel, and the cities of Aliso Viejo, Rancho Santa Margarita, Lake Forest, Laguna Hills, Laguna Niguel, and Mission Viejo. The Saddleback Valley is located approximately 50 miles south of Los Angeles, and 75 miles north of San Diego.

The communities within the Saddleback Valley are primarily unincorporated and governed by the Orange County Board of Supervisors. Police services are provided by the Orange County Sheriff's Department. The fire department is provided by Orange County as well.

The Saddleback Valley labor market area includes Rancho Santa Margarita, Foothill Ranch, Coto de Caza, Aliso Viejo, Lake Forest, Mission Viejo, Laguna Hills, and Laguna Niguel. Within this labor market area, over 95% of the labor pool are employed, with over 50%± of all households having two or more family members employed.

There are numerous employment opportunities in the existing and currently developing business parks which include: Santa Margarita Center (Rancho Santa Margarita), Pacific Commercentre (Lake Forest), Baker Ranch (Lake Forest), Foothill Ranch (County), Crown Business Center (Mission Viejo), and Pacific Park (Aliso Viejo).

The Irvine Spectrum consists of 5,000 acres and is approximately half completed. The development includes 3,500± companies that contain 38± million square feet, including 25 of the Fortune 500 with a total of 80,000± employees. Major companies such as Verizon Wireless, WATC, Billabong, and The Capital Group are located within the Spectrum. The concept is to attract a diverse economic headquarters that would attract commerce and technology world-wide, plus an environment for entrepreneurs.

Traffic congestion has been a severe problem not only in established areas such as North Orange County, but in rapidly developing areas within South Orange County. In an attempt to mitigate the South County traffic problems, an area-wide coordinated effort, between the California Department of Transportation "Caltrans," the County of Orange, local cities and the development community, was completed to expand existing roadways and to build new freeways. Included in these projects was the widening of the I-5 Freeway from a six-lane to a 12-lane freeway. The completion of the expansion has significantly improved the flow of traffic, particularly in South and Central Orange County.

The project that will have the most profound traffic impact on South Orange County is the proposed extension of the Foothill Transportation Corridor, "FTC." The FTC, when completed, is proposed to extend from the Eastern Corridor in Anaheim Hills to San Clemente. However, the proposed route for the remaining south leg has been rejected by both state and federal agencies. At this time, no route has been approved.

Community of Ladera Ranch

Ladera Ranch is the closest Planned Community to the community of Rancho Mission Viejo, of which the subject parcels are a part. The Ladera Ranch Planned Community was approved by a General Plan Amendment and Planned Community zoning as granted by the County in October 1995. Ladera Ranch contains a total of 4,000± acres of which 2,400± acres are zoned for development, with 1,600± acres to remain as open space. The County approved permits up to 8,100 dwelling units, 25± acres of retail development and 75± acres of mixed uses including commercial and limited residential uses for the urban activity center. The current build-out of Ladera Ranch is projected at 8,061 dwelling units.

Phase 1 of Ladera Ranch opened for sales to homeowners in August 1999. In total, over 6,500 production dwelling units have been sold to individual homeowners. The custom lot development within the Ladera Ranch began sales on May 1, 2004. As of June 2017, 232 of the 232 custom lots were released for sale and are basically sold out. The community of Ladera Ranch has met with very good acceptance from the market place.

In addition to the residential and commercial developments within Ladera Ranch, there are sites for community facilities (i.e. church, daycare, etc.), three K-5 school sites, one 6-8 school site, many neighborhoods and community park sites, and a 24-acre Sports Park site. The Sports Park is located on the north side of Crown Valley Parkway at the west side of the community, and includes 23± acres devoted to youth sports, with multiple softball-Little League fields, soccer fields, tot lot, picnic area, and concession building. The Sports Park was completed and dedicated to the County of Orange in March 2001.

The 1,600± acres of open space include surrounding ridgelines and arroyo areas that are protected through a conservation easement. This area includes diverse habitats such as coastal sage scrub, coastal live oak woodlands, native grasslands and riparian ecosystems.

Conclusions of Area Analysis

The strength of the economy for Orange County is evident in the increasing employment and, correspondingly, population of the County. While the employment and population figures have shown continued growth, local unemployment has consistently been below the national and state averages. The rebound from the past recession has shown continued gain in population and employment numbers. Most economists predict a continuation of expansion since the recent recession is over.

The local economy previously experienced economic decline from 2008 into 2012, due largely to the national and state recessions. However, beginning in mid-2012 the markets stabilized and home prices have increased. Inflation is reported to remain low, which should keep mortgage rates from rising too steeply while the economy gains strength. Nationally, the economy has rebounded from the previous recession lows. As of November 15, 2017, the Dow Jones Industrial Average (DJIA) was near historical highs at 23,300. The S&P 500 was near historical highs of near 2,565. Home buyer demand in South and Central Orange County and all of Southern California currently exceeds the supply of homes on the market.

Orange County has experienced an increase of 10.9%± in median home price from

a year ago. The median home price in Orange County was $710,000 in September 2017, which is a new record high median price. Home prices continue to increase, on a year-over-year basis, although at a slowing rate. The year over year change in the sales rate have increased in nine of the last 12 months, with three months having increases between 8.0% and 20.9%, per month.

The surrounding area also provides good schools and community amenities, which are desirable characteristics for families as well as young and established professionals. Local growth provides an economic and employment base for retail and service businesses that will be supplemented by jobs resulting from the development of the surrounding business parks. As the economy and the housing market stabilizes from the market of 2012-2016, a return to more normal growth should continue.

SITE ANALYSIS

Rancho Mission Viejo Community

The first Planning Area (PA 1.1, Sendero) of Rancho Mission Viejo is built-out and sold out to homeowners. Originally this Planning Area was approved for 1,170 dwelling units and other non-residential uses. Approximately 130 acres (Subareas 1.3, 1.4 and 1.5) were sold to the City of San Juan Capistrano for open space uses. Subarea 1.1 is currently developed with 941 dwellings in two neighborhoods.

Sendero is a market rate neighborhood with homes built by seven homebuilders. Gavilan is an age restricted 55-plus neighborhood, with homes built by four home builders. Sendero has three townhome communities and four detached communities. Home sizes range from 1,000± square feet up to 3,000± square feet. Gavilan has duplex bungalows up to detached dwellings in four communities. Dwellings range from 1,275± square feet up to 2,325± square feet. Prices ranged from the low $300,000's to the high $800,000's in Sendero and is sold-out. Gavilan prices ranged from the mid-$400,000's to the high-$900,000's and is sold out.

Planning Area 2 which includes the subject property (PA 2.3), PA 2.2 and PA 2.1 contains a gross area of 1,680 acres. Approximately 785 gross acres are in open space. The remaining 895 gross acres are divided into: 820 gross acres for residential uses, 20 acres for parkland, 50 gross acres for an Urban Activity Center and 5 gross acres for neighborhood retail. In total, development of up to 3,291 dwelling units, 500,000 square feet of non-residential uses and 25,000 square feet of neighborhood retail uses are allowed. Planning Area 2 is approved for 3,291 residential units.

PA 2.1, Esencia is being developed with 840 dwellings within 12 products. There are eight "market rate" (MR) products and four "age-qualified" (AQ) products. Within the MR products, home sizes range from 1,360± square feet up to 3,765± square feet. Within the AQ products, dwelling sizes range from 1,460± square feet up to 2,600± square feet. The MR dwellings have prices that range from the low $500,000's to the high $1,200,000's. The AQ dwellings have prices that range from the high $500,000's to the low $1,000,000's. In

total, as of mid-November 2017, 798 dwellings have been released for sale, 751 dwellings have been sold and 697 dwellings have closed to individual homeowners. Two products have sold out.

PA 2.2, Esencia is being developed with 878 dwellings within 12 products. There are eight "market rate" (MR) products and four "age-qualified" (AQ) products. Within the MR products, home sizes range from 1,360± square feet up to 3,765± square feet. Within the AQ products, dwelling sizes range from 1,460± square feet up to 2,600± square feet. The MR dwellings have prices that range from the low $500,000's to the high $1,200,000's. The AQ dwellings have prices that range from the high $500,000's to the low $1,000,000's. In total, as of mid-November 2017, 518 dwellings have been released for sale, 387 dwellings have been sold and 208 dwellings have closed to individual homeowners.

PA 2.3 of Rancho Mission Viejo - Subject Property

CFD No. 2017-1, IA-1, the subject of this appraisal, known as NorthWalk, is comprised of Planning Area 2.3 (PA 2.3), the third development phase of Planning Area 2. According to the March 27, 2013 Revision to The Ranch Plan Planning Area 2 document, PA 2.3 contains a total of 180 gross acres, of which residential uses total 170± net acres. At this time, PA 2.3 is approved for 752 for sale dwellings. As of the date of value of this appraisal, November 15, 2017, all of PA 2.3 has been graded into lots or sites that range from a blue-top lot condition to a finished lot condition. Six model home complexes are complete and three model complexes are under construction. Additionally, five products are under construction with 78 production dwellings. Nine lots have slabs framed. These nine lots are valued as finished lots.

Esencia, PA 2.3 is proposed for a total development of 752 dwellings within nine products. There are seven "market rate" (MR) products and two "age-qualified" (AQ) products. Five merchant builders are building within PA 2.3. Within the MR products there is one townhome product, two duplex products; two cluster detached products and two traditional detached products on lots ranging from 3,266 to 7,440 square feet. Home sizes range from 707± square feet up to 4,420± square feet. The two AQ products include one cluster detached product and one detached product on 4,400 square foot lots. Dwelling

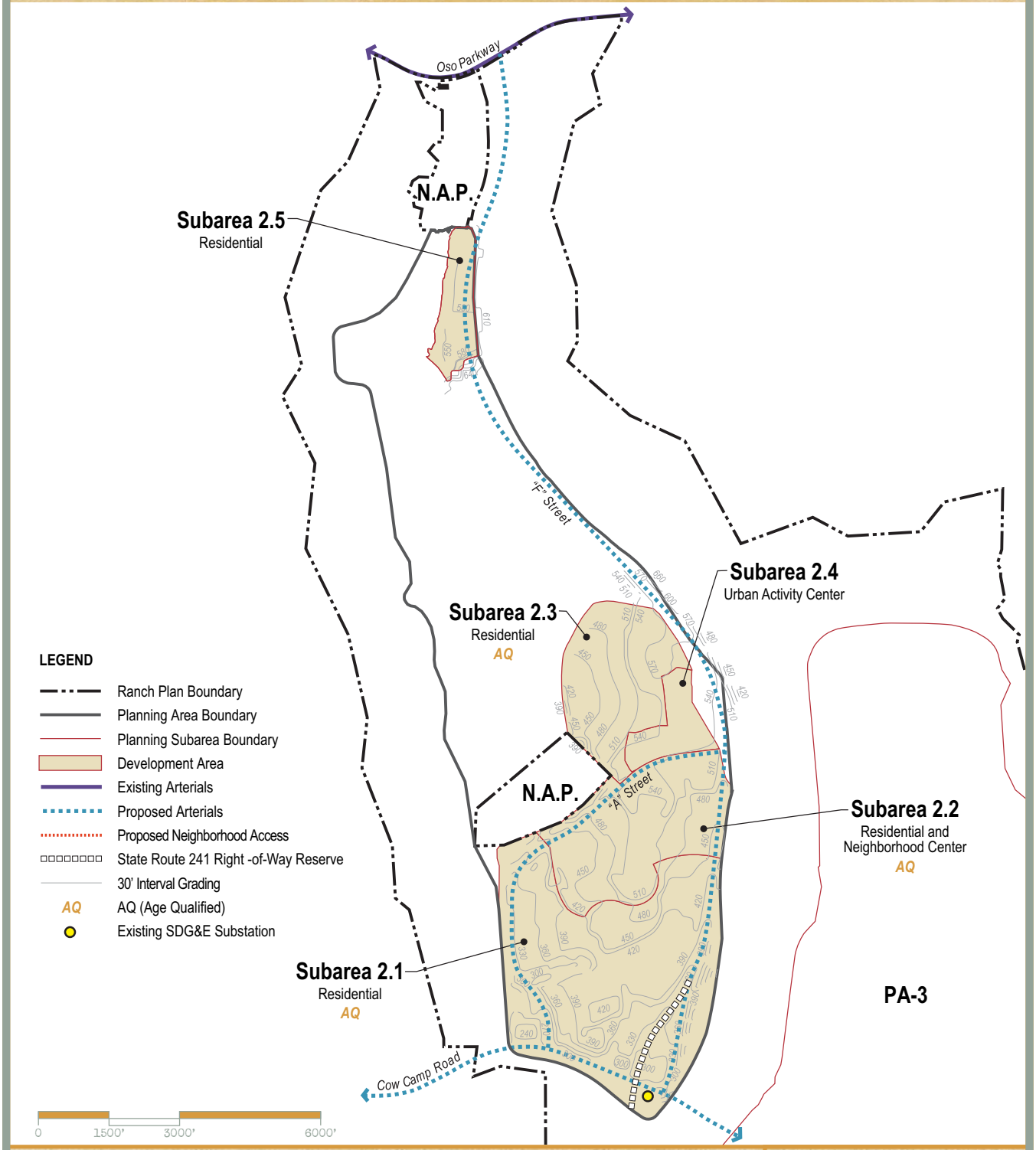
sizes range from 1,279± square feet up to 2,426± square feet. Three products had their grand opening on October 22, 2017. Three additional products just opened for sales on November 12, 2017. One additional product is scheduled to open for sales in December 2017. Two products are scheduled to open in February 2018. The MR dwellings have prices that range from $348,000's to the $1,400,000's. The AQ dwellings have prices that range from $595,000 to the mid $800,000's.

According to the Master Developer, as of the date of value, the backbone infrastructure has the following completion status: grading; storm drains, sewer, water and street improvements: 100% complete; dry utilities 90%; perimeter walls 90%; irrigation/ landscape/hardscape 75%. All backbone roads are paved. According to the Master Developer the cost to complete the balance of the backbone infrastructure and impact fees required by the Master Developer, as of the date of value, is approximately $15,500,000. (Please refer to the summary of costs included in the Addenda of this report.) Based on information provided by the District's Underwriter, approximately $77,000,000 of construction funds will be available from CFD No. 2017-1, IA-1. Of those funds, the Master Developer is expected to receive approximately $62,000,000 from this bond issue.

Regional and Local Setting

Substantial portions of the 22,815-acre Rancho Mission Viejo have been used for ranching and agricultural uses for the past 120± years. These uses continue today. Commercial nursery operations, research and development uses, and natural resource extractions are ongoing activities within Rancho Mission Viejo through lease agreements. Previous extractions of mineral resources within Rancho Mission Viejo included rock aggregate, silica sand, clay, and expanded aggregate. CFD No. 2016-1 (PA 2.2) is located in the central portion of Rancho Mission Viejo, north of Ortega Highway (S-74) and east of Antonio Parkway. PA 2.3, CFD No. 2017-1, IA -1, is adjacent to the north of PA 2.2. Please review the map of Planning Area 2 on the next page.

Planning Area 2



MASTER AREA PLAN
LAND USE PLAN
Ranch Plan Planned Community

Exhibit: 4

N

Circulation facilities within Rancho Mission Viejo boundaries include Ortega Highway, which runs south of the subject property and connects with I-5 to the west. Ortega Highway continues east of the subject property to Riverside County. Antonio Parkway/La Pata Avenue is a north-south arterial highway that extends through the western portion of Rancho Mission Viejo. Antonio Parkway begins north of the subject property in the City of Rancho Santa Margarita, extends through the Las Flores and Ladera Ranch communities to Ortega Highway. At Ortega Highway, Antonio Parkway turns into La Pata Avenue where it currently terminates in San Clemente. Other private and ranch roads exist within Rancho Mission Viejo.

To the north and west of Rancho Mission Viejo are the cities of Rancho Santa Margarita, Mission Viejo and San Juan Capistrano with San Clemente to the southwest. Other large land developments in unincorporated Orange County and in the vicinity of Rancho Mission Viejo include the built out communities of Las Flores, Coto de Caza and Ladera Ranch. Existing land uses within Rancho Mission Viejo include the Rancho Mission Viejo headquarters adjacent to Sendero, (PA-1) located on Ortega Highway, west of Antonio Parkway. Also in this area, south of Ortega Highway, is the Oaks/Blenheim/ Rancho Mission Viejo Riding Park. Further east along Ortega Highway and San Juan Creek are a variety of commercial nursery operations, the Solag Disposal Materials Recovery Facility (MRF), a concrete batch plant and a company that manufactures paving stones. Proximate to the Prima Deshecha Landfill, operated by the County, is the BFI Greenwaste commercial composting site. The Northrop Grumman TRW Capistrano Test Site was previously located on an approximately 2,700-acre leased site in Planning Area 8 of the Ranch Plan, adjacent to the City of San Clemente, the Talega Planned Community and MCB Camp Pendleton.

Within Rancho Mission Viejo are several existing major public facilities and utilities, including the Santa Margarita Water District (SMWD) Chiquita Water Reclamation Plant, located in Chiquita Canyon. This facility, located in Planning Area 2, west of the District, is identified as not a part (NAP) of the Ranch Plan. Other major utilities include a 66-inch domestic water line and smaller non-domestic water and sewer lines in the vicinity of Cristianitos Road. In addition, there are several large overhead electric distribution lines

owned by San Diego Gas and Electric (SDG&E) and Southern California Edison (SCE) that extend from the closed San Onofre Nuclear Generating Station (SONGS) located south of San Clemente. Facilities near the subject include the County's Prima Deshecha Landfill, located at the western boundary of Rancho Mission Viejo and two SDG&E substations also located just west of the southern boundary of Rancho Mission Viejo.

Several creeks are located within the boundaries of Rancho Mission Viejo, found in the area's designated for permanent open space. In total, approximately 16,942 acres within Rancho Mission Viejo are designated as permanent open space. When the Orange County Board of Supervisors approved the Orange County General Plan Amendment on November 8, 2004 for the 22,815 acre planned community, the Board of Supervisors selected a blueprint for the long-term conservation, management and development of the land. This plan allowed for construction of up to 14,000 dwelling units, 3,480,000 square feet of urban activity center uses on 251 acres, 500,000 square feet of neighborhood center uses on 50 acres and 1,220,000 square feet of business park uses on 80 acres, all of which were proposed to occur on approximately 7,683 acres of the planned community. The balance of approximately 15,132 acres of 66.32% were identified as permanent open space uses.

Subsequent to the approval of the FEIR 589, a coalition of environmental groups and the City of Mission Viejo filed legal actions questioning the potential local and regional transportation impacts associated with implementation of the Ranch Plan project. A settlement agreement was reached on August 16, 2005 with the dismissal of the individual lawsuits. This settlement is known as the Resource Organizations Settlement Agreement, (ROSA). The agreement reached resulted in certain refinements to the Development Agreement that increased the amount of open space that will be permanently protected and managed from 15,132± acres to 16,942± acres and reduced the maximum developable area from 7,683± acres to 5,873± acres. The allocated permanent open space is approximately 75% of the total planned community area. There are no entitlement issues that would delay the continued development of CFD No. 2017-1, IA-1.

Planning Area 2 Entitlement Summary

Existing Approvals – Local Agencies

County of Orange Ranch Wide

General Plan: Orange County General Plan Amendment, Approved November 8, 2004

Zoning: Approved November 2004

Development Agreement: Approved November 8, 2004

Final Environmental Impact Report 589 Certified final November 8, 2004

Settlement Agreements

City of San Clemente, effective December 8, 2004

City of Mission Viejo, effective June 9, 2005

National Resources Defense Council et al, effective August 16, 2005

Maximum Development Thresholds

14,000 dwelling units, including a range of densities and 6,000 age-restricted units

5.2 million square feet of employment uses, commercial, business, urban center, etc.

5,768 acres of total development area within six development Planning Areas

16,915 acres of total open space; permanent open space, for conservation purposes and orchards

Open Space Agreement effective July 25, 2006

Affordable Housing Implementation Agreement effective July 18, 2006

Ranch Plan Fire Protection Program approved July 31, 2007; revised March 25, 2013

Ranch Plan Local Park Implementation Program approved March 14, 2007; revised June 12, 2012

Ranch Plan Master Trail and Bikeways Implementation Plan approved July 18, 2006; revised September 11, 2011

Ranch Plan Solid Waste Management Plan approved July 19, 2006

Ranch Plan Alternative Development Standards approved March 14, 2007, amended August 12, 2008

Orange County Sheriff Agreement for Impact Mitigation effective February 14, 2007

County Planning Area 2 Approval Actions:

Planning Area 2 Master Area Plan approved on March 31, 2013

Subarea Planning Areas 2.1, 2.2. 2.3 and 2.4 approved on March 31, 2013.

Rough Grading Permit, approved, grading complete

Vesting Tentative Maps 17561, 17562 and 17563 recorded

Tract Nos. 17595, 17596, 17597, 17598, 17599, 17600, 17601, 17602, 17603, and 17604 recorded

Addendum to FEIR 589 for Planning Area 2

County Infrastructure Approvals

Ortega Highway Widening

Cow Camp Road from Antonio Parkway to eastern boundary of PA-2

Antonio Parkway and Bridge Widening

Santa Margarita Water District

Plans of Works, approved August 2006

State Agencies

California Department of Fish and Wildlife

Ranch Wide Master Streambed and Alteration Agreement (MSAA)

CEQA Environmental Impact Report for Southern Subregion Natural Communities Conservation Plan/Master Streambed Alteration Agreement (FEIR 584)

Planning Area 1 Streambed Alteration Agreement

Cow Camp Road MSAA Sub-Notification

Planning Area 2 MSAA Sub-Notification

San Diego Regional Water Quality Control Board

San Diego Regional Water Quality Control Board

Caltrans – Ortega Highway agreements for construction and implementation (see County Infrastructure Approvals – Ortega Highway, above)

Federal Agencies

U.S. Fish and Wildlife Service

Ranch wide Section Permit/Habitat Conservation Plan

Environmental Impact Statement for Southern Subregion Habitat Conservation Plan (SSHCP EIS)

U.S. Army Corps of Engineers

Ranch wide Long Term Individual 404 Permit

NEPA Environmental Impact Statement for Special Area Management Plan (SAMP EIS)

Planning Area 1 NWP 404 Permit

Key Project Conditions

South County Road Improvement Program (SCRIP)

Transportation Corridor Agency (TCA) Fees

Agreement for Foothill Transportation Corridor – South (FTC-S)

San Juan Creek Watershed Study

Run-off Management Plan (ROMP) and Master Plan of Drainage (MPD)

Access

Regional access to the District is via Interstate 5 (I-5), which is located west of Rancho Mission Viejo and State Route 241 (SR-241) (also known as the Foothill Transportation Corridor), which currently terminates at Oso Parkway, just north of PA-2. Cow Camp Road and Ortega Highway (State Route 74) run east-west through Rancho Mission Viejo. Antonio Parkway provides the subject property with north-south arterial highway access. Avenida Pico, in the City of San Clemente, runs east-west and terminates near the southwestern boundary of Rancho Mission Viejo.

Topography and Size

Rancho Mission Viejo, of which the subject property is a part, is very irregular in shape. The subject property is generally rolling to steep hillsides similar to the surrounding properties. Rancho Mission Viejo contains 22,815 acres, of which 170± acres are included in this appraisal. Please refer to the following table which shows the Sub-Planning Area Developable acreage for PA-2.

Development Use – PA-2	PA 2.1	PA 2.2	**PA 2.3**	PA 2.4	PA 2.5
Residential	380	220	**170**	0	50
Urban Activity Center (UAC)	0	0	**0**	50	0
Neighborhood Retail	0	0	**0**	0	0
Business Park	0	0	**0**	0	0
Park Land	10	0	**10**	0	0
Total Developable Acres – PA-2	***870***				

Soil Conditions and Geology

Rancho Mission Viejo ranges from rugged topography to a wide, meandering creek channel. North-south trending ridges and valleys dominate the topography north of San Juan Creek, and east-west ridges and valleys dominate to the south of San Juan Creek. San Juan Creek, trending west, bisects these ridges across the middle of the Ranch Plan area. Major named valleys located within Rancho Mission Viejo include Cañada Chiquita, Cañada Gobernadora, Trampas Canyon, Cristianitos Canyon, Gabino Canyon, Verdugo Canyon, Talega Canyon, and Blind Canyon. Gentle to moderate topography bounds Cañada Chiquita, Cañada Gobernadora, and Trampas Canyon. East of Cañada Gobernadora and Cristianitos Canyon, terrain is moderately steep to rugged.

Fluvial terrace deposits, creating wide, nearly flat mesas stepping down to the creek channel overly the flanks of the ridges north of San Juan Creek, east of Cristianitos Creek, south of Gabino Canyon, and north of Talega Canyon.

Rancho Mission Viejo lies to the southwestern flank of the Santa Ana Mountains, within the Peninsular Ranges geomorphic province of California. The geologic units within the area are laterally transitional between the units of the Los Angeles basin and San Diego County. These units form a generally homoclinal sequence of marine and non-marine sedimentary rocks ranging in age from late Cretaceous to early Miocene, offset by regional faulting. Region structure shows these units dipping gently westward, with local folding observed predominantly near faults. The sequence is overlain in some areas by Quaternary sediments.

Surficial units are found overlying bedrock formations across much of the development area. These Quarternary-age units consist of sediments placed by wind, water, or mass movements. Bedrock units within Rancho Mission Viejo, in general, increase in age towards the east. These units comprise the ridges and slopes, and underlie surficial units on flanks and canyon bottoms.

General Plan and Zoning

The District, consisting of a portion of Planning Area 2 of Rancho Mission Viejo, is approved for the proposed uses under the General Plan, Planned Community Zoning, Open Space Agreement and Development Agreement with the County of Orange. The "Ranch Plan" Final Program Environmental Impact Report No. 589 (FEIR 589) was certified by the Orange County Board of Supervisors on November 8, 2004 as adequately addressing the potential environmental impacts associated with the development of Rancho Mission Viejo, a 22,815 acre Planned Community allowing for development of up to 14,000 dwelling units and 5,200,000 square feet of employment uses. Planning Areas 1 and 2 of Rancho Mission Viejo had Final Area Plans prepared in 2012 and 2013. The subject property appraised in this report is a part of the Ranch Plan Planning Area 2 Master Area Plan, approved on March 27, 2013. The Master Area Plan allows up to 3,291 dwelling units, 500,000 square feet of U.A.C. Development and 25,000 square feet of neighborhood retail development.

Specifically, CFD No. 2017-1, IA-1 encompasses all of Subarea 2.3 of Planning Area 2. Subarea 2.3 is zoned for residential uses only. Up to 236 units are zoned Conventional Single-Family Detached Dwellings. Under this zoning, the minimum lot size is 3,000 square feet and the net density must be less than 9.0 dwelling units per net acre. Up to 576 dwelling units are zoned Planned Concept Detached Dwellings. Under this zoning there is no minimum lot size. Density is greater than 8 dwelling units per net acre with lot sizes less than 3,000 square feet. Age-qualified dwellings can be located in both of the zoning areas.

Flood Hazard/Seismic Zones

Flood insurance rate maps published by the Federal Emergency Management Agency (FEMA) indicate the District to be in Zone X, an area outside of 500-year flooding; flood insurance is not required in this zone. The applicable map for the District is numbered 06059C-0465J with an effective date of December 3, 2009.

According to the California Division of Mines and Geology, the subject property is not located in an Alquist-Priolo Earthquake Fault Zone; however, all of Southern California is

impacted by earthquakes. Known active fault corridors within the Orange County area include the San Joaquin Hills Blind Thrust Fault that is about 6 miles northwest, the Newport-Inglewood-Offshore Fault that is approximately 10 miles westerly, the Elsinore Faults, the Whittier Fault and the Chino Fault located to the northeast.

Environmental Issues/Toxic Hazards

Our physical inspection of the subject property did not indicate evidence of hazardous materials and/or toxic waste. However, past land uses have the potential for soil contamination. The appraiser is not considered an expert in the field and are not qualified to detect such materials. *A specific assumption of the report and values is that the soil is suitable for the development as proposed and no evidence of hazardous materials (including underground tanks) or toxic waste exists.*

Utilities

As of the date of this appraisal, all utilities are available to the District. The utilities are provided by the following companies/agencies:

Electricity:	San Diego Gas & Electric
Natural Gas:	The Gas Company
Telephone:	AT&T/Cox Communications
Fire:	Orange County Fire Authority
Police:	Orange County Sheriff
Transit:	Orange County Transit Authority
Water:	Santa Margarita Water District
Sewer:	Santa Margarita Water District
Cable	Cox Communications/AT&T

Transportation

Vital to an area's growth and economic expansion are its transportation facilities for both business and residents. The following is a summary of the existing transportation facilities available in the area.

Rail:	Amtrak stops in Irvine and San Juan Capistrano
Truck:	11 major trucking lines serve Orange County
Air:	John Wayne Airport (13 miles), Los Angeles International Airport (60 miles)

Bus:	Orange County Transit Authority, Dial-A-Ride, Park-N-Ride
Water:	Long Beach Harbor/Port of Los Angeles (40 miles)
Highways:	San Diego Freeway (Interstate 5) Foothill Transportation Corridor (S-241) San Joaquin Transportation Corridor (S-73)

Easements/Restrictions

The appraiser was provided with nine preliminary title reports covering the nine merchant builder parcels in the District. Each report included the land owned by the merchant builder as of the date of the reports and by the Master Developer, RMV PA2 Development LLC. The reports were prepared by First American Title Insurance Company and were dated April 11, 2017; April 12, 2017; April 21, 2017; May 2, 2017; May 11, 2017; May 12, 2017; and May 16, 2017. Each report contained numerous exceptions. The exceptions included easements, right of ways, various Deeds of Trust, public utilities and incidental purposes, water and common use agreements, a second fire protection agreement, option agreements, joint use agreements, various other agreements, CC&R's, Development Agreement and the ROSA. A Notice of Special Tax Lien for CFD No. 2017-1, IA-1 was recorded on April 12, 2017. *For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of the District.*

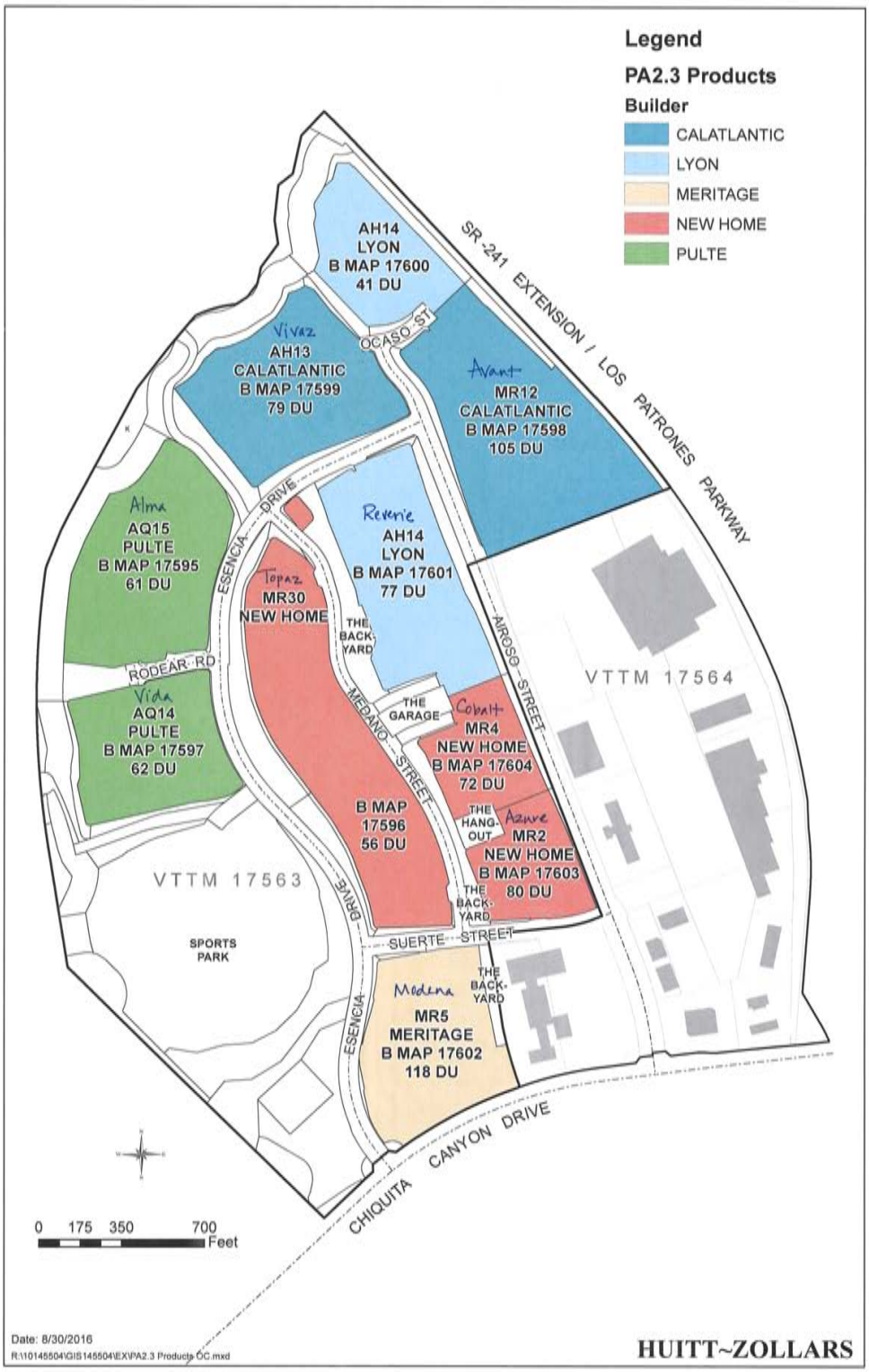
Assessed Value and Taxes

Generally, the real estate tax laws of the State of California limit tax assessment increases to a maximum of 2% per year until the property is resold, at which time it is reassessed at Market Value, or until major improvements are added, at which time it is also reassessed. Real estate taxes are currently based upon 1% of the assessed valuation plus any bonded indebtedness applied by the local taxing jurisdiction. Local assessments include mosquito and fire ant assessments, vector control fees, MWD water standby charge, Capistrano USD bonds and Santa Margarita Water District bonds. The subject's tax rate is normal for the area. The District is a portion of numerous assessor parcels. The assessor parcels are listed in the Addenda of this report. The total Assessed Value for the subject ownerships in 2016-2017 is $106,296,590. The total 2016-2017 tax

is $1,207,183.60. The total Assessed Value and total taxes are for all of the assessor parcels included in this appraisal under the RMV PA2 Development LLC ownership. The Assessed Values and taxes to be established for tax year 2017-2018 will reflect the new merchant builder ownerships. The overall tax rate is estimated to range between 1.8% and 2.0% of value.

Product Area Site Information

CFD No. 2017-1, IA-1 includes all of Subarea 2.3 of Planning Area 2 of Rancho Mission Viejo. There are nine residential for-sale projects in Subarea 2.3, within Tract 17563. These properties have been graded into sites ranging from blue-top lots to finished lots. Twenty-seven model homes are complete at six of the nine for-sale residential projects. The remaining three products have model complexes under construction with 12 model homes. Five projects are under vertical construction with 78 production dwellings. A map showing the nine products can be found on the following page. Product information for the nine proposed for-sale developments is summarized on the next two pages with a more detailed information beginning on page 48. The sales price, date of sale and costs to complete, as of the date of sale, have been verified by the merchant builders and seller.


Legend
PA2.3 Products
Builder
CALATLANTIC
LYON
MERITAGE
NEW HOME
PULTE
AH14
LYON
B MAP 17600
41 DU
Vivaz
AH13
CALATLANTIC
B MAP 17599
79 DU
Avant
MR12
CALATLANTIC
B MAP 17598
105 DU
Alma
AQ15
PULTE
B MAP 17595
61 DU
Reverie
AH14
LYON
B MAP 17601
77 DU
Topaz
MR30
NEW HOME
B MAP
17596
56 DU
Vida
AQ14
PULTE
B MAP 17597
62 DU
Cobalt
MR4
NEW HOME
B MAP 17604
72 DU
Azure
MR2
NEW HOME
B MAP 17603
80 DU
Modena
MR5
MERITAGE
B MAP 17602
118 DU
VTTM 17564
VTTM 17563
SPORTS
PARK
SR-241 EXTENSION / LOS PATRONES PARKWAY
OCASO ST
ESENCIA DRIVE
RODEAR RD
MEDANO STREET
AIROSO STREET
GRANITE
SUERTE STREET
CHIQUITA CANYON DRIVE
THE BACK YARD
THE GARAGE
THE HANG-OUT
0 175 350 700
Feet
Date: 8/30/2016
R:\10145504\GIS145504\EX\PA2.3 Products OC.mxd
HUITT~ZOLLARS

County of Orange CFD No. 2017-1, IA-1 - Rancho Mission Viejo Escncia (PA 2.3)
Summary of Ownership, Legal Description & Lot Condition - November 15, 2017

Ownership	No. Lots	Lot & Tract Nos. (Bldr. Maps)	Condition of Lots/Dwellings	Totals / Product	DU construction start date
MR-2 Azure					
The New Home Company	8	Portion Lot 1 Tr 17603	Model Homes Complete		8 models
The New Home Company	16	Portion Lot 1 Tr 17603	8 DUs u/c framing & 8 DUs u/c wrapped		16 units 6/13/17
The New Home Company	56	Portion Lots 1 & 2 Tr 17603	Near physically finished lots		*Opened for sales 11/12/17*
		Bldr. Map Recorded		80	
MR-4 Cobalt					
The New Home Company	4	Lots 22 & 23 Tr 17604	Model Homes Complete		4 models
The New Home Company	12	Lots 1-6 Tr 17604	12 DUs u/c framing		12 units 6/12/17
The New Home Company	32	Lots 7-12, 24, & 28-36 Tr 17604	Near physically finished lots		*Opened for soles 11/12/17*
RMV PA2 Development, LLC	24	Lots 13-21, 25-27 Tr 17604	Near physically finished lots		
		Bldr. Map Recorded		72	
MR-5 Modena					
Meritage Homes of CA, Inc.	4	Por Lot 1 Tr 17602	Models Complete		4 models
Meritage Homes of CA, Inc.	4	Por Lot 1 Tr 17602	4 DUs u/c color coat		17 units 7/31/17
Meritage Homes of CA, Inc.	4	Por Lot 1 Tr 17602	4 DUs u/c brown coat		8 units 9/26/17
Meritage Homes of CA, Inc.	17	Por Lot 1 Tr 17602	17 DUs u/c framing		*Opened for sales 10/22/17*
Meritage Homes of CA, Inc.	89	Por Lot 1, 2 & 3 Tr 17602	Near physically finished lots		
		Bldr. Map Recorded		118	
MR-12 Avant					
CalAtlantic Group, Inc.	4	Lots 39-42 Tr 17598	Model Homes u/c nearly complete		4 models 6/28/17
CalAtlantic Group, Inc.	9	Lots 64-69 & 79-81 Tr 17568	9 DUs u/c framing		9 units 8/25/17
CalAtlantic Group, Inc.	9	Lots 70-78 Tr 17568	9 DUs framing for slabs		9 units 10/17/17
CalAtlantic Group, Inc.	13	Lots 37, 38, 43-45, 61-63 & 82-86 Tr 17598	Near physically finished lots		*To open for sales December 2017*
RMV PA2 Development, LLC	70	Lots 1-36, 46-60, 87-105 Tr 17598	Near physically finished lots		
		Bldr. Map Recorded		105	
MR-30 Topaz					
The New Home Company	2	Lots 23 & 24 Tr 17596	Model Homes U/C framing		2 models July 2017
The New Home Company	5	Lots 21, 22, 25, 54 & 55 Tr 17596	Blue-top lots		*To open for soles Februory 2018*
RMV PA2 Development, LLC	49	Lots 1-20, 26-53 & 56 Tr 17596	Blue-top Lots		
		Bldr. Map Recorded		56	

County of Orange CFD No. 2017-1, IA-1 - Rancho Mission Viejo Escncia (PA 2.3)
Summary of Ownership, Legal Description & Lot Condition - November 15, 2017

Ownership	No. Lots	Lot & Tract Nos. (Bldr. Maps)	Condition of Lots/Dwellings	Totals / Product	DU construction start date
AH-13 Vivaz					
CalAtlantic Group, Inc.	3	Lots 1, 2 & 3 Tr 17599	Model Homes Complete		3 models
CalAtlantic Group, Inc.	16	Lots 20-27 & 64-71 Tr 17599	DUs u/c framing		8 units 6/12/17 & 8 units 8/7/17
CalAtlantic Group, Inc.	22	Lots 28-33 & 48-63 Tr 17599	Near physically finished lots		*Opened for sales 11/12/17*
RMV PA2 Development, LLC	38	Lots 4-19, 34-47 & 72-79 Tr 17599	Near physically finished lots		
		Bldr. Map Recorded		79	
AH-14 Reverie					
William Lyon Homes, Inc.	6	Lots 51-56 Tr 17601	Models u/c framing		6 models 9/26/17
William Lyon Homes, Inc.	24	Lots 1-6 & 60-77 Tr 17601	Near physically finished lots		*To open for sales February 2018*
RMV PA2 Development, LLC	47	Lots 7-50 & 57-59 Tr 17601	Near physically finished lots		
RMV PA2 Development, LLC	41	Lots 1-41 Tr 17600	Blue-top Lots		
		Bldr. Map Recorded (8/3/17)		118	
AQ-14 Vida					
Pulte Home Corporation	5	Lots 1-5 Tr 17597	Models Complete		5 models
Pulte Home Corporation	57	Lots 6-20-62 Tr 17597	Near physically finished lots		*Opened for sales 10/22/17*
		Bldr. Map Recorded		62	
AQ-15 Alma					
Pulte Home Corporation	3	Lots 2, 3 & 4 Tr 17595	Models Complete		3 models
Pulte Home Corporation	23	Lots 1, 5-16 & 53-62 Tr 17595	Near physically finished lots		*Opened for sales 10/22/17*
RMV PA2 Development, LLC	36	Lots 17-52 Tr 17595	Near physically finished lots		
		Bldr. Map Recorded		62	
		Master Developer owned lots = 305	**Total Proposed Dwelling Units:**	**752**	
		Builder owned lots = 447			

Product Area:	MR-2, Attached, 16-plex
Location:	NEC Airoso St. and Suerte St,
Owner/Builder	New Home Company Southern California, LLC
Project Name:	Azure
Legal Description:	Tract No. 17603, recorded July 18, 2017
Shape/Size:	Generally rectangular, 4.8 acres
Number of Units:	80 dwelling units
Density:	17.39 units per acre
Site Condition:	Blue-top/mass graded, at time of original land sale
Cost to Complete:	$2,569,760 ($32,122/lot), at time of sale $1,400,000, as of November 15, 2017
Purchase Information:	RMV PA2 Development, LLC is selling this property in five phased takedowns. The first takedown occurred on November 17, 2016 for 16 lots with Grant Deed No. 583609 for $2,076,500 or $129,781 per lot. The second takedown occurred on March 21, 2017 for 16 lots with Grant Deed No. 114185 for $2,076,500 or $129,781 per lot. The third takedown occurred on June 20, 2017 for 16 lots with Grant Deed No. 254069 for $2,076,500 or $129,781 per lot. The final takedown occurred on August 18, 2017 for 32 lots with Grant Deed No. 351788 for $4,152,500 or $129,765 per lot.
Title Report:	Prepared by First American Title Company dated May 16, 2017. No. NHSC-5339554. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of this development.

Product Area:	MR-4, Attached, 12-plex
Location:	W/S Airoso St. N/O Suerte St.
Owner/Builder	New Home Company Southern California, LLC
Project Name:	Cobalt
Legal Description:	Tract No. 17604, recorded July 18, 2017
Shape/Size:	Generally rectangular, 4.8 acres
Number of Dwelling Units:	72 dwelling units
Density:	15.00 units per acre
Site Condition:	Blue-top graded at time of original land sale
Cost to Complete:	$2,474,136 ($34,363/lot), at time of sale $1,700,000, as of November 15, 2017
Purchase Information:	RMV PA2 Development, LLC is selling this property in five phased takedowns. The first takedown occurred on November 17, 2016 for 12 lots with Grant Deed No. 583549 for $2,334,500, or $194,542 per lot. The second and third takedowns occurred on March 15, 2017 for 24 lots with Grant Deed No. 105506 for $4,669,000, or $194,542 per lot.

	The fourth takedown occurred on July 26, 2017 for 12 lots with Grant Deed No. 306448 for $2,334,500, or $194,542 per lot. RMV PA 2 Development, LLC still owns land for 24 lots. The fifth and last takedown is anticipated to occur in December 2017.
Title Report:	Prepared by First American Title Company dated May 16, 2017, No. NHSC-5310178. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of this development.
Product Area:	MR-5, Duplex, 12-plex
Location:	SEC Esencia Dr. and Suerte St.
Owner/Builder	Meritage Homes of California, Inc.
Project Name:	Modena
Legal Description:	Tract No. 17602, recorded May 4, 2017
Shape/Size:	Generally rectangular, 9.0 acres
Number of Dwelling Units:	118 dwelling units
Density:	13.11 units per acre
Site Condition:	Blue-top graded at time of original land sale
Cost to Complete:	$5,394,724 ($45,718/lot), at time of sale $2,200,000, as of November 15, 2017
Purchase Information:	RMV PA2 Development, LLC is selling this property in two phased takedowns. The first take down occurred on November 17, 2016 for 61 lots with Grant Deed No. 583323 for $13,162,000, or $215,770 per lot. The final takedown for 57 lots occurred on October 20, 2017 with Grant Deed No. 446869 for $12,298,500 or $215,763 per lot.
Title Report:	Prepared by First American Title Company dated May 11, 2017. No. NHSC 5319851. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of this development.
Product Area:	MR-12 SFD, 46' X 71' lots (3,266 SF)
Location:	SEC Airoso St. and Ocaso St.
Owner/Builder	CalAtlantic Group, Inc.
Project Name:	Avant
Legal Description:	Tract No. 17598, recorded August 3, 2017
Shape/Size:	Generally rectangular, 14.5 acres
Number of Dwelling Units:	105 dwelling units
Density:	7.24 units per acre
Site Condition:	Blue-top lots at time of original land sale.

Cost to Complete:	$7,563,675 ($72,035/lot), at time of sale $4,405,907, as of November 15, 2017
Purchase Information:	RMV PA2 Development, LLC is selling this property in three phased takedowns. The first takedown occurred on December 7, 2016 for 35 lots with Grant Deed No. 618430 for $10,337,500 or $295,357 per lot V PA 2. Development, LLC still owns land for 70 lots. The second takedown is anticipated to occur in February 2018 and the third and last takedown is anticipated to occur in August 2018.
Title Report:	Prepared by First American Title Company dated May 12, 2017. No. NHSC-5346875. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of this development.
Product Area:	MR-30, SFD, 80' x 93' lots (7,440 SF)
Location:	NEC Esencia Dr. and Suerte St.
Owner/Builder	New Home Company Southern California, LLC
Project Name:	Topaz
Legal Description:	Tract No. 17596, recorded October 6, 2017
Shape/Size:	Generally rectangular, 17.7 acres
Number of Dwelling Units:	56 dwelling units
Density:	3.16 units per acre
Site Condition:	Blue-top lots at time of original land sale
Cost to Complete:	$3,784,760 ($67,585/lot), at time of escrow $2,800,000, as of November 15, 2017
Purchase Information:	RMV PA2 Development, LLC is selling this property in ten phased takedowns. The first takedown for 2 lots proposed for the model homes occurred on October 12, 2017 with Grant Deed No. 434838 for $1,430,000 or $715,000 per lot. The second takedown for 5 lots occurred on November 3, 2017 with Grant Deed No. 468761 for $3,575,000 or $715,000 per lot. There are eight additional takedowns of 6 to 7 lots scheduled to occur throughout 2018 and 2019.
Title Report:	Prepared by First American Title Company dated April 11, 2017. No. NHSC-5435732. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of this development.
Product Area:	AH-13, SFD, 6-plex
Location:	NWC Esencia Dr. and Airoso St.
Owner/Builder	CalAtlantic Group, Inc.
Project Name:	Vivaz
Legal Description:	Tract No. 17599, recorded June 5, 2017

Shape/Size:	Generally rectangular, 10.0 acres
Number of Dwelling Units:	79 dwelling units
Density:	7.90 units per acre
Site Condition:	Blue-top lots at time of original land sale
Cost to Complete:	$5,745,749 ($72,731/lot), at time of sale $3,520,128, as of November 15, 2017
Purchase Information:	RMV PA2 Development, LLC is selling this property in two phased takedowns. The first takedown occurred on December 1, 2016 for 41 lots with Grant Deed No. 608415 for $10,899,500 or $265,841 per lot. RMV PA 2 Development, LLC still owns land for 38 lots. The second and final takedown is anticipated to occur in May 2018.
Title Report:	Prepared by First American Title Company dated April 21, 2017, No. NHSC-5345874. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of this development.

Product Area:	AH-14, SFD, 6-plex
Location:	B/S Airoso St., N/S of Esencia Dr.
Owner/Builder	William Lyon Homes, Inc.
Project Name:	Reverie
Legal Description:	Tract No. 17600 recorded August 3, 2017, and Tract No. 17601, recorded July 18, 2017
Shape/Size:	Generally rectangular, Tract No. 17600 – 6.5 acres, Tract No. 17601-11.2 acres
Number of Dwelling Units:	Tract No. 17600 – 41 dwelling units, Tract No. 17601 – 77 dwelling units
Density:	Tract No. 17600 – 6.3 units per acre, Tract No. 17601 – 6.9 units per acre
Site Condition:	Blue-top lots at time of original land sales
Cost to Complete:	$9,728,628 ($82,446/lot), at time of sale $8,747,182, as of November 15, 2017
Purchase Information:	RMV PA2 Development, LLC is selling this property in four phased takedowns. The first takedown occurred on November 11, 2016 for 30 lots with Grant Deed No. 580114 for $8,945,000 or $298,167 per lot. RMV PA2 Development, LLC still owns land for 88 lots. The three remaining takedowns are anticipated to occur between December 2017 and February 2019.
Title Report:	Prepared by First American Title Company dated May 11, 2017, No. NHSC-5323243 For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of this development.

Product Area:	AQ-14, SFD, 6-plex
Location:	SWC Esencia St. and Rodear Rod.
Owner/Builder	Pulte Home Company, LLC
Project Name:	Vida
Legal Description:	Tract No. 17597, recorded June 29, 2017
Shape/Size:	Irregular, 8.5 acres
Number of Dwelling Units:	62 dwelling units
Density:	7.29 units per acre
Site Condition:	Blue-top lots at time of original land sale
Cost to Complete:	$4,125,604 ($66,542/DU), at time of sale $358,007, as of November 15, 2017
Purchase Information:	RMV PA2 Development, LLC is currently selling this property in two phased takedowns. The first takedown occurred on November 18, 2016 for 30 lots with Grant Deed No. 586399 for $7,535,000 or $251,167 per lot. The second and final takedown occurred on November 15, 2017 for 32 lots with Grant Deed No. 495417 for $8,037,500 or $251,172 per lot.
Title Report:	Prepared by First American Title Company dated April 12, 2017. No. NHSC-5342725. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of this development.

Product Area:	AQ-15, SFD, 55' x 80' lots (4,400 SF)
Location:	NWC Esencia Dr. and Rodear Rd.
Owner/Builder	Pulte Home Company, LLC
Project Name:	Alma
Legal Description:	Tract No. 17595, recorded June 29, 2017
Shape/Size:	Generally rectangular, 10.9 acres
Number of Dwelling Units:	62 dwelling units
Density:	5.69 units per acre
Site Condition:	Blue-top lots at time of original sale
Cost to Complete:	$5,193,120 ($83,762/DU), at time of sale $428,235, as of November 15, 2017
Purchase Information:	RMV PA2 Development, LLC is selling this property in two phased takedowns. The first takedown occurred on December 15, 2016 for 26 lots with Grant Deed No. 638074 for $8,237,000 or $316,808 per lot. RMV PA2 Development still owns land for 36 lots. The second and final takedown is anticipated to occur in December 2017.
Title Report:	Prepared by First American Title Company dated April 12, 2016. No. NHSC-5342770. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of this development.

PROPOSED IMPROVEMENT DESCRIPTION

General

CFD No. 2017-1, IA-1 is proposed for a total development of 752 dwellings within nine products. within the NorthWalk neighborhood of Rancho Mission Viejo. There are seven "market rate" (MR) products and two "age-qualified" (AQ) products, Five merchant builders are building within the District. Within the market rate projects there is one townhome product, four detached condominium products and two traditional detached products on lots ranging from 3,266 square feet to 7,440 square feet. The two age-qualified products include one detached condominium product and one traditional detached product on lots with a minimum size of 4,400 square feet. Three products had their grand opening on October 22, 2017. Three additional products opened for sales on November 12, 2017. One product is scheduled to enter the market in December 2017 and the remaining two products are scheduled for their grand openings in February, 2018. Six of nine model complexes are complete. The land consists of lots from a blue-top condition to finished lot condition.

The appraiser has not been provided with specifications for the proposed residential improvements within CFD No. 2017-1, IA-1. The appraiser has information from the Master Developer's and builder's web sites for the Esencia development known as NorthWalk. The appraiser has also reviewed merchant builder brochures, when available. The table on the following two pages summarizes the various products, merchant builders, floor plans and base sales prices as of the date of value. The first page summarizes five MR products and the second page summaries two AH products and two AQ products. The base sales prices are those provided by the merchant builders.

Following the table is a list of some of the general construction specifications for the attached and detached single-family homes in the District. For purposes of this appraisal, we have assumed that the quality of construction, functional utility, amenities and features are similar to currently selling new home projects and meet market demand for product in the subject's market area.

County of Orange CFD No. 2017-1, IA-1 - Rancho Mission Viejo Esencia (PA 2.3)
Proposed Improvement Description as of November 15, 2017

Project Builder	Number of Units	Product Type & Lot Size	Bdrm/ Bath	Stories/ Garage	Base Sales Price	DU Size Sq. Ft.	$/Sq. Ft.	Opening Date
MR-2	10	Attached	1/1	1/1	$348,000	707	$492.22	11/12/17
Azure	16	16-Plex	2/2.5	2/2	$470,000	1,158	$405.87	
The New Home Company	4		2/2.5	2/2	$475,000	1,182	$401.86	
(MB owned lots = 80)	8		2/2.5	2/2	$510,000	1,432	$356.15	
	4		2/2.5	2/2	$515,000	1,461	$352.50	
	8		2/2.5	2/2	$540,000	1,476	$365.85	
	3		3/2.5	2/2	$530,000	1,513	$350.30	
	10		3/3	2/2	$560,000	1,566	$357.60	
	7		2/2.5	2/2	$540,000	1,507	$358.33	
	10		2/2.5	2/2	$530,000	1,619	$327.36	
	80							
MR-4	24	Att. Duplex	2/2.5	2/1	$520,000	1,223	$425.18	11/12/17
Cobalt	24	12-Plex	3/2.5	2/2	$545,000	1,410	$386.52	
The New Home Company	24		3/2.5	2/2	$575,000	1,527	$376.56	
(MB owned lots = 48)	**72**							
MR-5	20	Duplex Cluster	2/2.5	2/2	$564,990	1,479	$382.01	10/22/17
Modena	10	12-Plex	2/2.5	2/2	$571,990	1,545	$370.22	
Meritage Homes	17		2/2.5	2/2	$565,990	1,502	$376.82	
(MB owned lots = 118)	10		2/2.5	2/2	$582,990	1,642	$355.05	
	7		3/2.5	3/2	$601,990	1,632	$368.87	
	23		3/2.5	3/2	$640,990	1,863	$344.06	
	12		3/2.5	3/2	$609,990	1,742	$350.17	
	19		3/2.5	3/2	$652,990	1,962	$332.82	
	118							
MR-12	19	Detached	3/2.5	2/2	$669,500	1,677	$399.22	Dec. 2017
Avant	20	7.2 U/Ac	3/2.5	2/2	$707,500	1,866	$379.15	
CalAtlantic Homes	33	3,266 SF Lots	4/3	2/2	$722,500	2,076	$348.03	
(MB owned lots = 35)	33		4/3	2/2	$735,500	2,151	$341.93	
	105							
MR-30	17	Detached	3/3.5	1/2	$1,295,000	2,897	$447.01	Feb. 2018
Topaz	9	7,440 SF Lots	4/4.5	2/2	$1,360,000	3,573	$380.63	
The New Home Company	18		3/3.5	1/3	$1,360,000	3,558	$382.24	
(MB owned lots = 7)	12		4/4.5	2/3	$1,410,000	4,420	$319.00	
	56							

County of Orange CFD No. 2017-1, IA-1 - Rancho Mission Viejo Esencia (PA 2.3)
Proposed Improvement Description as of November 15, 2017

Project Builder	Number of Units	Product Type & Lot Size	Bdrm/ Bath	Stories/ Garage	Base Sales Price	DU Size Sq. Ft.	$/Sq. Ft.	Opening Date
AH-13	13	Cluster Det.	3/2.5	2/2	$669,500	1,701	$393.59	11/12/17
Vivaz	16	6-Plex	3/2.5	2/2	$707,500	2,065	$342.62	
CalAtlantic Homes	20		4/3	2/2	$722,500	1,974	$366.01	
(MB owned lots = 41)	30		4/3	2/2	$735,500	2,169	$339.10	
	79							
AH-14	19	Cluster Det.	2/2	1/2	$690,000	1,914	$360.50	Feb. 2018
Reverie	21	6-Plex	3/3	2/2	$730,000	2,334	$312.77	
William Lyon Homes	19		3/3	2/2	$750,000	2,445	$306.75	
(MB owned lots = 30)	21		4/3.5	2/2	$750,000	2,552	$293.89	
	38		3/3.5	2/2	$780,000	2,664	$292.79	
	118							
AQ-14	7	Cluster Det.	2/2	1/1	$594,990	1,279	$465.20	10/22/17
Vida	7	6-Plex	2/3	2/1	$675,990	1,741	$388.28	
Pulte Homes	6		2/2	1/1	$665,990	1,558	$427.46	
(MB owned lots = 62)	6		3/3	2/1	$724,990	2,013	$360.15	
	6		2/2	1/2	$663,990	1,547	$429.21	
	6		3/3	2/2	$687,990	1,848	$372.29	
	12		2/2	1/2	$654,990	1,598	$409.88	
	12		2/2	1/2	$653,990	1,542	$424.12	
	62							
AQ-15	19	Detached	2/2.5	1/2	$739,990	1,827	$405.03	10/22/17
Alma	10	4,400 SF Lots	2/2.5	1/2	$743,990	1,864	$399.14	
Pulte Homes	10		3/3.5	2/2	$845,990	2,310	$366.23	
(MB owned lots = 26)	23		3/3.5	2/2	$834,990	2,451	$340.67	
	62							

Total 752 Dwelling Units

Merchant Builder (MB) Owned Lots as of Date of Value 11/15/17: 447
Percent of proposed lots owned by MB as of Date of Value: 59%

Construction
Units are of Class "D" construction; wood frame and stucco siding with several elevation choices.

Foundations
Foundations are poured concrete. Particle board over wood floor joists for the second floor.

Structural Frame
Consists of 2" x 4" and 2" x 6" wood framing.

Roofs
Roofs are of concrete tile and composition shingle.

Windows
Vinyl dual glazed windows.

Floor Covering
Floor coverings are wall-to-wall carpet in all living areas. Entries are of ceramic tile.

Interior Finish
Custom trowelled ceiling and painted drywall.

Heating/HVAC
Central air conditioning and gas forced air heating.

Kitchens
Kitchens will be equipped with natural maple or birch wood Euro-styled frameless cabinetry, and granite countertops. Each kitchen will include appliances in stainless steel that include professional range, electric self-cleaning double oven, dishwasher, built-in microwave and stainless steel sink.

Bathrooms
Bathrooms will have double sinks with ceramic tile countertops, and tile surround in shower and tub.

Garage
Garage doors are two and three car sectional steel roll-up with concrete driveways.

Laundry Facilities
Interior laundry areas.

Exterior
Side and rear yard fencing. Detached condominiums include front yard landscape and irrigation.

Options
Numerous options and upgrades are available including flooring, cabinet, appliance package and countertop upgrades. Most options and upgrades provided at competing, similar quality developments were offered.

Functional Utility

It is an assumption of this appraisal that all of the floor plans are functional, and competitive with current design standards.

Remaining Economic Life

The total/remaining economic life, according to the Marshall Valuation Service, is considered to be 50 years from date of completion.

Homeowners Association

The homeowner's association dues are reported to range between $169± and $352± per month, depending on product. The HOA will be responsible for maintaining all of the common areas within the Master Association including all recreation facilities, landscaping and open space lots.

Conclusion of the Improvements

Based on the subject's six currently selling products and the 16 currently selling products within Planning Areas 2.1 and 2.2, we are of the opinion that the quality of the products is good and will generally meet buyer expectations for the subject's marketplace.

HIGHEST AND BEST USE

The term *highest and best use* is an appraisal concept that has been defined as follows:

> The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.[6]

The determination of highest and best use, therefore, requires a separate analysis for the land as legally permitted, as if vacant. Next, the highest and best use of the property with its improvements must be analyzed to consider any deviation of the existing improvements from the ideal. "The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be: legally permissible, physically possible, financially feasible, and maximally productive. These criteria are often considered sequentially."[7] The four criteria interact and, therefore, may also be considered in concert. A use may be financially feasible, but it is irrelevant if it is physically impossible or legally prohibited.

Legal Considerations

The legal factors influencing the highest and best use of the subject property are primarily governmental regulations such as zoning and building codes.

All of the land subject to special tax included in CFD No. 2017-1, IA-1 is within Final Tract Map No. 17563. The subject of this appraisal includes 170± gross acres of land proposed for 752 attached and detached for-sale dwelling units. Final Tract Map No. 17563 has been further subdivided into ten merchant builder tract maps for the nine for-sale products that are being sold to five merchant builders. All of the tract maps are

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[6] *The Dictionary of Real Estate Appraisal*, 4th Edition, Pub. by the Appraisal Institute, Chicago, IL., p. 135.

[7] *The Appraisal of Real Estate*, 10th Edition, Pub. by the Appraisal Institute, Chicago, IL., p. 280.

recorded as of November 15, 2017. The District ranges from a blue-top lot condition to finished lot condition. As of the date of value, all of the merchant builder products are under construction, with a total of 27 completed model homes and 12 model homes from the framing stage to the color-coat stucco stage. Seventy-eight production dwellings are under construction from the framing stage to the color coat stucco stage. Nine production dwellings have framing for slabs. As previously discussed, all of CFD No. 2017-1, IA-1 is entitled for the proposed uses. The average net developable density for all of the merchant builder products is 7.7 dwellings per acre. The proposed improvements are legal and conforming uses.

Physical and Locational Considerations

The physical and locational characteristics of the subject property are considered good for the proposed uses. The proposed uses conform to the various zoning specifications as approved by the County of Orange. The subject properties are a natural extension of existing residential developments located in the City of San Juan Capistrano, Rancho Mission Viejo and Ladera Ranch. The South Orange County area is established and offers a large employment base near CFD No. 2017-1, IA-1. Prior to the past recession and deterioration in the residential market, there was strong demand for similar developments as evidenced by sales of merchant builder land and dwelling units in the adjacent planned communities. Since the end of the last recession and more particularly from 2012 to the present time, strong demand for residential dwelling units has returned to the Orange County and Rancho Mission Viejo markets.

All necessary utilities are reported to be available to the District with capacity to service the proposed developments. The site's access and configuration are good. Topography is rolling hillsides. The subject sites do not appear to present any development constraints. This appraisal report and the values included herein assume there are no soil problems or hazardous conditions that would have an adverse impact to development of CFD No. 2017-1, IA-1.

Based on the physical analysis, the site's location and topography would suggest the land has a primary use of residential development due to the adjacent developments, Final Tract Map approval and current on-site construction.

Market Conditions and Feasibility

The financial feasibility of the development of CFD No. 2017-1, IA-1 is based on its ability to generate sufficient income and value in excess of the costs to develop the property to its highest and best use. Please refer to the Valuation sections of this report, which give support to the financial feasibility of CFD No. 2017-1, IA-1.

The attractiveness of residential development anywhere in Orange County is evidenced by market activity which has taken place over the last 30 years. The current condition of the housing market is that there has been a significant increase in demand over the past 5± years, which has positively impacted price. The decline in sales and prices between the end of 2005 through 2011 has ended. There was a slight increase in the median Orange County home price between July 2011 and July 2012 of almost 3%. However, the following 12 month period to mid-2013 showed the median price increased almost 20%. From July 2013 to July 2014, the price increase moderated to 8.4%. The June 2016 median price was 4.6% higher than the June 2015 median price. The September 2017 median price is 10.9% higher than the September 2016 median price. The September 2017 record median high price of $710,000 is 2.2% higher than the previous May 2007 peak of $695,000. This is the highest September median price ever. It appears that the upward pressure on price due to demand outpacing supply could be moderating. Over the past 12 months, sales increased by 4.6%, from 3,181 sales in September 2016 to 3,338 sales in September 2017.

As of mid-November 2017, there were only 4,714 existing and new homes for sale in Orange County. This is 1,269± fewer homes on the market than the mid-November 2016 inventory and 55% below the 12-year average of 10,375 dwellings in the inventory. Absorption of all homes currently on the market is estimated at 61 days, lower than the typical three to six-month absorption going back to 2004. The current inventory, albeit about one-half of the average between 2005 and 2016, supports a much more sustainable market than what was seen two to three years ago.

According to the Metrostudy report dated third quarter of 2017, homebuilders sold 1,142 new homes in the Orange County market, which represents a 5.0% increase from the total new home sales one year ago. This represents an 11.1% decrease for detached homes, while the attached new home closings increased by 41.7%. On an annual rolling 12-month basis, for the last four quarters, new total home closings in Orange County are up 8.5% from one year earlier.

The median sale price of all new homes closed during the third quarter of 2017 was at $871,700, an increase of 6.7%± from the third quarter of 2016. The detached median sale price increased 4.2% to $1,020,500, while the attached median sale price increased 14.7% to $694,600 over the past 12 months.

According to Metrostudy, at the end of Q3 2017 there were 141 active detached subdivisions in the Orange County market, representing a decrease of 1 subdivision from one year ago. At the end of Q3 2017, there were 2,361 available detached units, which include model homes, completed dwellings and dwellings in various stages of construction. Based on the most recent closing data, this represents a 9.1-month supply of inventory of dwellings. One year ago, the absorption was 10.4 months. According to Metrostudy there are 3,691 finished lots in the County which represents a 15.0 month supply of finished lots. One year ago, the absorption for finished lots was 12.7 months.

Metrostudy locates Rancho Mission Viejo within the South Inland submarket of Orange County. This area also includes the communities of Coto de Caza, Foothill Ranch, Ladera Ranch, Lake Forest, Las Flores, Mission Viejo, Rancho Santa Margarita and Trabuco Canyon. The South Inland submarket region accounted for 176 detached sales during the third quarter of 2017, or a 26% market share of the Orange County market. This sales rate is up 34.4% from the third quarter 2016 sales rate. An indication of the stable to slightly improving market is that for the third quarter of 2017, the South Inland submarket had average quarterly sales per project of 4.9 units. One year ago, the sales rate was lower at 4.1 units per quarter. Over the last 12 months, the South Inland submarket reported 735 closings compared to 542 for the 12 months ending September 2016, a 35.6% increase. The annual (12-month) closing rate per subdivision increased

from 14.3 units per year in Q3 2016 to 19.3 units per year in Q3 2017, representing a 35.0% increase.

The median detached sales price in the South Inland submarket increased 19.0% from $784,400 in Q3 2016 to $933,300 in Q3 2017. The attached sales price increased 2.7% from $615,400 one year ago to $632,100 in Q3 2017. The median detached unit size increased 2.4% from 2,182 square feet to 2,233 square feet. The attached median size increased 14.1% from 1,474 square feet to 1,682 square feet. The median price per square foot for a detached dwelling increased from $384 to $415 over the past 12 months. This is the second lowest median price per square foot of the five submarkets in Orange County. The attached dwelling units decreased in median price per square foot from $376 to $368 in Q3 2017, a 2.1% decrease in price per square foot.

During the third quarter of 2017, the subject's submarket sold no detached homes priced under $600,000; 20 detached homes priced between $600,000 and $699,999 were sold: 44 detached homes priced between $700,000 and $799,999 were sold and 112 homes priced over $800,000 were sold. There were 113 attached units that sold in the subject's submarket in the third quarter of 2017. Of those, 7 were priced between $400,000 and $499,999; 18 were priced between $500,000 and $599,999, 38 were priced between $600,000 and $699,999, and 50 were priced over $700,000.

Within the South Inland submarket there were 36 active detached projects and 9 active attached products at the end of Q3 2017. This is 4 more than the end of Q3 2016 for detached products and the same for attached products. The subject's submarket area reports 173 detached units as built but unsold inventory units and 512 unsold units under construction. This is an 11.2± month absorption time for the completed dwellings and units under construction. Total inventory which includes units built, under construction and model homes totals 766 units which equates to a 12.5-month supply at the current sales rate. One year ago, total detached inventory was at 566 units, and the absorption time based on last year's sales rate was also 12.5 months. While total inventory increased 35.3%, absorption time stayed the same.

According to an interest rate survey published weekly in the Los Angeles Times, the typical 30-year, fixed rate conforming loan is around 3.95% as of the date of this report. Mortgage rates have been in the 3.8% to 4.0%± range over the past month. Six months previously, rates were in the 3.7% to 4.2% range. While a slight increase in rates may impact demand, we do not anticipate a significant drop in demand, due to the interest rate increases, as long as rates remain near the current level. The current level of interest rates, along with stable to moderately increases in sales prices, should continue to sustain sales activity, for qualified buyers.

The table on the following three pages illustrates the currently selling comparable attached and detached projects within the subject's market area. The detached projects are generally selling around 2.0± to 3.5± units per month. The attached products are generally selling between 2.8± to 4.5± units per month, with three recently opened products having sales over 10.1 units per month, albeit only opened for one month or less. Within the District, three products had their grand opening on October 22, 2017, and three products opened for sales on November 12, 2017. One product is scheduled to open for sale in December 2017. Two products are planning their grand opening in February 2018.

Feasibility

It is not in the scope of this appraisal assignment for the appraisers to conduct an extensive independent market study/absorption analysis, but it is the appraisers' responsibility to address the reasonableness of the conclusions of any market study which has been prepared by outside firms for the subject property. Unforeseen national and regional economic and/or social changes will affect the time-frame of real estate development.

In an attempt to arrive at a reasonable and supportable absorption schedules for the proposed dwellings within CFD No. 2017-1, IA-1 the appraisers reviewed an independently prepared absorption analysis that relates to the entire build-out of the District. This independent study is titled Community Facilities District No 2017-1, IA-1 (Village of Esencia – Planning Area 2.3) Market Absorption Study, prepared for the

Comparable Residential Project Summary
Attached and Detached Single Family Homes
Planning Areas 2.1, 2.2 & 2.3 Rancho Mission Viejo
November 15, 2017

No.	Project Name / Builder & P. A.	Units	Product Type	Price Range	Size Range	$/Sq. Ft. Range	No. Released	No. Sold / Start Dt.	Overall Mo. Abs.
Attached Products									
	Esencia - All Ages								
1	**Modena**	118	Duplex	$564,990	1,479	$382.01	16	8	10.1
	Meritage Homes		Cluster	$571,990	1,545	$370.22		Oct-17	
	Esencia, MR-5		12-Plex	$565,990	1,502	$376.82			
	PA 2.3			$582,990	1,642	$355.05			
				$601,990	1,632	$368.87			
				$640,990	1,863	$344.06			
				$609,990	1,742	$350.17			
				$652,990	1,962	$332.82			
2	**Azure**		Attached	$348,000	707	$492.22	8	3	30.4
	The New Home Company		16-Plex	$470,000	1,158	$405.87		Nov-17	
	Esencia, MR-2			$475,000	1,182	$401.86			
	PA 2.3			$510,000	1,432	$356.15			
				$515,000	1,461	$352.50			
				$540,000	1,476	$365.85			
				$530,000	1,513	$350.30			
				$560,000	1,566	$357.60			
				$540,000	1,507	$358.33			
				$530,000	1,619	$327.36			
3	**Cobalt**		Duplex	$520,000	1,223	$425.18	6	1	10.1
	The New Home Company		Cluster	$545,000	1,410	$386.52		Nov-17	
	Escencia, MR-4		12-Plex	$575,000	1,527	$376.56			
	PA 2.3								
4	**Sage**	125	TH	$401,990	931	$431.78	72	62	4.5
	Meritage Homes		5-Plex	$494,990	1,318	$375.56		Sep-16	
	Esencia, MR-2			$516,990	1,403	$368.49			
	PA 2.2			$559,990	1,689	$331.55			
				$559,990	1,689	$331.55			
				$609,990	1,791	$340.59			
5	**Veranda**	86	TH	$578,700	1,681	$344.26	54	38	2.8
	MBK Homes		8-Plex	$616,700	1,721	$358.34		Sep-16	
	Esencia, MR-3			$626,700	2,089	$300.00			
	PA 2.2			$621,700	1,912	$325.16			
				$661,700	1,952	$338.99			
				$671,700	2,320	$289.53			
				$599,700	1,719	$348.87			
				$654,700	1,950	$335.74			
				$636,700	1,902	$334.75			
				$701,700	2,254	$311.31			

Comparable Residential Project Summary
Attached and Detached Single Family Homes
Planning Areas 2.1, 2.2 & 2.3 Rancho Mission Viejo
November 15, 2017

No.	Project Name Builder & P. A.	Units	Product Type	Price Range	Size Range	$/Sq. Ft. Range	No. Released	No. Sold Start Dt.	Overall Mo. Abs.
Detached Products	***Esencia - All Ages***								
6	**Vivaz**	79	Cluster	$669,500	1,677	$399.22	0	0	N/A
	CalAtlantic Homes		Det.	$707,500	1,866	$379.15		Nov-17	
	Esencia, AH-13		6-Plex	$722,500	2,076	$348.03			
	PA 2.3			$735,500	2,151	$341.93			
7	**Aria**	151	SFD	$628,990	1,763	$356.77	115	109	4.2
	Tri Pointe		2,130 SF	$698,867	1,850	$377.77		Sep-15	
	Esencia, MR-15			$717,900	1,948	$368.53			
	PA 2.1, PA 2.2								
Detached Products	***Esencia - All Ages***								
8	**Citron**	120	SFD	$678,900	1,797	$377.80	105	84	3.2
	Ryland		2,250 SF	$693,900	1,936	$358.42		Sep-15	
	Esencia, MR-17			$748,900	2,205	$339.64			
	PA 2.1, PA 2.2								
9	**Canopy**	97	SFD	$730,900	2,153	$339.48	63	43	3.1
	Warmington Residential		1,750 SF	$781,900	2,350	$332.72		Sep-16	
	Esencia, MR-18			$796,900	2,495	$319.40			
	PA 2.2			$919,900	2,798	$328.77			
10	**Heirloom**	86	SFD	$819,990	2,305	$355.74	78	66	2.6
	Ryland		3,900 SF	$853,900	2,508	$340.47		Sep-15	
	Esencia, MR-19			$943,900	2,640	$357.54			
	PA 2.1, PA 2.2			$998,900	3,135	$318.63			
				$1,022,900	3,091	$330.93			
				$960,900	3,201	$300.19			
11	**Cirrus**	58	SFD	$849,990	2,698	$315.04	58	53	2.0
	Meritage		4,750 SF	$904,990	2,894	$312.71		Sep-15	
	Esencia, MR-23			$974,990	3,211	$303.64			
	PA 2.1								
12	**Briosa**	50	SFD	$986,373	3,069	$321.40	28	19	1.4
	William Lyon Homes		4,750 SF	$1,048,741	3,226	$325.09		Sep-16	
	Esencia, MR-23			$1,075,000	3,486	$308.38			
	PA 2.2								
13	**Aubergine**	66	SFD	$994,900	3,097	$321.25	58	52	2.0
	TRI Pointe		5,500 SF	$1,749,900	3,324	$526.44		Sep-15	
	Esencia, MR-24			$1,379,900	3,765	$366.51			
	PA 2.1								

Comparable Residential Project Summary
Attached and Detached Single Family Homes
Planning Areas 2.1, 2.2 & 2.3 Rancho Mission Viejo
November 15, 2017

No.	Project Name Builder & P. A.	Units	Product Type	Price Range	Size Range	$/Sq. Ft. Range	No. Released	No. Sold Start Dt.	Overall Mo. Abs.
Attached Products									
	Esencia-Gavilan (55+)								
14	**Vireo**								
	William Lyon	90	TH	$635,990	1,456	$436.81	90	84	3.2
	Esencia, AQ-1		duplex	S/O	1,546	N/A		Sep-15	
	PA 2.1			$663,990	1,936	$342.97			
				S/O	1,707	N/A			
				S/O	1,950	N/A			
15	**Iris**	94	TH	$634,900	1,729	$367.21	50	35	2.8
	CalAtlantic Homes		4-plex	$619,900	1,788	$346.70		Oct-16	
	Esencia, AQ-2			$808,900	1,823	$443.72			
	PA 2.2			$909,900	2,336	$315.07			
Detached Products									
	Esencia-Gavilan (55+)								
16	**Vida**	62	Cluster	$594,990	1,279	$465.20	10	0	N/A
	Pulte Homes		Detached	$675,990	1,741	$388.28		Oct-17	
	Esencia, AQ-14		6-Plex	$665,990	1,558	$427.46			
	PA 2.3			$724,990	2,013	$360.15			
				$663,990	1,547	$429.21			
				$687,990	1,848	$372.29			
				$654,990	1,598	$409.88			
				$653,990	1,542	$424.12			
17	**Alma**	62	Detached	$739,990	1,827	$405.03	3	3	3.8
	Pulte Homes		& Duplex	$743,990	1,864	$399.14		Oct-17	
	Esencia, AQ-15		4,400 SF	$845,990	2,310	$366.23			
	PA 2.3			$834,990	2,451	$340.67			
18	**Avocet**								
	Standard Pacific	95	SFD	$657,900	1,473	$446.64	83	67	2.6
	Esencia, AQ-11		3,400 SF	$715,900	1,697	$421.86		Sep-15	
	PA 2.1			$767,900	1,778	$431.89			
				$699,900	1,937	$361.33			
19	**Arista**	71	SFD	$656,990	1,472	$446.32	43	29	2.1
	Pulte Homes		3,400 SF	$701,990	1,746	$402.06		Sep-16	
	Esencia, AQ-11			$691,990	1,701	$406.81			
	PA 2.2			$731,990	1,875	$390.39			
20	**Cortesa**								
	Shea	135	SFD	$775,900	1,816	$427.26	93	80	3.1
	Esencia, AQ-13		4,500 SF	$776,900	1,831	$424.30		Sep-15	
	PA 2.1, PA 2.2			$806,900	2,116	$381.33			
				$810,900	2,362	$343.31			
21	**Alondra**								
	Shea	121	SFD	$949,900	2,325	$408.56	79	64	2.5
	Esencia, AQ-21		5,655 SF	$995,995	2,330	$427.47		Sep-15	
	PA 2.1, PA 2.2			$999,900	2,589	$386.21			

County of Orange and prepared by Empire Economics, Inc., dated May 26, 2017, revised July 10, 2017 and November 20, 2017.

The study analyzes the nine proposed products within CFD No. 2017-1, IA-1. The report reflects no closed sales until 2018. The report forecasts future closings of 185 dwellings during 2018, 257 dwellings during 2019, 199 closings in 2020, 65 closings in 2021 and 46 dwellings in 2022. Based on the absorption analysis prepared by Empire Economics, the estimated average monthly absorption per project is from 1.1± to 2.8± units, with an overall absorption of 1.3± units per month per project.

It is our opinion, after surveying the competitive projects and analyzing the pricing, design, location and other pertinent factors that the subject properties should experience average absorption, similar to that estimated by Empire Economics, Inc., assuming market conditions continue as currently predicted.

Maximally Productive

In considering what uses would be maximally productive for the subject property, we must consider the previously stated legal considerations. We are assuming the land uses allowed under the zoning specifications of CFD No. 2017-1, IA-1 in Rancho Mission Viejo are the most productive uses that will be allowed at the present time. Current zoning and approved uses indicate that other alternative uses are not feasible at this time.

As discussed, six the nine subject products have opened for sales as of the date of value. Products within the planned community of Rancho Mission Viejo that entered the market during 2012 to 2014 are generally sold out due to the explosion of sales activity during that time frame. Products that entered the market after September 2015, are realizing slower absorption with most products in an active sales program as of the date of this report. The return to an active residential market after the housing crash and economic recession has created significant merchant builder activity, over the past five years. Based on the weekly sales reports provided by the Master Developer, PA 2.1 and PA 2.2, are averaging sales of 2.4 dwellings and 2.7 dwellings per month on a per product basis.

Based on current market conditions, it appears that the proposed products meet current market demand. It is our opinion that development of detached products between 1,300 and 4,400 square feet, and the attached products between 1,000 and 1,700 square feet, provides the highest land value and is, therefore, maximally productive.

Conclusion

Legal, physical, and market considerations have been analyzed to evaluate the highest and best use of the property. This analysis is presented to evaluate the type of uses which will generate the greatest level of future benefits possible from the land. After reviewing the alternatives available and considering this and other information, it is the opinion of the appraisers that the highest and best use for the subject property, as vacant and as improved, is for residential development of attached and detached dwellings similar to what is currently proposed in CFD No. 2017-1, IA-1. In general, the proposed projects appear to have the location and features to obtain an acceptable sales rate under normal financing and market conditions.

As Vacant

After reviewing the alternatives available and considering this and other information, it is these appraisers' opinion that ultimate development of single-family attached and detached for-sale products is considered the highest and best use of the property. The market has improved significantly and continually over the past 5± years, although stabilization has been seen in the last 2+ years. The forecast is for moderate economic growth in the foreseeable future.

As Proposed

The proposed uses are a legal use of the properties and the value of the properties as proposed far exceed the value of the sites if vacant. This means that the proposed improvements contribute substantial value to the sites. Based on these considerations, it is our opinion that the proposed residential improvements constitute the highest and best use of the subject property.

VALUATION METHODOLOGY

Basis of Valuation

Valuation is based upon general and specific background experience, opinions of qualified informed persons, consideration of all data gathered during the investigative phase of the appraisal, and analysis of all market data available to the appraiser.

Valuation Approaches

Three basic approaches to value are available to the appraiser:

Cost Approach

This approach entails the preparation of a replacement or reproduction cost estimate of the subject property improvements new (maintaining comparable quality and utility) and then deducting for losses in value sustained through age, wear and tear, functionally obsolescent features, and economic factors affecting the property. This is then added to the estimated land value to provide a value estimate.

Income Approach

This approach is based upon the theory that the value of the property tends to be set by the expected net income therefrom to the owner. It is, in effect, the capitalization of expected future income into present worth. This approach requires an estimate of net income, an analysis of all expense items, the selection of a capitalization rate, and the processing of the net income stream into a value estimate.

Direct Comparison Approach

This approach is based upon the principle that the value of a property tends to be set by the price at which comparable properties have recently been sold or for which they can be acquired. This approach requires a detailed comparison of sales of comparable properties with the subject property. One of the main requisites, therefore, is that sufficient transactions of comparable properties be available to provide an accurate indicator of value and that accurate information regarding price, terms, property description, and proposed use be obtained through interview and observation.

Static Residual Analysis is used to estimate the merchant builder finished lot value. From the estimated base retail home price, all costs associated with the home construction including direct construction costs, indirect construction costs, financing and profit are deducted. Following the deduction of costs, the residual figure is an estimate of the merchant builder finished lot value or blue-top lot value.

Developmental Analysis is a form of appraisal by direct comparison for estimating land value. It is based upon the premise that one would not pay more for a parcel of land than its contributory value to the economic enterprise of developing the parcel into finished sites. It essentially treats land as one of the raw materials required for developing a master planned community. If one is able to prepare a reasonably reliable forecast of the finished site improvements that can be developed on that parcel of land and identify all of the costs and required profit margins, what is residual or left over is what is available to acquire the land.

The purpose of this appraisal assignment is to estimate Market Value for the taxable property within CFD No. 2017-1, IA-1. As summarized in the Site Analysis and Proposed Improvement Description sections of this report, there will be nine products offered for sale within the District. Six products had their grand openings in October or November 2017, one is scheduled to have a grand opening in December and two products have their grand openings scheduled for February 2018. Currently all of the nine model complexes are complete or under construction. Within CFD No. 2017-1, IA-1, 752 dwelling units will be built in the nine products. Currently the land ranges from a blue-top lot condition to a finished lot condition. As of the date of value, 27 model homes are complete and 12 model homes are under construction. In addition, 78 production homes are under vertical construction. Sixty-two production dwellings are in the framing stage of construction and 16 are stucco coated. Nine lots have framing for slabs. The lots with framing for slabs are valued as finished lots.

As discussed, there are 27 completed model homes, 12 model homes under construction and 78 production home in various stages of vertical construction as of the date of value. The completed model homes are valued at the current average base selling price for that particular product. The units under vertical construction are valued based on our inspection of the property. An estimate of completion (stated as a percent) for each dwelling is estimated as of the date of value. As illustrated in the highest and best use

section of this report, demand and acceptance for the subject products is good. Given current market conditions and demand for the subject products, additional value is considered warranted for the 12 models under construction and the 78 production unit under construction. The estimated completion is applied to the price of the average floorplan for the specific product.

The Direct Comparison Approach is used for the valuation of land when sufficient comparable sales are available. Their sales prices would be considered the best indicators of value, assuming the sales are current and in a similar land condition. The Income Approach is typically used when appraising income producing properties. This approach is not applicable in the valuation of land as land is not typically held to generate monthly income, but rather purchased to construct an end product that may or may not generate income. The Cost Approach is not an appropriate tool in the valuation of land.

The District is planned for 752 dwelling units, of which 117 were complete or under vertical construction as of the date of value. The balance of CFD No. 2017-1, IA-1 consists of 635 blue-top lots to finished lots. Of the 635 lots, 330 are under the ownerships of five merchant builders within the District. The merchant builder land within the District is valued by the Direct Comparison Approach and the Static Residual Analysis. Recent similar land sales are considered the most reliable method of estimating merchant builder land values when sufficient sales are available for comparison. In the case of the subject parcels, the appraiser has the sales prices of the recent phased takedowns over the past year as well as current escrows for future takedowns over the next two years. The Static Residual Analysis closely reflects current market conditions and is used as a cross-check to the conclusions of the Direct Comparison Approach.

The remaining 305 lots are under the ownership of the Master Developer, RMV PA2 Development, LLC. All of the Master Developer owned land is scheduled to be purchased by the various merchant builders over the next 2± years at the same price per blue-top lot that was originally paid in November or December 2016. Once land values are estimated, the Developmental Analysis is completed to arrive at an estimate of value for the lots assuming blue-top lot condition for the ownership of RMV PA2 Development, LLC.

VALUATION OF COMPLETED AND UNDER CONSTRUCTION HOMES

Valuation of Model Homes and Production Dwellings

There are 27 completed model homes, 12 model homes under construction and 78 production homes in various stages of vertical construction within the nine products of CFD No. 2017-1, IA-1. As of the date of value, there were 8 models in the framing stage and 4 models nearly complete. The 78 production homes are in the framing stage and stucco coat stage. For purposes of this appraisal, the appraisers have estimated the percent complete based on construction: 80% for nearly complete, 65% for brown-coat and color-coat stucco, 60% for the dwellings wrapped and 55% for the dwellings framed.

The table on the following page summarizes the estimated Market Value for the 39 model homes and 78 production homes under the merchant builder ownerships. As indicated the total estimated Market Value for the 39 model homes and 78 production dwellings under five merchant builder ownerships is $51,900,000, rounded.

COMPLETED & UNDER CONSTRUCTION DWELLING UNITS

Product Ownership No. of Units	Condition of Units	Estimated % Complete	Avg. Base S/P Per Project	Estimated Value
MR-2 - Azure - New Home Company				
8	Models - Complete	100%	$501,800	$4,014,400
8	Production Homes - Wrapped	60%	$501,800	$2,408,640
8	Production Homes - Framed	55%	$501,800	$2,207,920
MR-4 - Cobalt - New Home Company				
4	Models - Complete	100%	$546,667	$2,186,668
12	Production Homes - Framed	55%	$546,667	$6,201,068
MR-30 - Topaz - New Home Company				
2	Models - Framed	55%	$1,356,250	$1,491,875
				$18,510,571
MR-5 - Modena - Meritage Homes				
4	Models - Complete	100%	$598,990	$2,395,960
8	Production Homes - Brown & Color Stucco Coat	65%	$598,990	$3,114,748
17	Production Homes - Framed	55%	$598,990	$5,600,557
				$11,111,265
MR-12 - Avant - CalAtlantic Group				
4	Models - Nearly Complete	80%	$708,750	$2,268,000
9	Production Homes - Framed	55%	$708,750	$3,508,313
AH-13 - Vivaz - CalAtlantic Homes				
3	Models - Complete	100%	$708,750	$2,126,250
16	Production Homes - Framed	55%	$708,750	$6,237,000
				$14,139,563
AH-14 - Reverie - William Lyon Homes				
6	Models - Framed	55%	$740,000	**$2,442,000**
AQ-14 - Vida - Pulte Homes				
5	Models - Complete	100%	$665,365	$3,326,825
AQ-15 - Alma - Pulte Homes				
3	Models - Complete	100%	$791,240	$2,373,720
				$5,700,545
117	***Total Dwelling Complete and Homes Under Construction***			***$51,903,943***
	5 Merchant Builder Ownerships			
			Rounded to:	***$51,900,000***

VALUATION OF FINISHED LOTS

General Information

CFD No. 2017-1, IA-1 is a developed parcel with lots ranging from a blue-top lot condition to a finished lot condition. Final Tract Map No. 17563 is approved for development of 752 single family attached and detached units. Nine products are proposed that include seven market rate (MR) for–sale products, including the two AH products and two age-qualified (AQ) products. The seven MR products include one attached product, four detached cluster products and two traditional detached products. The attached product has a density of 16.3 units per acre and the two detached products are on lots ranging 3,266 square feet to 7,440 square feet. The two AQ products include detached products on lots up to 4,400 square feet. This section of the appraisal report will value the land as if in a finished lot condition. Deductions will be made for the costs to bring the land from its "as is" condition, as of the date of value, to finished lots for the merchant builder owned land. As discussed, in total the five merchant builders own 447 lots. Of those, 117 were valued in the preceding section of this report. The remaining 330 lots are valued in this section of the report. The 305 Master Developer owned lots are valued in the following section of this report by the Developmental Analysis.

The actual sales price of a particular parcel is always considered the best indication of value, assuming the transaction is arm's length, current and meets the definition of Market Value. Data Nos. 1 through 21 are sales within the subject's master planned community of Esencia. The subject sales occurred between November 2016 and November 2017 and are highlighted. If there were multiple take-towns for the same product, the Data Nos. are the same. Also noted are future takedowns for the same product, if applicable. The remaining sales within Data Nos. 1 through 21 are also within the subject's planned community of Esencia, but within the previous phases of development. Data Nos. 22 through 31 are recent sales in the City of Irvine. Most of these sales do not include the site costs required to bring the lots to a finished ready to build condition and are limited in the analysis. The sales in the City of Irvine are included for general information purposes.

The subject's current sales and current escrows are considered the most reliable in valuing future takedowns for each product. Older sales within Esencia are considered as support to the subject's sales and escrows. The Static Residual Analysis is also considered helpful due to current product information and timeline for development. However, most emphasis is given to the Direct Sales Comparison Approach in estimating finished lot values, due to the recent sales dates and escrows.

Direct Sales Comparison Approach

The Direct Sales Comparison Approach is based upon the premise that, when a property is replaceable in the market, its value tends to be set by the purchase price necessary to acquire an equally desirable substitute property, assuming no costly delay is encountered in making the decision and the market is reasonably informed. In appraisal practice, this is known as the Principle of Substitution.

This approach is a method of analyzing the subject property by comparison of actual sales of similar properties, when available. These sales are evaluated by weighing both overall comparability and the relative importance of such variables as time, terms of sale, location of sale property, and lot characteristics. For the purpose of this report, the unit of comparison utilized is the price per lot for the residential land.

We have surveyed residential sales in the central and south Orange County market area. We have reviewed and inspected all of the data items. The data includes the finished lot prices for merchant builder parcels. The comparable land sales have generally sold in a blue-top lot condition. Costs to bring the land from the condition at the time of sale to finished lot condition were made available by the sellers to analyze the data. Therefore, the analysis will conclude at an indication of the finished lot value for the subject lots. Please refer to the following four pages for the land sales summary.

Land Sales Summary

Data No./ Project	Buyer/ Seller	Sale Date	Lot Size/ Density	No. of Lots	Sales Price	Sale Price Per Lot	Finished Price/Lot	Land Condition at Time of Sale
Rancho Mission Viejo - Escencia								
No. 1-A Azure Product MR-2	The New Home Company RMV PA2 Development, LLC Lot 15 Tr 17563	11/17/2016	16-plex att 16.3.U/Ac	16	$2,076,500	$129,781	$168,883	Blue-top lots 1,362 SF Avg. Home Size
No. 1-B Azure Product MR-2	The New Home Company RMV PA2 Development, LLC Lot 16 Tr 17563	3/21/2017	16-plex att 16.3.U/Ac	16	$2,076,500	$129,781	$168,883	Blue-top lots 1,362 SF Avg. Home Size
No. 1-C Azure Product MR-2	The New Home Company RMV PA2 Development, LLC Lot 17 Tr 17563	6/20/2017	16-plex att 16.3.U/Ac	16	$2,076,500	$129,781	$168,883	Blue-top lots 1,362 SF Avg. Home Size
No. 1-D Azure Product MR-2	The New Home Company RMV PA2 Development, LLC Lot 2 Tr 17603	8/18/2017	16-plex att 16.3.U/Ac	32	$4,152,500	$129,766	$168,868	Blue-top lots 1,362 SF Avg. Home Size
No. 2 Sage Product MR-2	Meritage Homes of California, Inc. RMV PA2 Development, LLC Lots 27-32 Tr 17562	12/2015	Attached 14.5 U/Ac	125	$19,614,000	$156,912	$197,250	Blue-top lots 1,470 SF Avg. Home Size
No. 3-A Cobalt Product MR-4	The New Home Company RMV PA2 Development, LLC Lot 12 Tr 17563	11/17/2016	12-plex cluster det. 16.4 U/Ac	12	$2,334,500	$194,542	$236,834	Blue-top lots 1,387 SF Avg. Home Size
No. 3-B Cobalt Product MR-4	The New Home Company RMV PA2 Development, LLC Lot 10 & V3 Tr 17563	3/15/2017	12-plex cluster det. 16.4 U/Ac	24	$4,669,000	$194,542	$236,834	Blue-top lots 1,387 SF Avg. Home Size
No. 3-C Cobalt Product MR-4	The New Home Company RMV PA2 Development, LLC Lot 10 & V3 Tr 17563	7/26/2017	12-plex cluster det. 16.4 U/Ac	12	$2,334,500	$194,542	$236,834	Blue-top lots 1,387 SF Avg. Home Size
In addition to the 3 phased takedowns summarized above, 1 additional takedown of 24 lots is scheduled by the end of 2017 for the same price per lot.								
No. 4 Modena Product MR-5	Meritage Homes of CA, Inc. RMV PA2 Development, LLC Lot 1 Tr 17563	11/17/2016	12-plex cluster det. 14.6 U/Ac	61	$13,162,000	$215,770	$261,488	Blue-top lots 1,671 SF Avg. Home Size
No. 4-A Modena Product MR-5	Meritage Homes of CA, Inc. RMV PA2 Development, LLC Lot 2 & 3 Tr 17602	10/20/2017	12-plex cluster det. 14.6 U/Ac	57	$12,298,500	$215,763	$261,481	Blue-top lots 1,671 SF Avg. Home Size

Land Sales Summary

Data No./ Project	Buyer/ Seller	Sale Date	Lot Size/ Density	No. of Lots	Sales Price	Sale Price Per Lot	Finished Price/Lot	Land Condition at Time of Sale
No. 5 Veranda Product MR-3	Esencia MR3, LLC RMV PA2 Development, LLC Lots 47-50 Tr 17562	11/2014 & 04/2016	Attached 12.8 U/Ac	86	$23,940,000	$278,372	$334,643	Blue-top Lots 1,950 SF Avg. Home Size
No. 6 Vivaz Product AH-13	CalAtlantic Group, Inc. RMV PA2 Development, LLC Lots 24, 26 - 30 & 33 Tr 17563	12/1/2016	6-plex cluster det. 10.3 U/Ac	41	$10,899,500	$265,841	$338,572	Blue-top lots 1,977 SF Avg. Home Size
In addition to the 1st phased takedown summarized above, 1 additional takedown of 38 lots is scheduled in May 2018 for the same price per lot.								
No. 7 Aria Product MR-15	TRI Pointe Homes, Inc. RMV PA2 Development, LLC Lots 33-35 Tr 17562	02/2016	Det. Condo 10.7 U/Ac	64	$20,383,500	$318,492	$375,893	Blue-top Lots 1,857 SF Avg. Home Size
No. 8 Citron Product MR-17	Ryland Homes of California, Inc. RMV PA2 Development, LLC Lots 36-40 Tr 17562	11/2015	Det. Condo 9.2 U/Ac	70	$19,416,500	$277,379	$354,627	Blue-top Lots 1,929 SF Avg. Home Size
No. 9 Canopy Product MR-18	Warmington MR 18 Associates, LLC RMV PA2 Development, LLC Lots 41-46 Tr 17562	11/2015	Det. Condo 9.5 U/Ac	97	$28,421,000	$293,000	$382,129	Blue-top Lots 2,449 SF Avg. Home Size
No. 10 Vida Product AQ-14	Pulte Home Corporation RMV PA2 Development, LLC Lot 37 Tr 17563	11/18/2016	6-plex cluster det. 8.1 U/Ac	30	$7,535,000	$251,167	$317,709	Blue-top lots 1,641 SF Avg. Home Size
No. 10-A Vida Product AQ-14	Pulte Home Corporation RMV PA2 Development, LLC Lot 37 Tr 17563	11/15/2017	6-plex cluster det. 8.1 U/Ac	32	$8,037,500	$251,172	$251,172	Blue-top lots 1,641 SF Avg. Home Size
No. 11 Iris Product AQ-2	CalAtlantic Group, Inc. RMV PA2 Development, LLC Lots 51-58 Tr 17562	11/2015	Duplex 8.1 U/Ac	94	$23,705,500	$252,186	$318,130	Blue-top Lots 1,710 SF Avg. Home Size
No. 12 Reverie Product AH-14	William Lyon Homes, Inc. RMV PA2 Development, LLC Lots 7 & 8 Tr 17563	11/16/2016	6-plex cluster det. 7.5 U/Ac	30	$8,945,000	$298,167	$380,613	Blue-top lots 2,382 SF Avg. Home Size
In addition to the 1st phased takedown summarized above, 3 additional takedowns of 24, 23 & 41 lots are scheduled in Dec. 2017, July 2018 & Feb. 2019 for the same price per lot.								
No. 13 Avant Product MR-12	CalAtlantic Group, Inc. RMV PA2 Development, LLC Lots 20, 21 & P1 Tr 17563	12/7/2016	SFD 7.2 U/Ac	35	$10,337,500	$295,357	$372,380	Blue-top lots 1,952 SF Avg. Home Size
In addition to the 1st phased takedown summarized above, 2 additional takedowns of 39 & 31 lots are scheduled in Feb. & Aug. 2018 for the same price per lot.								

Land Sales Summary

Data No./ Project	Buyer/ Seller	Sale Date	Lot Size/ Density	No. of Lots	Sales Price	Sale Price Per Lot	Finished Price/Lot	Land Condition at Time of Sale
No. 14 Alma Product AQ-15	Pulte Home Corporation RMV PA2 Development, LLC Lot 35 Tr 17563	12/15/2016	SFD & Duplex 7.1 U/Ac	26	$8,237,000	$316,808	$400,570	Blue-top lots 2,113 SF Avg. Home Size
In addition to the 1st phased takedown summarized above, 1 additional takedown of 36 lots is scheduled in Dec. 2017 for the same price per lot.								
No. 15 Arista Product AQ-11	Pulte Home Corporation RMV PA2 Development, LLC Lots 24-26 Tr 17562	12/2015	Detached 6.3 U/Ac	71	$20,164,000	$284,000	$375,228	Blue-top Lots 1,699 SF Avg. Home Size
No. 16 Cortesa Product AQ-13	Shea Homes Limited Partnership RMV PA2 Development, LLC Lots 13-15 & 21-23 Tr 17562	11/2015	Detached 5.3 U/Ac	72	$23,000,000	$319,444	$411,972	Blue-top Lots 2,031 SF Avg. Home Size
No. 17 Alondra Product AQ-21	Shea Homes Limited Partnership RMV PA2 Development, LLC Lots 10-12 Tr 17562	11/2015	6,045 SF Lots 4.4 U/Ac	51	$23,066,500	$452,284	$521,924	Blue-top Lots 2,415 SF Avg. Home Size
No. 18 Heirloom Product MR-19	Ryland Homes of California, Inc. RMV PA2 Development, LLC Lots 16-20 Tr 17562	11/2015	Detached 6.6 U/Ac	41	$14,347,500	$349,939	$433,036	Blue-top Lots 2,830 SF Avg. Home Size
No. 19 Briosa Product MR-23	LT - MR23, LLC RMV PA2 Development, LLC Lots 1-6 Tr 17562	11/2015	Detached 5,225 SF Lots 6.5 U/Ac	50	$21,929,500	$438,590	$517,163	Blue-top Lots 3,260 SF Avg. Home Size
No. 20 Aubergine Product MR-24	TRI Pointe Homes, Inc. RMV PA2 Development, LLC Lots 7-9 Tr 17562	11/2015	Detached 5,500 SF Lots 4.5 U/Ac	57	$23,295,500	$408,693	$485,247	Blue-top Lots 3,391 SF Avg. Home Size
No. 21 Topaz Product MR-30	The New Home Company RMV PA2 Development, LLC Lots 23 & 24 Tr 17596	10/12/17	Detached 7,500 SF Lots 4.0 U/Ac	2	$1,430,000	$715,000	$782,585	Blue-top Lots 3,612 SF Avg. Home Size
No. 21-A Topaz Product MR-30	The New Home Company RMV PA2 Development, LLC Lots 21, 22, 25, 54 & 55 Tr 17596	11/3/17	Detached 7,500 SF Lots 4.0 U/Ac	5	$3,575,000	$715,000	$782,585	Blue-top Lots 3,612 SF Avg. Home Size
In addition to the 2 takedowns summarized above, 8 additional takedowns of 6 to 7 lots each are scheduled until Oct. 2019 for the same price per lot.								

Land Sales Summary

Data No./ Project	Buyer/ Seller	Sale Date	Lot Size/ Density	No. of Lots	Sales Price	Sale Price Per Lot	Finished Price/Lot	Land Condition at Time of Sale
City of Irvine								
No. 22 Opus	Warmington BP Associates, LLC Heritage Fields El Toro, LLC Tracts 17736 & 17724	4/1/2015	TH 12.6 U/Ac	60	$13,700,000	$228,333	$295,733	Blue-top Lots 2,107 SF Avg. Home Size
No. 23	Richmond American Homes Irvine Community Development Co. Portion Tract 17966	models 2/17 30 Units 6/17 phased 2018	Det. 9.3 U/Ac	61	$30,500,000	$500,000	N/A	Near-finished lots 2,050 SF Avg. Home Size
No. 24 Legado	Brookfield Homes Irvine Community Development Co. Tract 17831	15 Units 4/16 Last Ph 2018	Det. 9.2 U/Ac	103	$46,563,622	$452,074	N/A	Blue-top lots 2,302 SF Avg. Home Size
No. 25 Welton	Taylor Morrison of California, LLC Heritage Fields El Toro, LLC Tracts 17738 & 17724	1/6/2015	Det. Condo 8.1 U/Ac	53	$26,000,000	$490,566 3,780 SF Lots	$519,585	Blue-top Lots 2,446 SF Avg. Home Size
No. 26	KB Home Irvine Community Development Co. Tract 17968	June 2017	Det. 7.3 U/Ac	43	$26,460,000	$615,349 3,552 SF Lots	N/A	Blue-top lots 2,837 SF Avg. Home Size
No. 27 Cressa	The New Home Company Irvine Community Development Co. Tract 17832	13 phases Nov. 2015 - March 2018	Det. 7.4 U/Ac	95	$51,612,170	$543,286 3,760 SF Lots	N/A	Blue-top lots 2,440 SF Avg. Home Size
No. 28 Avila	Richmond American Irvine Community Development Co. Tract 18052	June 2017	Det. 7.1 U/Ac	56	$41,641,320	$743,595 3,552 SF Lots	N/A	Near finished lots 2,647 SF Avg. Home Size
No. 29 Beverly	Brookfield Homes Irvine Community Development Co. Tract 18050	June 2017	Det. 6.5 U/Ac	39	$29,708,000	$761,744 4,250 SF Lots	N/A	Near finished lots 3,265 SF Avg. Home Size
No. 30 Morro	The New Home Company Irvine Community Development Co. Tract 18501	Multi-phased May 2017 to August 2018	Det. 5.8 U/Ac	40	$33,072,000	$826,800 4,675 SF Lots	N/A	Near finished lots 3,595 SF Avg. Home Size
No. 31 Legend	Ryland Homes of California, Inc. Heritage Fields El Toro, LLC Tracts 17737 & 17726	6/1/2015	6,300 SF Lots 5.8 U/Ac	48	$42,072,000	$876,500	$932,542	Blue-top Lots 4,444 SF Avg. Home Size

Analysis

Financing

All of the comparable sales were all cash transactions or financing considered to be cash, therefore, no adjustments for financing were warranted.

Property Rights Conveyed

All of the comparables involved the transfer of the fee simple interest. The subject fee simple interest is appraised in this report, and therefore, no adjustment is warranted.

Time of Sale

Since the time of the land sales, the residential market in the subject's area has moderated. During the past recession, home prices were severely negatively impacted. During 2012, the market appeared to begin to stabilize. Since mid-2012, home sales have significantly increased, along with sales prices. Interviews with sales personnel indicated that their base pricing was being increased with each phase of development between mid-2012 and mid-2014. Over the past 1-2 years, prices have generally stabilized or increased at a much more moderate rate than the preceding two years of recovery. Sales that occurred in 2015 have been adjusted upward by 5%.

Conditions of Sale

Typically, adjustments for conditions of sale reflect the motivations of the buyer and the seller in the transfer of real property. The conditions of sale adjustment reflects the difference between the actual sales price of the comparable and its probable sales price if it were sold in an arms-length transaction with typical motivations. Some circumstances of comparable sales that will need adjustment include sales made under duress, eminent domain transactions and sales that were not arm's length. All of the transactions were reported to be arm's length in nature. Accordingly, no adjustment is indicated.

Location

The location adjustment is based on proximity to existing infrastructure, amenities and employment, and market response. The sales in Irvine are considered superior in overall location and a downward adjustment of 15% for the attached products and 25% for the detached product are estimated.

Entitlement/Map Status

All of the sales are entitled. No adjustment is required.

Tax Rate

The subject property is expected to have an average overall tax rate between 1.8% to 2.0% of base sales price. This rate is consistent with the sales in Irvine. No adjustment is required.

Lot Size

The comparables and the subject properties have varying minimum lot sizes that range from attached townhomes, cluster lots ranging from 3,000± square feet to 4,000± square feet, and traditional detached lots ranging from 4,400± square feet to 7,500± square feet. No adjustment is required.

Condition of Lots

All of the data included information to estimate a finished lot price for each comparable. According to the merchant builders, there are costs associated with the blue-top and physically finished lots within CFD No. 2017-1, IA-1, other than impact fees due at building permit which reportedly, will be paid by the Master Developer, RMV PA2 Development, LLC. Based on the information received from the merchant builders, the cost to complete for each of the nine products ranges from $40,000± per lot to $85,000± per lot.

Please refer to the following pages for the adjustment grid of the comparable land sales.

As previously discussed, the residential market started to stabilize at the beginning of 2012, after the lengthy downturn in the market over the previous six years. By mid-2012, the positive impact on the residential market started with increased sales that have continued to the present time. The impact of the sales activity and minimal supply to meet demand resulted in significant increases in sales prices during 2012 and 2013. However, over the last 12± months, sales prices have been stable.

Land Sales Adjustment Summary

Data No./ Project	Sale Date	Lot Size/ Density	No. of Lots	Sale Price Per Lot	Finished Price/Lot	Time Adjustment	Time Adj./ Finished Lot	Location Adjustment	Adjusted/ Finished Lot	Land Condition at Time of Sale
Rancho Mission Viejo - Escencia										
No. 1-A Azure Product MR-2	11/17/2016	16-plex att 16.3.U/Ac	16	$129,781	$168,883	0%	$168,883	0%	$168,883	Blue-top lots 1,362 SF Avg. Home Size
No. 1-B Azure Product MR-2	3/21/2017	16-plex att 16.3.U/Ac	16	$129,781	$168,883	0%	$168,883	0%	$168,883	Blue-top lots 1,362 SF Avg. Home Size
No. 1-C Azure Product MR-2	6/20/2017	16-plex att 16.3.U/Ac	16	$129,781	$168,883	0%	$168,883	0%	$168,883	Blue-top lots 1,362 SF Avg. Home Size
No. 1-D Azure Product MR-2	8/18/2017	16-plex att 16.3.U/Ac	16	$129,766	$168,868	0%	$168,868	0%	$168,868	Blue-top lots 1,362 SF Avg. Home Size
No. 2 Sage Product MR-2	12/2015	Attached 14.5 U/Ac	125	$156,912	$197,250	5%	$207,113	0%	$207,113	Blue-top lots 1,470 SF Avg. Home Size
No. 3-A Cobalt Product MR-4	11/17/2016	12-plex cluster det. 16.4 U/Ac	12	$194,542	$236,834	0%	$236,834	0%	$236,834	Blue-top lots 1,387 SF Avg. Home Size
No. 3-B Cobalt Product MR-4	3/15/2017	12-plex cluster det. 16.4 U/Ac	24	$194,542	$236,834	0%	$236,834	0%	$236,834	Blue-top lots 1,387 SF Avg. Home Size
No. 3-C Cobalt Product MR-4	7/26/2017	12-plex cluster det. 16.4 U/Ac	12	$194,542	$236,834	0%	$236,834	0%	$236,834	Blue-top lots 1,387 SF Avg. Home Size
In addition to the 3 phased take-downs summarized above, 1 additional take-down of 24 lots is scheduled by the end of 2017 for the same price per lot.										
No. 4 Modena Product MR-5	11/17/2016	12-plex cluster det. 14.6 U/Ac	61	$215,770	$261,488	0%	$261,488	0%	$261,488	Blue-top lots 1,671 SF Avg. Home Size
No. 4-A Modena Product MR-5	10/20/2017	12-plex cluster det. 14.6 U/Ac	57	$215,763	$261,481	0%	$261,481	0%	$261,481	Blue-top lots 1,671 SF Avg. Home Size

Land Sales Adjustment Summary

Data No./ Project	Sale Date	Lot Size/ Density	No. of Lots	Sale Price Per Lot	Finished Price/Lot	Time Adjustment	Time Adj./ Finished Lot	Location Adjustment	Adjusted/ Finished Lot	Land Condition at Time of Sale
No. 5 Veranda Product MR-3	11/2014 & 04/2016	Attached 12.8 U/Ac	86	$278,372	$334,643	5%	$351,375	0%	$351,375	Blue-top Lots 1,950 SF Avg. Home Size
No. 6 Vivaz Product AH-13	12/1/2016	6-plex cluster det. 10.3 U/Ac	41	$265,841	$338,572	0%	$338,572	0%	$338,572	Blue-top lots 1,977 SF Avg. Home Size
In addition to the 1st phased take-down summarized above, 1 additional take-down of 38 lots is scheduled in May 2018 for the same price per lot.										
No. 7 Aria Product MR-15	02/2016	Det. Condo 10.7 U/Ac	64	$318,492	$375,893	5%	$394,688	0%	$394,688	Blue-top Lots 1,857 SF Avg. Home Size
No. 8 Citron Product MR-17	11/2015	Det. Condo 9.2 U/Ac	70	$277,379	$354,627	5%	$372,358	0%	$372,358	Blue-top Lots 1,929 SF Avg. Home Size
No. 9 Canopy Product MR-18	11/2015	Det. Condo 9.5 U/Ac	97	$293,000	$382,129	5%	$401,235	0%	$401,235	Blue-top Lots 2,449 SF Avg. Home Size
No. 10 Vida Product AQ-14	11/18/2016	6-plex cluster det. 8.1 U/Ac	30	$251,167	$317,709	0%	$317,709	0%	$317,709	Blue-top lots 1,641 SF Avg. Home Size
No. 10-A Vida Product AQ-14	11/15/2017	6-plex cluster det. 8.1 U/Ac	32	$251,172	$317,714	0%	$317,714	0%	$317,714	Blue-top lots 1,641 SF Avg. Home Size
No. 11 Iris Product AQ-2	11/2015	Duplex 8.1 U/Ac	94	$252,186	$318,130	5%	$334,037	0%	$334,037	Blue-top Lots 1,710 SF Avg. Home Size
No. 12 Reverie Product AH-14	11/16/2016	6-plex cluster det. 7.5 U/Ac	30	$298,167	$380,613	0%	$380,613	0%	$380,613	Blue-top lots 2,382 SF Avg. Home Size
In addition to the 1st phased take-down summarized above, 3 additional take-downs of 24, 23 & 41 lots are scheduled in Dec. 2017, July 2018 & Feb. 2019 for the same price per lot.										
No. 13 Avant Product MR-12	12/7/2016	SFD 7.2 U/Ac	35	$295,357	$372,380	0%	$372,380	0%	$372,380	Blue-top lots 1,952 SF Avg. Home Size
In addition to the 1st phased take-down summarized above, 2 additional take-downs of 39 & 31 lots are scheduled in Feb. & Aug. 2018 for the same price per lot.										

Land Sales Adjustment Summary

Data No./ Project	Sale Date	Lot Size/ Density	No. of Lots	Sale Price Per Lot	Finished Price/Lot	Time Adjustment	Time Adj./ Finished Lot	Location Adjustment	Adjusted/ Finished Lot	Land Condition at Time of Sale
No. 14 Alma Product AQ-15	12/15/2016	SFD & Duplex 7.1 U/Ac	26	$316,808	$400,570	0%	$400,570	0%	$400,570	Blue-top lots 2,113 SF Avg. Home Size
In addition to the 1st phased take-down summarized above, 1 additional take-down of 36 lots is scheduled in Dec. 2017 for the same price per lot.										
No. 15 Arista Product AQ-11	12/2015	Detached 6.3 U/Ac	71	$284,000	$375,228	5%	$393,989	0%	$393,989	Blue-top Lots 1,699 SF Avg. Home Size
No. 16 Cortesa Product AQ-13	11/2015	Detached 5.3 U/Ac	72	$319,444	$411,972	5%	$432,571	0%	$432,571	Blue-top Lots 2,031 SF Avg. Home Size
No. 17 Alondra Product AQ-21	11/2015	6,045 SF Lots 4.4 U/Ac	51	$452,284	$521,924	5%	$548,021	0%	$548,021	Blue-top Lots 2,415 SF Avg. Home Size
No. 18 Heirloon Product MR-19	11/2015	Detached 6.6 U/Ac	41	$349,939	$433,036	5%	$454,688	0%	$454,688	Blue-top Lots 2,830 SF Avg. Home Size
No. 19 Briosa Product MR-23	11/2015	Detached 5,225 SF Lots 6.5 U/Ac	50	$438,590	$517,163	5%	$543,021	0%	$543,021	Blue-top Lots 3,260 SF Avg. Home Size
No. 20 Aubergine Product MR-24	11/2015	Detached 5,500 SF Lots 4.5 U/Ac	57	$408,693	$485,247	5%	$509,509	0%	$509,509	Blue-top Lots 3,391 SF Avg. Home Size
No. 21 Topaz Product MR-30	10/12/17	Detached 7,500 SF Lots 4.0 U/Ac	2	$715,000	$782,585	0%	$782,585	0%	$782,585	Blue-top Lots 3,612 SF Avg. Home Size
No. 21-A Topaz Product MR-30	11/3/17	Detached 7,500 SF Lots 4.0 U/Ac	5	$715,000	$782,585	0%	$782,585	0%	$782,585	Blue-top Lots 3,612 SF Avg. Home Size
In addition to the 2 takedowns summarized above, 8 additional takedowns of 6 to 7 lots each are scheduled until Oct. 2019 for the same price per lot.										

Land Sales Adjustment Summary

Data No./ Project	Sale Date	Lot Size/ Density	No. of Lots	Sale Price Per Lot	Finished Price/Lot	Time Adjustment	Time Adj./ Finished Lot	Location Adjustment	Adjusted/ Finished Lot	Land Condition at Time of Sale
City of Irvine										
No. 22 Opus	4/1/2015	TH 12.6 U/Ac	60	$228,333	$295,733	5%	$310,520	-15%	**Blue-top Lot** $263,942	Blue-top Lots 2,107 SF Avg. Home Size
No. 23	models 2/17 30 Units 6/17 phased 2018	Det. 9.3 U/Ac	61	$500,000	N/A	0%	N/A	-25%	**Near-finished Lot** $375,000	Near-finished lots 2,050 SF Avg. Home Size
No. 24 Legado	15 Units 4/16 Last Ph 2018	Det. 9.2 U/Ac	103	$452,074	N/A	0%	N/A	-25%	**Blue-top Lot** $339,056	Blue-top lots 2,302 SF Avg. Home Size
No. 25 Welton	1/6/2015	Det. Condo 8.1 U/Ac	53	$490,566 3,780 SF Lots	$519,585	5%	$545,564	-25%	**Blue-top Lot** $409,173	Blue-top Lots 2,446 SF Avg. Home Size
No.26	June 2017	Det. 7.3 U/Ac	43	$615,349 3,552 SF Lots	N/A	0%	N/A	-25%	**Blue-top Lot** $461,512	Blue-top lots 2,837 SF Avg. Home Size
No.27 Cressa	13 phases Nov. 2015 - March 2018	Det. 7.4 U/Ac	95	$543,286 3,760 SF Lots	N/A	0%	N/A	-25%	**Blue-top Lot** $407,465	Blue-top lots 2,440 SF Avg. Home Size
No.28 Avila	June 2017	Det. 7.1 U/Ac	56	$743,595 3,552 SF Lots	N/A	0%	N/A	-25%	**Near-finished Lot** $557,696	Near finished lots 2,647 SF Avg. Home Size
No.29 Beverly	June 2017	Det. 6.5 U/Ac	39	$761,744 4,250 SF Lots	N/A	0%	N/A	-25%	**Near-finished Lot** $571,308	Near finished lots 3,265 SF Avg. Home Size
No. 30 Morro	Multi-phased May 2017 to August 2018	Det. 5.8 U/Ac	40	$826,800 4,675 SF Lots	N/A	0%	N/A	-25%	**Near-finished Lot** $620,100	Near finished lots 3,595 SF Avg. Home Size
No. 31 Legend	6/1/2015	6,300 SF Lots 5.8 U/Ac	48	$876,500	$932,542	5%	$979,169	-25%	**Blue-top Lot** $734,377	Blue-top Lots 4,444 SF Avg. Home Size

The Static Residual Analysis reflects current dwelling sales prices and market conditions. The following paragraphs begin the discussion of the Static Residual Analysis for the subject's proposed products.

Static Residual Analysis to Finished Lot Value

The purpose of this analysis is to estimate a value for the land assuming no direct construction has taken place. This method is particularly helpful when development for a subdivision represents the highest and best use and when competitive house sales are available. Reportedly, this analysis is by far the most commonly used by merchant builders when determining price for land.

This analysis is useful for projects that will have a typical holding period of one to two years which represents the typical holding period anticipated by merchant builders. The Static Residual Analysis best replicates the investor's analysis when determining what can be paid for the land based on proposed product. Purchase of the land is simply treated as one of the components necessary to build the houses to sell to the homeowner. When all the components of the end-product can be identified and reasonable estimates of costs and profit can be allocated, the Static Residual Analysis becomes the best indicator of value to a merchant builder for a specific product. Specific product information is available, which makes this analysis particularly meaningful.

The analysis uses an estimated average base sales price, for a specific product, then deducts the various costs including direct and indirect costs of construction, marketing, taxes and overhead, as well as the required profit margin to attract an investor in light of the risks and uncertainties of the project and residential market. This analysis is most helpful when significant lot and or view premiums are not present. When negotiating land price, builders typically will consider the value of lot premiums when they are significant, but typically do not give the premiums full consideration. When a downturn in the market occurs or a slight stall in a sales program, premiums are typically the first to be negotiated away.

End-product Sales Prices

The analysis uses the average base sales price without lot premiums.

Direct Development Costs

Most of the merchant builders have provided direct construction costs to build the nine products. We have interviewed local builders in the Orange County market area for estimates of direct construction costs for similar products. Based on our understanding of the proposed quality of construction, home size and functional utility, the builders estimate of direct construction costs appear supported and are used in this analysis, when available.

Indirect construction costs, such as insurance, real estate taxes, architecture and engineering costs, loan fees and permits have been estimated at 3% of sales price, which is found to be an industry standard for use in this analysis.

General and Administrative

General and administrative costs are estimated at 3% of sales price. This category covers such expenses as administrative, professional fees, real estate taxes, HOA dues, and miscellaneous costs. This estimate is typical and consistent with the market.

Marketing and Warranty

Marketing and sales expenses plus warranty costs are estimated at 7% of sales price. This category covers such expenses as advertising and sales commissions and home warranties. This estimate is typical and consistent with the market for product in master planned communities.

Master Developer Profit

The line item for profit reflects the required margin to attract an investor in light of the risk and uncertainties of the specific project. This analysis assumes a finished lot and no on-site construction. Therefore, additional risk of development is unknown. To offset the risk of the moderating market, builders are purchasing the lots in phased takedowns, thereby reducing their exposure to market risks. The shorter holding times reduces the required profit margins otherwise required. Given the current residential market, demand for the proposed projects and timing for sales to begin, the risk of development is generally

limited to risk associated with sales over the next 1 to 2± years. In general, sales activity is projected to continue in Orange County, inventory is still low based on the current sales rate. Interest rates, while increasing slightly in recent months is still very enticing to homebuyers. Most economists are not projecting interest rates to be over 6% for three to five years. Assuming economic growth continues at a slow and steady rate, interest rates are relatively stable and job growth and wage increases continue to gradually firm-up, sales for the subject properties are considered to be in a healthy residential market.

Based on surveys of builders, current profit requirements for bulk sale purchases are typically between 8% and 12% of revenues, with occasional responses as high as 15%. These profit estimates are for projects that can be constructed and sold out in a two-year period. Higher profits can be required for longer construction/sellout periods and riskier projects. Lower profits can be accepted in inexpensive land cost areas where homes sell quickly. Lower profits are usually found in planned community environments where the Master Developer plans for different market segments and thus avoids direct competition between builders, and this is the case in Rancho Mission Viejo. Based on a review of the projected absorption for the subject products and competing subdivisions, a sales rate of 2± to 4± units per month for the products appears supportable.

The line item for profit is based on a typical holding period sought by merchant builders; that of 1 to 2 years. Based on current market conditions and the outlook for the next 12 to 24 months, a 6% to 7% line item for profit, would seem appropriate for the traditional single family detached products. Due to the additional risk of development for attached products, an 8% line item for profit appears appropriate. For the selection of the appropriate profit margin, the proposed product, pricing, number of lots and projected absorption time are considered.

Interest During Holding Period

A typical allowance for financing during the holding period has been between 5% and 7%. Based on recent interviews with builders in the subject market area, we have concluded on a 6% deduction for financing during the holding period.

Site Costs

Because this analysis residuals to a finished lot condition, deductions for costs to bring to a finished lot condition are not required. Please refer to the following pages for copies of the Static Residual Analysis for each product in CFD No. 2017-1, IA-1.

AZURE MR-2
The New Home Company
Estimated Finished Lot Value

Plan No.	Size	Base Price
1	707	$348,000
2	1,158	$470,000
3	1,182	$475,000
4	1,432	$510,000
5	1,461	$515,000
6	1,476	$540,000
7	1,507	$540,000
8	1,513	$530,000
9	1,566	$560,000
10	1,619	$530,000
Average	**1,362**	**$501,800**

Incentives	none
Net Base S/P	**$501,800**

Single Family Attached
16-Plex Condominiums
80 Merchant Builder Owned Lots

				Land Ratios
Average Retail Value of Improvements		$501,800	$368.40 (Per sq. ft.)	
Average Dwelling Size (Sq. Feet)	1,362			
Direct Building Cost Per Sq. Ft.	$94.00	$128,037		
Indirect Construction Costs	3.00%	$15,054		
General & Administrative Costs	3.00%	$15,054		
Marketing and Warranty Costs	7.00%	$35,126		
Builder's Profit	8.00%	$40,144		
Interest During Holding Period	6.00%	$30,108		
Costs to bring to Finished Lot		None		
Finished Lot Value Estimate		**$238,277**		
	Rounded to:	**$238,000**		
			Finished Lot	**0.47**

COBALT MR-4
The New Home Company
Estimated Finished Lot Value

Plan No.	Size	Base Price
1	1,223	$520,000
2	1,410	$545,000
3	1,527	$575,000
Average	**1,387**	**$546,667**

Incentives	none
Net Base S/P	**$546,667**

Attached Duplex
12-Plex
48 Merchant Builder Owned Lots

				Land Ratios
Average Retail Value of Improvements		$546,667	$394.23 (Per sq. ft.)	
Average Dwelling Size (Sq. Feet)	1,387			
Direct Building Cost Per Sq. Ft.	$100.50	$139,360		
Indirect Construction Costs	3.00%	$16,400		
General & Administrative Costs	3.00%	$16,400		
Marketing and Warranty Costs	7.00%	$38,267		
Builder's Profit	8.00%	$43,733		
Interest During Holding Period	6.00%	$32,800		
Costs to bring to Finished Lot		None		
Finished Lot Value Estimate		**$259,707**		
	Rounded to:	**$259,500**		
			Finished Lot	**0.47**

MODENA MR-5
Meritage Homes
Estimated Finished Lot Value

Plan No.	Size	Base Price
1	1,479	$564,990
2	1,545	$571,990
3	1,502	$565,990
4	1,642	$582,990
5	1,632	$601,990
6	1,863	$640,990
7	1,742	$609,990
8	1,962	$652,990
Average	**1,671**	**$598,990**
Incentives		$0
Net Base S/P		**$598,990**

Duplex Cluster
12-Plex
118 Merchant Builder Owned Lots

				Land Ratios
Average Retail Value of Improvements		$598,990	$358.49 (Per sq. ft.)	
Average Dwelling Size (Sq. Feet)	1,671			
Direct Building Cost Per Sq. Ft.	$95.00	$158,733		
Indirect Construction Costs	3.00%	$17,970		
General & Administrative Costs	3.00%	$17,970		
Marketing and Warranty Costs	7.00%	$41,929		
Builder's Profit	8.00%	$47,919		
Interest During Holding Period	6.00%	$35,939		
Costs to bring to Finished Lot		None		
Finished Lot Value Estimate		**$278,530**		
Rounded to:		**$278,500**		
			Finished Lot	**0.46**

AVANT MR-12
CalAtlantic Homes
Estimated Finished Lot Value

Plan No.	Size	Base Price
1	1,677	$669,500
2	1,866	$707,500
3	2,076	$722,500
4	2,151	$735,500
Average	**1,943**	**$708,750**
Incentive		none
Net Base S/P		**$708,750**

				Land Ratios
Detached				
7.2 Units per Acre				
35 Merchant Builder Owned Lots				
Average Retail Value of Improvements		$708,750	$364.86 (Per sq. ft.)	
Average Dwelling Size (Sq. Feet)	1,943			
Direct Building Cost Per Sq. Ft.	$89.00	$172,883		
Indirect Construction Costs	3.00%	$21,263		
General & Administrative Costs	3.00%	$21,263		
Marketing and Warranty Costs	7.00%	$49,613		
Builder's Profit	6.00%	$42,525		
Interest During Holding Period	6.00%	$42,525		
Costs to bring to Finished Lot		None		
Finished Lot Value Estimate		**$358,680**		
Rounded to:		**$358,500**		
			Finished Lot	**0.51**

TOPAZ MR-30
The New Home Company
Estimated Finished Lot Value

Plan No.	Size	Base Price
1	2,897	$1,295,000
2	3,573	$1,360,000
3	3,558	$1,360,000
6	4,420	$1,410,000
Average	**3,612**	**$1,356,250**
Incentive		$0
Net Base S/P		**$1,356,250**

Detached
7,500 SF Lots
7 Merchant Builder Owned Lots

				Land Ratios
Average Retail Value of Improvements		$1,356,250	$375.48 (Per sq. ft.)	
Average Dwelling Size (Sq. Feet)	3,612			
Direct Building Cost Per Sq. Ft.	$87.00	$314,244		
Indirect Construction Costs	3.00%	$40,688		
General & Administrative Costs	3.00%	$40,688		
Marketing and Warranty Costs	7.00%	$94,938		
Builder's Profit	6.00%	$81,375		
Interest During Holding Period	6.00%	$81,375		
Costs to bring to Finished Lot		None		
Finished Lot Value Estimate		**$702,944**		
	Rounded to:	**$703,000**		
			Finished Lot	**0.52**

VIVAZ AH-13
CalAtlantic Homes
Estimated Finished Lot Value

Plan No.	Size	Base Price
1	1,701	$669,500
2	2,065	$707,500
3	1,974	$722,500
4	2,169	$735,500
Average	**1,977**	**$708,750**
Incentive		none
Net Base S/P		**$708,750**

Cluster Detached
6-Plex
41 Merchant Builder Owned Lots

				Land Ratios
Average Retail Value of Improvements		$708,750	$358.45 (Per sq. ft.)	
Average Dwelling Size (Sq. Feet)	1,977			
Direct Building Cost Per Sq. Ft.	$92.00	$181,907		
Indirect Construction Costs	3.00%	$21,263		
General & Administrative Costs	3.00%	$21,263		
Marketing and Warranty Costs	7.00%	$49,613		
Builder's Profit	7.00%	$49,613		
Interest During Holding Period	6.00%	$42,525		
Costs to bring to Finished Lot		None		
Finished Lot Value Estimate		**$342,568**		
Rounded to:		**$342,500**		
			Finished Lot	**0.48**

REVERIE AH-14
William Lyon Homes
Estimated Finished Lot Value

Plan No.	Size	Base Price
1	1,914	$690,000
2	2,334	$730,000
3	2,445	$750,000
4	2,552	$750,000
5	2,664	$780,000
Average	**2,382**	**$740,000**
Incentive		none
Net Base S/P		**$740,000**

Cluster Detached
6-Plex
30 Merchant Builder Owned Lots

				Land Ratios
Average Retail Value of Improvements		$740,000	$310.69 (Per sq. ft.)	
Average Dwelling Size (Sq. Feet)	2,382			
Direct Building Cost Per Sq. Ft.	$84.00	$200,071		
Indirect Construction Costs	3.00%	$22,200		
General & Administrative Costs	3.00%	$22,200		
Marketing and Warranty Costs	7.00%	$51,800		
Builder's Profit	6.00%	$44,400		
Interest During Holding Period	6.00%	$44,400		
Costs to bring to Finished Lot		None		
Finished Lot Value Estimate		**$354,929**		
	Rounded to:	**$355,000**		
			Finished Lot	**0.48**

VIDA AQ-14
Pulte Homes
Estimated Finished Lot Value

Plan No.	Size	Base Price
1	1,279	$594,990
2	1,741	$675,990
3	1,558	$665,990
4	2,013	$724,990
5	1,547	$663,990
6	1,848	$687,990
7	1,598	$654,990
8	1,542	$653,990
Average	**1,641**	**$665,365**
Incentive		none
Net Base S/P		**$665,365**

				Land Ratios
Cluster Detached				
6-Plex				
62 Merchant Builder Owned Lots				
Average Retail Value of Improvements		$665,365	$405.52 (Per sq. ft.)	
Average Dwelling Size (Sq. Feet)	1,641			
Direct Building Cost Per Sq. Ft.	$90.00	$147,668		
Indirect Construction Costs	3.00%	$19,961		
General & Administrative Costs	3.00%	$19,961		
Marketing and Warranty Costs	7.00%	$46,576		
Builder's Profit	7.00%	$46,576		
Interest During Holding Period	6.00%	$39,922		
Costs to bring to Finished Lot		None		
Finished Lot Value Estimate		**$344,703**		
Rounded to:		**$344,500**		
			Finished Lot	**0.52**

ALMA AQ-15
Pulte Homes
Estimated Finished Lot Value

Plan No.	Size	Base Price
1	1,827	$739,990
2	1,864	$743,990
3	2,310	$845,990
4	2,451	$834,990
Average	**2,113**	**$791,240**
Incentive		none
Net Base S/P		**$791,240**

				Land Ratios
Detached & Duplex				
SFD				
26 Merchant Builder Owned Lots				
Average Retail Value of Improvements		$791,240	$374.46 (Per sq. ft.)	
Average Dwelling Size (Sq. Feet)	2,113			
Direct Building Cost Per Sq. Ft.	$90.00	$190,170		
Indirect Construction Costs	3.00%	$23,737		
General & Administrative Costs	3.00%	$23,737		
Marketing and Warranty Costs	7.00%	$55,387		
Builder's Profit	6.00%	$47,474		
Interest During Holding Period	6.00%	$47,474		
Costs to bring to Finished Lot		None		
Finished Lot Value Estimate		**$403,260**		
	Rounded to:	**$403,000**		
			Finished Lot	**0.51**

Conclusion of Finished Lot Values

The following table summarizes the conclusions of finished lot values by the Direct Comparison Approach, the Static Residual Analysis and the concluded lot value. The best comparables are sales that require the fewest adjustments. We have the benefit of the subject merchant builder sales which occurred between November 2016 and November 2017 and the future takedowns occurring over a relatively stable residential market. The sales prices and finished lot costs have been verified by both the buyers and seller. The Static Residual Analysis is used a cross check to the subject's takedowns.

Finished Lot Value Conclusions

Product/Builder	Direct Comparison Approach	Minimum Lot Size	Static Residual Analysis	Finished Lot Ratio	Concluded Lot Value
Azure/New Home Co.	$169,000	Attached	$238,000	47%	$169,000
Cobalt/New Home Co.	$237,000	Attached	$259,500	47%	$237,000
Modena/Meritage	$261,000	Attached	$278,500	46%	$261,000
Avant/CalAtlantic	$372,000	3,650 SF	$358,500	51%	$372,000
Topaz/New Home Co.	$783,000	7,440 SF	$703,000	52%	$783,000
Vivaz/CalAtlantic	$338,000	3,300 SF	$342,500	48%	$338,000
Reverie/William Lyon	$381,000	3,524 SF	$355,000	48%	$381,000
Vida/Pulte	$318,000	3,388 SF	$344,500	52%	$318,000
Alma/Pulte	$401,000	4,400 SF	$403,000	51%	$401,000

The cost to complete site construction as of the date of the land sales is included in the Site section of this report. The land was delivered to the merchant builders in a blue-top lot condition. As discussed, the builders are purchasing the land for the nine proposed products in phased takedowns. As of the date of value the five merchant builders own 447 lots and the Master Developer still owned 305 lots as of the date of value. All of the nine proposed products are under site construction and dwellings unit construction. As of the date of value, 27 model homes within 6 products are complete and open for sales. The three remaining products have model homes under construction with sales anticipated to begin in December 2017 and February 2018. In addition, 78

production homes are in various stages of vertical construction. Nine lots have started to frame for slabs which will be valued as finished lots.

Valuation of Merchant Builder Owned Lots/Units

Most of the merchant builders have completed significant in tract site construction on all of the land for their proposed product, which includes land still under the ownership of the Master Developer, to be acquired in future takedowns. In an attempt to estimate the "as is" value for the merchant builder owned land, the appraisers have contacted the merchant builders for the current cost to complete each product. The cost we have been provided is for each entire product. Based on the condition of the lots and the costs to complete, the appraisers have estimated a pro-rata cost to complete for both the merchant builder owned land and the Master Developer owned land.

The following two pages calculates each merchant builder's "as is" values, including the estimated value for the 27 completed model homes, 12 model homes under construction and 78 production homes under construction. The builders have provided the costs to complete site construction as of the date of value. The total estimated value for the 447-merchant builder lots and dwellings is $136,000,000, rounded. The values of the completed and under construction dwellings have been included to arrive at a total estimated Market Value for each merchant builder's ownership in CFD No. 2017-1, IA-1.

In addition to the 447 merchant builder owned lots, there are 305 lots owned by the Master Developer, RMV PA2 Development, LLC as of the date of value, November 15, 2017. The following section of this report includes the Developmental Analysis to estimate the "as is" value of the Master Developer owned land.

MERCHANT BUILDER OWNERSHIPS
SUMMARY OF VALUE CONCLUSIONS

Product/ Builder No. of Lots	Condition of Lots/Units		Avg. S/P/Unit Per Product	Finished Lot $	Estimated "As Is" Value
MR-2 - Azure - The New Home Company					
8	Models - Complete	100%	$501,800		$4,014,400
8	Production Dwellings - Wrapped	60%	$501,800		$2,408,640
8	Production Dwellings - Framed	55%	$501,800		$2,207,920
56	Finished Lot Value			$169,000	$9,464,000
	Costs to Complete MB Site Improvements				-$1,400,000
					$16,694,960
MR-4 - Cobalt - The New Home Company					
4	Models - Complete	100%	$546,667		$2,186,668
12	Production Dwellings - Framed	55%	$546,667		$3,608,002
32	Finished Lot Value			$237,000	$7,584,000
	Costs to Complete MB Site Improvements				-$971,429
					$12,407,241
MR-30 - Topaz - The New Home Company					
2	Models - Framed	55%	$1,356,250		$1,491,875
5	Finished Lot Value			$783,000	$3,915,000
	Costs to Complete MB Site Improvements				-$259,259
					$5,147,616
MR-5 - Modena - Meritage Homes of CA, Inc.					
4	Models - Complete	100%	$598,990		$2,395,960
8	Production Dwellings - Stucco Coat	65%	$598,990		$3,114,748
17	Production Dwellings - Framed	55%	$598,990		$5,600,557
89	Finished Lot Value			$261,000	$23,229,000
	Costs to Complete MB Site Improvements				-$2,200,000
					$32,140,265
MR-12 - Avant - CalAtlantic Group, Inc.					
4	Models - Nearly Complete	80%	$708,750		$2,268,000
9	Production Dwellings - Framed	55%	$708,750		$3,508,313
22	Finished Lot Value			$372,000	$8,184,000
	Costs to Complete MB Site Improvements				-$1,053,586
					$12,906,727
AH-13 - Vivaz - CalAtlantic Group, Inc.					
3	Models - Complete	100%	$708,750		$2,126,250
16	Production Homes - Framed	55%	$708,750		$6,237,000
22	Finished Lot Value			$338,000	$7,436,000
	Costs to Complete MB Site Improvements				-$1,290,714
					$14,508,536
AH-14 - Reverie - William Lyon Homes, Inc.					
6	Models - Framed	55%	$740,000		$2,442,000
24	Finished Lot Value			$381,000	$9,144,000
	Costs to Complete MB Site Improvements				-$1,874,396
					$9,711,604

MERCHANT BUILDER OWNERSHIPS
SUMMARY OF VALUE CONCLUSIONS

Product/ Builder No. of Lots	Condition of Lots/Units		Avg. S/P/Unit Per Product	Finished Lot $	Estimated "As Is" Value
AQ-14 - Vida - Pulte Home Corporation					
5	Models - Complete	100%	$665,365		$3,326,825
57	Finished Lot Value			$318,000	$18,126,000
	Costs to Complete MB Site Improvements				-$358,007
					$21,094,818
AQ-15 - Alma - Pulte Home Corporation					
3	Models - Complete	100%	$794,240		$2,382,720
23	Finished Lot Value			$401,000	$9,223,000
	Costs to Complete MB Site Improvements				-$166,939
447					**$11,438,781**
	Total Estimated Market Value for 447 Lots/Dwellings:				***$136,050,547***
	Rounded to:				***$136,000,000***

DEVELOPMENTAL ANALYSIS

General

To estimate the value of the Master Developer owned land, a Developmental Analysis is completed. As previously discussed in this appraisal report, the Master Developer owned land is in various stages of site construction by the merchant builders and ranges from a blue-top lot condition to near physically finished lot condition. There are 9 proposed products within CFD No. 2017-1, Improvement Area 1. Prior to the date of value, all of the 9 proposed products began merchant builder phased purchases of the land, to be improved with the proposed products as outlined in the Improvement Description section of this report. The Valuation of Finished Lots section of this report summarizes each transaction. As discussed in that section of this report, the remaining merchant builder land is scheduled for phased takedowns between December 2017 and the first quarter of 2020. The merchant builders have reportedly paid an 18% or 20% non-refundable deposit for the land under the ownership of the Master Developer.

Developmental Analysis

The Developmental Analysis for estimating value is based upon the premise that one would not pay more for land and improvements than its contributory value to the economic enterprise of developing the land into a master planned community. This analysis discounts the revenue from future sales of merchant builder parcels, over an estimated absorption period, deducting all related direct and indirect expenses associated with sales of the parcels. The net cash flows are then discounted for time, risk and the required profit margin to entice a Master Developer to purchase the land for the development as proposed. It essentially treats land as one of the raw materials required for developing a master planned community. If one is able to prepare a reasonably reliable forecast of the related prices of the end-product and identify all the costs and required profit margin, what is residual or left over is what is available to acquire the property.

In the case of the Master Developer owned land, the residual land value indicated by the discounted cash flow analysis reflects the value of the land in a blue-top lot condition. The additional value for the on-site improvements completed by the various merchant

builders is then added to the blue-top lot value for the "as is" value of the land under the ownership of RMV PA2 Development, LLC. The following paragraphs summarize the steps used in the Developmental Analysis.

1. Analyze the highest and best use and determine the land plan which will be utilized in the Developmental Analysis.
2. Estimate the blue-top lot value for each proposed product.
3. Estimate the absorption period for land sales of the various products.
4. Estimate the direct and indirect costs including G&A.
5. Estimate the required annual before-tax discount rate, including profit, required to attract a Master Developer in light of the risks and uncertainties.

Proposed Product

Please refer to the Improvement Description section of this report for a summary of the proposed products provided by the merchant builders. Within the Highest and Best Use section of this report, market demand was discussed.

Within the valuation section to finished lot values, the Direct Comparison Approach and Static Residual Analysis were completed. As discussed, emphasis was given to the recent merchant builder land sales, future phased takedowns and the 18% to 20% non-refundable deposits reportedly received from the builders for their future takedowns. The actual sales prices for the blue-top lots are used in this analysis.

Absorption

The discussions of absorption are included in the Highest and Best Use section of this report, and reflect a market supported absorption for the subject property. A review of the currently selling residential projects generally indicates absorption rates between 2.4 and 2.7 units per month per project. As of the date of value, a return to a more normal residential market has occurred. Sales rates and prices started to moderate during 2017. The slower absorption from that experienced in 2013-2015, appears to have created the desire for builders to purchase their land in phases takedowns rather than a bulk sale of

all the proposed lots. The Master Developer has provided the appraisers with a summary of future takedowns for each builder. The appraisers have contacted the five merchant builders to verify their intent to continue their phased land purchases at the indicated time and sales price. A review of the phased takedowns indicates no appreciation for future phases.

Site Development Costs

As previously discussed, as of the date of value, the Master Developer owned land consists of blue-top lots entitled for residential uses to near physically finished lots. The Master Developer is responsible for all off-site infrastructure improvements, which includes recreational areas and impact fees that are still required to be paid, up to Building Permit.

The costs have been prepared by the Master Developer's in-house engineer. The major infrastructure costs are reported to satisfy the Rancho Mission Viejo Development Agreement and Orange County Ranch Plan Project approved by the County Board of Supervisors, November 8, 2004. The major infrastructure improvements consist of all community support facilities for highways, roads, water, sewer, reclaimed water, emergency water storage, sewer treatment, drainage, water quality, gas, electric, telephone and cable TV. The timing for the improvements is based on the Master Developer's current schedule, which considers the merchant builders' time-line for dwelling unit construction and sales of end products.

The remaining Master Developer site costs as of November 15, 2017 as provided to the appraisers are $15,500,000±. The available construction proceeds from the sale of bonds for CFD No. 2017-1, IA-1 is estimated at $77,000,000± of which $62,000,000± is expected to go to reimburse the Master Developer for acquisition of facilities. The reimbursements will more than offset the remaining Master Developer costs. ***If the costs or timing of the costs and/or reimbursements vary from current projections, the value conclusions would likely change.*** Please refer to the Addenda of this report for a summary of the remaining Master Developer site costs.

General and Administrative Costs

General and administrative costs typically range between 2% and 4% for master planned communities. This category covers such expenses as administrative, professional fees, legal costs, real estate taxes, holding costs and miscellaneous costs. Based on the time-line for merchant builder land sales we are estimating G & A at 2%. These expenses are realized at the time of sale.

Special Taxes

The subject property will be subject to a Special Tax to be levied within the District once the bonds are sold. This appraisal report assumes the bonds will be sold. Based on the decision of the Finance Team to not include Capitalized Interest as a source of payment for the Special Tax on the undeveloped land, special tax payments will be required from the Master Developer.

Based on the current absorption estimates for the sale of the proposed dwelling units, payment of Special Tax is estimated for the undeveloped land at $8,208,845 over a 27-month timeframe. The merchant builders and the Master Developer will be responsible for payment of the special tax. Based on the Master Developer's ownership as of the date of value and projected sales of the land to merchant builders over the remaining absorption period, $726,307 is estimated to be the responsibility of the Master Developer. A copy of the Special Tax spread is included in the Addenda of this report.

Financing/Holding Costs

The cash flows were prepared on a non-leveraged basis, which is the common application for proposed master planned community cash flows. It is not uncommon for participants to seek borrowed funds to leverage their investments. However, the criteria and ability for the funds is considered to be investor/Master Developer specific.

Inflation Factor

As discussed, the residential market has been stabilizing over the past year, as indicated by the stable prices of the phased takedowns for the merchant builders. An inflation rate does not appear to be indicated.

Discount Rate

The final step in our discounted cash flow analysis is to estimate the appropriate discount rate in light of uncertainties and risks. There are various factors which go into selecting a discount rate for the subject property. Typically, when valuing a property, we assume an all cash transaction and then discount for time, risk and required profit margin. Estimating value by use of a discounted cash flow analysis requires various assumptions and judgment by the appraiser. It is the appraiser's function to reflect the motives of real estate investors. The cash flow model needs to reflect the actual state of the market as of the date of value. The purpose of this portion of the appraisal is to estimate the bulk value for the Master Developer owned land as of the date of value.

One negative aspect of a discounted cash flow is that often this analysis requires absorption rates that have not been proven and revenues that are proposed but not tested. However, in the case of the subject property, we have the benefit of market response both in sales activity and pricing of the merchant builders parcels. The subject's proposed products are expected to meet market demand. The discounted cash flow analysis reflects the current price structure, as indicated by the builder's recent sales and time-line for future land purchases.

With the exception of the largest and most expensive product, MR-30, proposed for CFD No. 2017-1, IA-1, the anticipated holding time is less than 1 1/2 years. A two-year holding period would be considered a typical period for a merchant builder. A six to eight-year holding period would be considered a typical period for a land Master Developer. To reflect market risks in both the model assumptions and the discount rate results in the property being penalized twice for the same risk. The model assumptions reflect current pricing and absorption. Potential additional risk in the model assumptions is a downturn in the economy and a protracted holding time.

The discount rate represents a measure of the uncertainty regarding the receipt of anticipated income and a measure of the yield required to attract investment capital to a specific investment opportunity. Several factors influence the discount rate, including the

prospective rates of return for alternative investment opportunities, the liquidity of the investment, the degree of apparent risk, historical rates of return earned by comparable investments, market attitudes concerning future inflation or deflation and the supply and demand of mortgage funds. Rates increase as the term of the investment and risk increase.

Based on interviews with investors and Master Developers, market participants analyze their investments with a single rate. The discount rate includes the Master Developer's profit. The appropriate discount rate can best be obtained from the market. However, comparable undeveloped land sales are not available in the market area. The rate needs to be sufficient to attract an investor to the project. This type of investment is not widely transferred in the marketplace.

As discussed, the subject property is within the master planned community of Rancho Mission Viejo. Based on historical market response for the proposed products, there is sufficient demand for the proposed land uses. The internal rate of return (IRR) or discount rate, applicable to the Master Developer's position must reflect the applicable profit to the Master Developer for risk and holding time. The potential risk for continued phased takedowns as anticipated is mitigated, in part, by all of the builders significantly improving their lots for future takedowns, with wet and dry utilities.

To build a discount rate, three components must be addressed: safe rate, risk rate and inflation rate. The safe rate is defined as that compensation paid to a lender or investor for the use of money. The risk rate is the compensation paid to the lender or investor to offset possible losses that occur when a borrower or investment fails to meet periodic payments or pay back borrowed funds. The inflation rate is defined as that compensation paid to the lender or investor to offset losses that may occur to the purchasing power of the payments received and the principal returned.

To estimate a discount rate appropriate for the subject property, we have begun with a safe rate that has averaged between 3% and 5% over time. Over the past decade, improved real estate investments have had a risk rate between 1.25 and 2.5 times the safe

rate, while vacant or subdivision land has had a risk rate between 3 and 5 times the safe rate. Inflation has typically ranged between 2% and 3%, over recent years.

For the 305 Master Developer owned lots, we have assumed a safe rate of 3%, a real estate risk rate of 3 times the safe rate and inflation of 3%. The indicated discount rate is: (3% x 3) + 3% = 12%. As discussed in the Static Residual Analysis to finished lot value, merchant builders generally require an 8% profit for a typical holding period of 2± years. However, profit margins can be as low as 6% and as high as 12% depending on proposed product, competition and absorption, market expectations and number of lots. A 12% discount rate has been chosen in light of the entitlements, infrastructure improvements, proposed products, time-line for absorption, and specific market conditions.

As previously discussed, when estimating Market Value a sale is assumed as of a specific date. Therefore, it is a specific assumption of this appraisal report that the 18% to 20% non-refundable deposits are in an account that would travel with the land assuming a sale of the 305 lots. The deposits are shown in period "0" of the discounted cash flow. The sale of the lots reflects the current schedule of phased takedowns as indicated by the Master Developer and merchant builders. The price per blue-top lot is what has been paid for the prior phased purchases and what is anticipated to be paid for the future phased purchases.

The last component to be considered in estimating the "as is" value for the 305 lots is the on-site improvements completed by the various merchant builders as of the date of value. Please refer to the Summary of Ownership, Legal Description & Lot Condition on pages 46 and 47 within the Site section of this report which briefly describes the site condition of the Master Developer owned lots. The Master Developer has provided the total costs to complete for the 752 lots as in a blue-top lot condition at $48,234,108, which is further allocated per product. The merchant builders have provided their cost to complete site construction as of the date of value at $25,559,459, for the undeveloped lots. The indicated total site improvements previously made to all of the 752 lots is $22,674,649.

The merchant builders have provided cost to complete site construction as of the date of value as previously discussed. The cost to complete per product was then allocated proportionately to the undeveloped builder owned lots and the Master Developer owned lots as summarized in the Addenda of this report. The cost to complete the land owned by the merchant builders is estimated at $9,574,330 and the cost to complete for the Master Developer owned land is estimated at $15,985,129. To estimate the current site improvements to the Master Developer owned land, we have first estimated the cost to complete site construction for the 305 Master Developer owned lots at the time of the land sales, which assumed blue-top lot condition. The cost to complete site construction as of the date of value for the 305 lots is then deducted from the original cost to arrive at the estimated value of the improvements to the Master Developer owned land: $22,752,741 - $15,985,129 = $6,767,612. Please refer to the Addenda for a summary of the merchant builder cost to complete and onsite improvement calculations.

To arrive at an "as is" value for the Master Developer owned land a discounted cash flow is completed for the lots assuming a blue-top lot condition. The analysis assumes stabilized market conditions over the absorption period. The estimated value also assumes the remaining Master Developer site costs are off-set by reimbursements from the sale of bonds for CFD No. 2017-1 IA-1. If there is a change in the site costs or CFD No. 2017-1, IA-1 reimbursements, the value would likely change. The estimated value includes the non-refundable deposits of 18% to 20% for the future phased takedowns. The indicated value for the 305 blue-top lots is $97,008,738. To this value the estimated on-site improvements are added: $97,008,738 + $6,767,612 = $103,776,350, rounded to $104,000,000.

Please refer to the following pages which illustrate the discounted cash flow analysis for the bulk value of the land assuming a blue-top lot condition under the Master Developer, RMV PA2 Development, LLC, ownership, plus the estimated value of the existing on-site improvements.

As an overview, the Valuation section, for the merchant builder owned lots, estimates the "as is" value from a finished lot value and deducts the cost to complete to arrive at an "as is" value for the merchant builder land. In valuing the Master Developer owned land, we

are estimating the value of the existing on-site improvements and adding this to the blue-top lot value as indicated by the discounted cash flow.

DISCOUNTED CASH FLOW
MASTER DEVELOPER OWNED LAND 11/15/17

Product Description	Blue-top Price/Lot	No. Lots	Deposits 15-Nov-17	Nov-Jan 2018	Feb-Apr 2018	May-July 2018	Aug-Oct 2018	Nov-Jan 2019
			0	1	2	3	4	5
Proposed Market Rate Dwelling Units								
MR-30 Det. 7,500 SF lots	$715,000	49	0	0	6	6	6	6
MR-12 Det. 7.2 u/ac	$295,500	70	0	0	39	0	31	0
MR-5 Duplex Cluster	$216,000	0	0	0	0	0	0	0
MR-4 Att. Duplex	$194,500	24	0	24	0	0	0	0
MR-2 Att. Condo	$130,000	0	0	0	0	0	0	0
AH-13 Detached Cluster	$266,000	38	0	0	0	38	0	0
AH-14 Detached Cluster	$298,000	88	0	24	0	23	0	0
Propsoed Age Qualified Dwelling Units						0	0	0
AQ-14 Detached Cluster	$251,000	0	0	0	0	0	0	0
AQ-15 Duplex & Detached	$317,000	36	0	36	0	0	0	0
Total Residential Units		**305**	**0**	**84**	**45**	**67**	**37**	**6**
Unsold Residential Units Per Annual Period			305	221	176	109	72	66
Revenue/Product								
Proposed Market Rate Dwelling Units								
MR-30 Det. 7,500 SF lots			$7,007,000	$0	$3,432,000	$3,432,000	$3,432,000	$3,432,000
MR-12 Det. 7.2 u/ac			$3,723,300	$0	$9,450,090	$0	$7,511,610	$0
MR-5 Duplex Cluster			$0	$0	$0	$0	$0	$0
MR-4 Att. Duplex			$933,600	$3,734,400	$0	$0	$0	$0
MR-2 Att. Condo			$0	$0	$0	$0	$0	$0
AH-13 Detached Cluster			$1,819,440	$0	$0	$8,288,560	$0	$0
AH-14 Detached Cluster			$5,244,800	$5,721,600	$0	$5,483,200	$0	$0
Propsoed Age Qualified Dwelling Units								
AQ-14 Detached Cluster			$0	$0	$0	$0	$0	$0
AQ-15 Duplex & Detached			$2,054,160	$9,357,840	$0	$0	$0	$0
TOTAL REVENUE			**$20,782,300**	**$18,813,840**	**$12,882,090**	**$17,203,760**	**$10,943,610**	**$3,432,000**
Inflation factor of 0% annually			1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Expenses								
Major Infrastructure Costs (less CFD Reimbursements)			$0	$0	$0	$0	$0	$0
Less Special Taxes			$0	$213,252	$169,829	$105,178	$96,756	$88,693
G & A Costs @ 2%			$0	$376,277	$257,642	$344,075	$218,872	$68,640
TOTAL EXPENSES			**$0**	**$589,528**	**$427,471**	**$449,254**	**$315,628**	**$157,333**
Net Before Discounting			$20,782,300	$18,224,312	$12,454,619	$16,754,506	$10,627,982	$3,274,667
Present Worth Factor at 12%			1.000000	0.970874	0.942596	0.915142	0.888487	0.862609
			$20,782,300	**$17,693,506**	**$11,739,673**	**$15,332,747**	**$9,442,824**	**$2,824,757**

Total Discounted Value Blue-top Lots: **$97,008,738**

Additional Value for Existing On-Site Improvements: **$6,767,612**

ESTIMATED AS IS VALUE 305 LOTS: **$103,776,350** **ROUNDED TO:** **$104,000,000**

Product Description	Blue-top Price/Lot	No. Lots	Feb-Apr 2019 6	May-July 2019 7	Aug-Oct 2019 8	Nov-Jan 2020 9	Feb-Apr 2020 10	Totals
Proposed Market Rate Dwelling Units								
MR-30 Det. 7,500 SF lots	$715,000	49	6	6	6	7	0	49
MR-12 Det. 7.2 u/ac	$295,500	70	0	0	0	0	0	70
MR-5 Duplex Cluster	$216,000	0	0	0	0	0	0	0
MR-4 Att. Duplex	$194,500	24	0	0	0	0	0	24
MR-2 Att. Condo	$130,000	0	0	0	0	0	0	0
AH-13 Detached Cluster	$266,000	38	0	0	0	0	0	38
AH-14 Detached Cluster	$298,000	88	41	0	0	0	0	88
Propsoed Age Qualified Dwelling Units			0	0	0	0	0	
AQ-14 Detached Cluster	$251,000	0	0	0	0	0	0	0
AQ-15 Duplex & Detached	$317,000	36	0	0	0	0	0	36
Total Residential Units		**305**	**47**	**6**	**6**	**7**	**0**	**305**
Unsold Residential Units Per Annual Period			19	13	7	0	0	
Revenue/Product								
Proposed Market Rate Dwelling Units								
MR-30 Det. 7,500 SF lots			$3,432,000	$3,432,000	$3,432,000	$4,004,000	$0	$35,035,000
MR-12 Det. 7.2 u/ac			$0	$0	$0	$0	$0	$20,685,000
MR-5 Duplex Cluster			$0	$0	$0	$0	$0	$0
MR-4 Att. Duplex			$0	$0	$0	$0	$0	$4,668,000
MR-2 Att. Condo			$0	$0	$0	$0	$0	$0
AH-13 Detached Cluster			$0	$0	$0	$0	$0	$10,108,000
AH-14 Detached Cluster			$9,774,400	$0	$0	$0	$0	$26,224,000
Propsoed Age Qualified Dwelling Units								
AQ-14 Detached Cluster			$0	$0	$0	$0	$0	$0
AQ-15 Duplex & Detached			$0	$0	$0	$0	$0	$11,412,000
TOTAL REVENUE			**$13,206,400**	**$3,432,000**	**$3,432,000**	**$4,004,000**	**$0**	**$108,132,000**
Inflation factor of 0% annually			1.000000	1.000000	1.000000	1.000000	1.000000	
Expenses								
Major Infrastructure Costs (less CFD Reimbursements)			$0	$0	$0	$0	$0	$0
Less Special Taxes			$25,533	$17,470	$9,596	$0	$0	$726,307
G & A Costs @ 2%			$264,128	$68,640	$68,640	$80,080	$0	$1,746,994
TOTAL EXPENSES			**$289,661**	**$86,110**	**$78,236**	**$80,080**	**$0**	**$2,473,301**
Net Before Discounting			$12,916,739	$3,345,890	$3,353,764	$3,923,920	$0	$105,658,699
Present Worth Factor at 12%			0.837484	0.813092	0.789409	0.766417	0.744094	
			$10,817,566	**$2,720,515**	**$2,647,493**	**$3,007,358**	**$0**	**$97,008,738**

Total Discounted Value Blue-top Lots:

Additional Value for Existing On-Site Improvements:

ESTIMATED AS IS VALUE 305 LOTS:

VALUATION CONCLUSION

Based on the investigation and analyses undertaken, our experience as real estate appraisers, and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinion of Market Value has been formed as of November 15, 2017.

CFD NO. 2017-1, IA-1 (VILLAGE OF ESENCIA)

TWO HUNDRED FORTY MILLION DOLLARS

$240,000,000

The table on the following page summarizes the individual values by Ownership.

Exposure Time

Considering the sizes, quality, condition and location of the subject properties, we have estimated an exposure time of approximately 6± to 9± months would have been required to sell the finished lots.

Summary of Values by Ownership

Ownership	Product	Valuation (Not Rounded)
The New Home Company	MR-2, MR-4 & MR-30	$34,249,817
Meritage homes of CA, Inc.	M-5	$32,140,265
CalAtlantic Group	MR-12 & AH-13	$27,415,263
William Lyon Homes, Inc	AH-14	$9,711,604
Pulte Home Corporation	AQ-14 & AQ-15	$32,533,599
RMV PA2 Development, LLC	Portions of all Products	$103,776,350

CERTIFICATION

I hereby certify that during the completion of this assignment, I personally inspected the property that is the subject of this appraisal and that, except as specifically noted:

I have no present or contemplated future interest in the real estate or personal interest or bias with respect to the subject matter or the parties involved in this appraisal.

I have not provided appraisal services regarding the subject property within the last three years to our client, the County of Orange.

To the best of my knowledge and belief, the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

My engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

As of the date of this report, James B. Harris has completed the requirements of the continuing education program of the Appraisal Institute.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.

Berri Cannon Harris provided significant real property appraisal assistance to the person signing this certificate.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. In furtherance of the aims of the Appraisal

Institute to develop higher standards of professional performance by its Members, we may be required to submit to authorized committees of the Appraisal Institute copies of this appraisal and any subsequent changes or modifications thereof.

Respectfully submitted,

James B. Harris, MAI
Principal
AG001846

HRA

ADDENDA

QUALIFICATIONS

HARRIS REALTY APPRAISAL
5100 Birch Street, Suite 200
Newport Beach, CA 92660
(949) 851-1227

QUALIFICATIONS
OF
JAMES B. HARRIS, MAI

PROFESSIONAL BACKGROUND

Actively engaged as a real estate analyst and consulting appraiser since 1971. Principal of **Harris Realty Appraisal,** with offices at:

5100 Birch Street, Suite 200
Newport Beach, California 92660

Before forming Harris Realty Appraisal, in 1982, was employed with Real Estate Analysts of Newport, Inc. (REAN) as a Principal and Vice President. Prior to employment with REAN was employed with the Bank of America as the Assistant Urban Appraisal Supervisor. Previously, was employed by the Verne Cox Company as a real estate appraiser.

PROFESSIONAL ORGANIZATIONS

Member of the Appraisal Institute, with MAI designation No. 6508
- Director, Southern California Chapter – 1998, 1999
- Chair, Orange County Branch, Southern California Chapter -1997
- Vice-Chair, Orange County Branch, Southern California Chapter - 1996
- Member, Region VII Regional Governing Committee - 1991 to 1995, 1997, 1998
- Member, Southern California Chapter Executive Committee - 1990, 1997 to 1999
- Chairman, Southern California Chapter Seminar Committee - 1991
- Chairman, Southern California Chapter Workshop Committee - 1990
- Member, Southern California Chapter Admissions Committee - 1983 to 1989
- Member, Regional Standards of Professional Practice Committee -1985 - 1997

Member of the International Right-of-Way Association, Orange County Chapter 67.

California State Certified Appraiser, Number AG001846

EDUCATIONAL ACTIVITIES

B.S., California State Polytechnic University, Pomona

Successfully completed the following courses sponsored by the Appraisal Institute and the Right-of-Way Association:

Course I-A	Principles of Real Estate Appraisal
Course I-B	Capitalization Theory
Course II	Urban Properties
Course IV	Litigation Valuation
Course VI	Investment Analysis
Course VIII	Single-Family Residential Appraisal
Course SPP	Standards of Professional Practice
Course 401	Appraisal of Partial Acquisitions

Has attended numerous seminars sponsored by the Appraisal Institute and the International Right-of-Way Association.

TEACHING AND LECTURING ACTIVITIES

Seminars and lectures presented to the Appraisal Institute, the University of California-Irvine, UCLA, California Debt and Investment Advisory Commission, Stone & Youngberg and the National Federation of Municipal Analysts.

MISCELLANEOUS

Member of the Advisory Panel to the California Debt and Investment Advisory Commission, regarding Appraisal Standards for Land Secured Financing (March 2003 through June 2004)

LEGAL EXPERIENCE

Testified as an expert witness in the Superior Court of the County of Los Angeles and the County of San Bernardino and in the Federal Bankruptcy Courts five times concerning the issues of Eminent Domain, Bankruptcy, and Specific Performance. He has been deposed numerous times concerning these and other issues. This legal experience has been for both Plaintiff and Respondent clients. He has prepared numerous appraisals for submission to the IRS, without having values overturned. He has worked closely with numerous Bond Counsel in the completion of 175 Land Secured Municipal Bond Financing appraisals over the last five years.

SCOPE OF EXPERIENCE

Feasibility and Consultive Studies

Feasibility and market analyses, including the use of computer-based economic models for both land developments and investment properties such as shopping centers, industrial parks, mobile home parks, condominium projects, hotels, and residential projects.

Appraisal Projects

Has completed all types of appraisal assignments from San Diego to San Francisco, California. Also has completed out-of-state appraisal assignments in Arizona, Florida, Georgia, Hawaii, Nevada, New Jersey, Oklahoma, Oregon, and Washington.

Residential

Residential subdivisions, condominiums, planned unit developments, mobile home parks, apartment houses, and single-family residences.

Commercial

Office buildings, hotels, motels, retail store buildings, restaurants, power shopping centers, neighborhood shopping centers, and convenience shopping centers.

Industrial

Multi-tenant industrial parks, warehouses, manufacturing plants, and research and development facilities.

Vacant Land

Community Facilities Districts, Assessment Districts, master planned communities, residential, commercial and industrial sites; full and partial takings for public acquisitions.

PARTIAL LIST OF CLIENTS

Lending Institutions

Bank of America
Bank One
Commerce Bank
Downey S&L Assoc.
Fremont Investment and Loan
Institutional Housing Partners
NationsBank
Preferred Bank
Santa Monica Bank
Tokai Bank
Union Bank
Wells Fargo Bank

Public Agencies

Army Corps of Engineers
California State University
Caltrans
City of Adelanto
City of Aliso Viejo
City of Beaumont
City of Camarillo
City of Corona
City of Costa Mesa
City of Encinitas
City of Fontana
City of Fullerton
City of Hesperia
City of Honolulu
City of Huntington Beach
City of Indian Wells
City of Indio
City of Irvine
City of Lake Elsinore
City of Loma Linda
City of Los Angeles
City of Moreno Valley
City of Newport Beach
City of Oceanside
City of Ontario
City of Palm Springs
City of Perris
City of Rialto
City of Riverside
City of San Marcos
City of Tustin
City of Victorville
City of Yucaipa
County of Hawaii
County of Orange
County of Riverside
County of San Bernardino
Eastern Municipal Water District
Orange County Sheriff's Department
Ramona Municipal Water District
Rancho Santa Fe Comm. Services District
Capistrano Unified School District
Hemet Unified School District
Hesperia Unified School District
Romoland School District
Saddleback Valley Unified School District
Santa Ana Unified School District
Sulphur Springs School District
Val Verde Unified School District
Yucaipa-Calimesa Joint Unified School Dist.

Law Firms

Arter & Hadden
Bronson, Bronson & McKinnon
Bryan, Cave, McPheeters & McRoberts
Richard Clements
Cox, Castle, Nicholson
Gibson, Dunn & Crutcher
Hill, Farrer & Burrill
McClintock, Weston, Benshoof, Rochefort & MacCuish
Palmiri, Tyler, Wiener, Wilhelm, & Waldron
Sonnenschein Nath & Rosenthal
Strauss & Troy
Wyman, Bautzer, Rothman, Kuchel & Silbert

SUMMARY OF MASTER DEVELOPER'S SITE COST

Rancho Mission Viejo
Planning Area 2.3
Costs To Complete

	Nov-17	Dec-17	2017 Total	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	2018 Total	Total
Streets/Utilities	417,447	60,000	**477,447**	510,854	450,854	216,799	571,268	218,119	60,945	0	0	65,323	65,323	65,323	65,323	**2,290,129**	**2,767,576**
Landscape/Hardscape	862,361	862,361	**1,724,721**	444,326	284,326	227,576	109,076	109,076	0	0	0	0	0	0	0	**1,174,381**	**2,899,102**
Amenities	1,619,783	1,524,242	**3,144,024**	1,524,242	1,471,846	175,974	175,974	175,974	0	0	0	0	0	0	0	**3,524,009**	**6,668,033**
Indirects and Other	282,913	251,815	**534,728**	254,670	235,530	210,230	230,760	200,036	176,872	171,570	171,570	177,253	177,253	177,253	177,253	**2,360,248**	**2,894,976**
Impact Fees - Library	0	0	**0**	0	0	0	0	0	0	0	0	0	0	0	188,000	**188,000**	**188,000**
	3,182,503	2,698,417	**5,880,921**	2,734,093	2,442,556	830,579	1,087,078	703,205	237,816	171,570	171,570	242,575	242,575	242,575	430,575	**9,536,767**	**15,417,688**

COST TO COMPLETE ON-SITE IMPROVEMENTS

Cost to Complete and On-site/In-Tract Site Improvement Estimate as of 11/15/17

	MR2	MR4	MR5	MR12	MR30	AH13	AH14	AQ14	AQ15	Totals
Total Lots	80	72	118	105	56	79	118	62	62	752
Blt or U/C Lots with Vertical Construction	24	16	29	13	2	19	6	5	3	117
Lots W/O Vertical Construction	56	56	89	92	54	60	112	57	59	635
MB Owned Lots	56	32	89	22	5	22	24	57	23	330
RMV Owned Lots	0	24	0	70	49	38	88	0	36	305
MB Cost to Complete - 635 lots	$1,400,000	$1,700,000	$2,200,000	$4,405,907	$2,800,000	$3,520,128	$8,747,182	$358,007	$428,235	$25,559,459
Cost to Complete /Lot - 635 lots	$25,000	$30,357	$24,719	$47,890	$51,852	$58,669	$78,100	$6,281	$7,258	
MB Lots Cost to Complete/Product- 330 lots	$1,400,000	$971,429	$2,200,000	$1,053,586	$259,259	$1,290,714	$1,874,396	$358,007	$166,939	$9,574,330
RMV Lots Cost to Complete/Product - 305 lots	$0	$728,571	$0	$3,352,321	$2,540,741	$2,229,414	$6,872,786	$0	$261,296	$15,985,129
Total Cost to Complete	$1,400,000	$1,700,000	$2,200,000	$4,405,907	$2,800,000	$3,520,128	$8,747,182	$358,007	$428,235	$25,559,459
Cost to Complete at time of Land Sale - 752 lots	$3,128,960	$3,045,024	$5,394,724	$8,087,415	$3,784,760	$5,745,749	$9,728,628	$4,125,604	$5,193,244	$48,234,108
Cost to Complete /Lot at time of Land Sale - 752 lots	$39,112	$42,292	$45,718	$77,023	$67,585	$72,731	$82,446	$66,542	$83,762	
Cost to Complete for RMV Owned Lots at Sale - 305 lots	**$0**	**$1,015,008**	**$0**	**$5,391,610**	**$3,311,665**	**$2,763,778**	**$7,255,248**	**$0**	**$3,015,432**	**$22,752,741**
Less Cost to Complete for RMV Lots 11/15/17 - 305 lots										**-$15,985,129**
Estimated On-site Improvements for RMV Lots - 305 lots										**$6,767,612**

SPECIAL TAXSPREADS

AX SPREAD: 2

DAVID TAUSSIG AND ASSOCIATES, INC.

-Dec-16

:34 PM

PROJECTED SPECIAL TAXES AND BONDED INDEBTEDNESS
COUNTY OF ORANGE
PROPOSED CFD NO. 2017-1 (VILLAGE OF ESENCIA)
IMPROVEMENT AREA NO. 1 (RESIDENTIAL PROPERTY)

DRAFT

LAND USE ASSUMPTIONS

BUILDOUT PERIOD FOR PROJECT (YEARS FROM 2016) [4]	4

UNDEVELOPED / BACKUP SPECIAL TAX ASSUMPTIONS (FY 2016-2017

ZONE	DESCRIPTION	GROSS ACRES [1]	EXEMPT ACRES [1]	TAXABLE ACRES [1]	FY 2017-18 UNDEV / BACKUP NON-RES ACRE
1	UNDEVELOPED / BACKUP / NON-RES. ACRE	4.609	0.793	3.816	$85,999
2	UNDEVELOPED / BACKUP / NON-RES. ACRE	13.728	3.313	10.415	$97,370
3	UNDEVELOPED / BACKUP / NON-RES. ACRE	27.753	9.384	18.369	$78,801
4	UNDEVELOPED / BACKUP / NON-RES. ACRE	32.218	11.782	20.436	$67,602
5	UNDEVELOPED / BACKUP / NON-RES. ACRE	7.710	1.739	5.971	$51,982
6	UNDEVELOPED / BACKUP / NON-RES. ACRE	10.921	2.998	7.923	$50,216
E	UNDEVELOPED / BACKUP / NON-RES. ACRE	56.859	56.859	0.000	$0
	TOTAL ACRES	153.798	86.868	66.930	

BOND ASSUMPTIONS **SERIES A**

AVERAGE COUPON	5.00%
BOND TERM (YEARS)	30
COST OF ISSUANCE	3.00%
RESERVE FUND	9.19%
CAPITALIZED INTEREST (0 MONTHS)	0.00%

OTHER ASSUMPTIONS

REINVESTMENT INTEREST RATE	0.50%
DISCOUNT RATE FOR NPV ANALYSIS	5.00%
PROPERTY INFLATION RATE	2.00%
ADMINISTRATION EXPENSE INFLATION RATE	2.00%
% SPECIAL TAX INCREASE PRIOR TO BUILDING PERMIT	2.00%
% SPECIAL TAX INCREASE AFTER BUILDING PERMIT	2.00%
% LEVY OF MAXIMUM TAX	100.00%

STEP 1: UP TO 100% OF ASSIGNED SPECIAL TAX FOR DEVELOPED PROPERTY
STEP 2: UP TO 100% OF MAXIMUM SPECIAL TAX FOR UNDEVELOPED PROPERTY

EXISTING TAX RATES (FY 2016-2017)

GENERAL TAX LEVY	1.00000%
METROPOLITAN WATER DISTRICT	0.00350%
CUSD SFID 1 SERIES 2012	0.00404%
CUSD SFID 1 SERIES 2001	0.00439%

	% OF LAND VALUE		% OF NET VALUE
SMWD ID 4/4C	0.13040%	[2]	0.0689% [3

OTHER ASSESSMENTS (FY 2016-2017)

MOSQUITO & FIRE ANT ASSESSMENT	$5.02
VECTOR CONTROL CHARGE	$1.92
METROPOLITAN WATER DISTRICT STANDBY CHARGE	$10.08

MINIMUM DEBT SERVICE COVERAGE (AT BUILDOUT)

GROSS DEBT SERVICE COVERAGE	110.02%
NET DEBT SERVICE COVERAGE	110.51%

NOTES:

[1] Based on information provided by Zimmerman Group 11/29/16.

[2] For purposes of this analysis, we have used the actual FY 2016-17 combined rate for ID 4/4C as indicated on the County tax blls.

[3] Percent of net value calculated by applying the percent of land value to the ratio of land value to net value. For purposes of this analysis, the ratio of land value to net value is assumed to be 0.528 based on the Price Point Study dated 10/31/16 provided by Empire Economics.

[4] Absorption based on information provided by Empire Economics, 12/7/2016.

MAJOR CONCLUSIONS

			% of Total	
TOTAL BONDED INDEBTEDNESS	**$77,610,000**	**DEVELOPED RES. TAXES**	**94.27%**	**$148,545,004**
TOTAL BOND FINANCED FACILITIES	**$68,152,126**	**NON-RESIDENTIAL TAXES**	**0.00%**	**$0**
TOTAL PAY-AS-YOU-GO FUNDS	**$0**	**UNDEVELOPED TAXES**	**5.73%**	**$9,033,066**
TOTAL FACILITIES FUNDED	**$68,152,126**	**TOTAL SPECIAL TAXES**	**100.00%**	**$157,578,070**
TOTAL DEBT SERVICE & ADMINISTRATION	**$165,645,896**			
MISCELLANEOUS REVENUES	**($8,067,826)**			
PAY-AS-YOU-GO FUNDS	**$0**	**NPV UNDEVELOPED SPECIAL TAXES (2016$)**		**$7,903,471**
TOTAL SPECIAL TAX REQUIREMENT	**$157,578,070**	**NPV PAY-AS-YOU-GO FUNDS (2016$)**		**$0**

SPECIAL TAX RATE BY TAX CLASS

SPECIAL TAX CLASS ZONE	DESCRIPTION		UNITS/ACRES AT BUILDOUT [1]	MINIMUM SALES PRICE [2]	PROJECTED SPECIAL TAX (FISCAL YEAR 2017-2018) SPECIAL TAX	E.T.R.	TOTAL E.T.R.	ASSIGNED/MAXIMUM SPECIAL TAX (FISCAL YEAR 2017-2018) SPECIAL TAX	E.T.R.	TOTAL E.T.R.
1	MARKET	TRADITIONAL ATTACHED (> 1,600 SF)	10	$488,762	$0	0.0000%	1.084%	$4,476	0.9157%	2.000%
1	MARKET	TRADITIONAL ATTACHED (1,401 - 1,600 SF)	40	$447,945	$0	0.0000%	1.085%	$4,101	0.9154%	2.000%
1	MARKET	TRADITIONAL ATTACHED (1,201 - 1,400 SF)	0	NA	$0	NA	NA	$3,860	NA	NA
1	MARKET	TRADITIONAL ATTACHED (1,001 - 1,200 SF)	20	$395,615	$0	0.0000%	1.085%	$3,620	0.9149%	2.000%
1	MARKET	TRADITIONAL ATTACHED (< 1,001 SF)	10	$230,252	$0	0.0000%	1.088%	$2,100	0.9118%	2.000%
		SUBTOTAL	*80*							
2	MARKET	CLUSTER ATTACHED (> 1,900 SF)	14	$691,237	$0	0.0000%	1.083%	$6,337	0.9168%	2.000%
2	MARKET	CLUSTER ATTACHED (1,701 - 1,900 SF)	33	$602,831	$0	0.0000%	1.084%	$5,524	0.9164%	2.000%
2	MARKET	CLUSTER ATTACHED (1,501 - 1,700 SF)	75	$528,533	$0	0.0000%	1.084%	$4,841	0.9160%	2.000%
2	MARKET	CLUSTER ATTACHED (1,301 - 1,500 SF)	44	$491,902	$0	0.0000%	1.084%	$4,505	0.9158%	2.000%
2	MARKET	CLUSTER ATTACHED (< 1,301 SF)	24	$460,504	$0	0.0000%	1.084%	$4,216	0.9155%	2.000%
		SUBTOTAL	*190*							
3	MARKET	CLUSTER DETACHED (> 2,600 SF)	38	$816,348	$0	0.0000%	1.083%	$7,487	0.9171%	2.000%
3	MARKET	CLUSTER DETACHED (2,401 - 2,600 SF)	19	$784,950	$0	0.0000%	1.083%	$7,198	0.9171%	2.000%
3	MARKET	CLUSTER DETACHED (2,201 - 2,400 SF)	42	$764,018	$0	0.0000%	1.083%	$7,006	0.9170%	2.000%
3	MARKET	CLUSTER DETACHED (2,001 - 2,200 SF)	46	$717,475	$0	0.0000%	1.083%	$6,578	0.9168%	2.000%
3	MARKET	CLUSTER DETACHED (1,801 - 2,000 SF)	39	$674,693	$0	0.0000%	1.083%	$6,185	0.9167%	2.000%
3	MARKET	CLUSTER DETACHED (< 1,801 SF)	13	$614,346	$0	0.0000%	1.084%	$5,630	0.9164%	2.000%
		SUBTOTAL	*197*							
4	MARKET	TRADITIONAL DETACHED (> 4,400 SF)	9	$1,386,962	$0	0.0000%	1.082%	$12,732	0.9180%	2.000%
4	MARKET	TRADITIONAL DETACHED (4,201 - 4,400 SF)	0	NA	$0	NA	NA	$12,417	NA	NA
4	MARKET	TRADITIONAL DETACHED (4,001 - 4,200 SF)	9	$1,318,399	$0	0.0000%	1.082%	$12,102	0.9179%	2.000%
4	MARKET	TRADITIONAL DETACHED (3,801 - 4,000 SF)	0	NA	$0	NA	NA	$11,386	NA	NA
4	MARKET	TRADITIONAL DETACHED (3,601 - 3,800 SF)	19	$1,162,572	$0	0.0000%	1.082%	$10,670	0.9178%	2.000%
4	MARKET	TRADITIONAL DETACHED (3,401 - 3,600 SF)	9	$1,134,523	$0	0.0000%	1.082%	$10,412	0.9177%	2.000%
4	MARKET	TRADITIONAL DETACHED (3,201 - 3,400 SF)	0	NA	$0	NA	NA	$9,856	NA	NA
4	MARKET	TRADITIONAL DETACHED (3,001 - 3,200 SF)	10	$1,013,545	$0	0.0000%	1.082%	$9,300	0.9175%	2.000%
4	MARKET	TRADITIONAL DETACHED (2,801 - 3,000 SF)	0	NA	$0	NA	NA	$8,742	NA	NA
4	MARKET	TRADITIONAL DETACHED (2,601 - 2,800 SF)	0	NA	$0	NA	NA	$8,217	NA	NA
4	MARKET	TRADITIONAL DETACHED (2,401 - 2,600 SF)	0	NA	$0	NA	NA	$7,724	NA	NA
4	MARKET	TRADITIONAL DETACHED (2,201 - 2,400 SF)	0	NA	$0	NA	NA	$7,261	NA	NA
4	MARKET	TRADITIONAL DETACHED (2,001 - 2,200 SF)	65	$716,058	$0	0.0000%	1.083%	$6,565	0.9168%	2.000%
4	MARKET	TRADITIONAL DETACHED (1,801 - 2,000 SF)	21	$657,127	$0	0.0000%	1.083%	$6,023	0.9166%	2.000%
4	MARKET	TRADITIONAL DETACHED (< 1,801 SF)	19	$606,413	$0	0.0000%	1.084%	$5,557	0.9164%	2.000%
		SUBTOTAL	*161*							
5	AGE QUALIFIED	AQ - CLUSTER DETACHED (> 1,900 SF)	6	$711,688	$0	0.0000%	1.083%	$5,102	0.7168%	1.800%
5	AGE QUALIFIED	AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	19	$677,150	$0	0.0000%	1.083%	$4,853	0.7167%	1.800%
5	AGE QUALIFIED	AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	30	$618,017	$0	0.0000%	1.084%	$4,428	0.7165%	1.800%
5	AGE QUALIFIED	AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	0	NA	$0	NA	NA	$4,360	NA	NA
5	AGE QUALIFIED	AQ - CLUSTER DETACHED (< 1,301 SF)	7	$599,179	$0	0.0000%	1.084%	$4,292	0.7164%	1.800%
		SUBTOTAL	*62*							
6	AGE QUALIFIED	AQ - TRADITIONAL DETACHED (> 2,400 SF)	23	$875,481	$0	0.0000%	1.083%	$6,280	0.7173%	1.800%
6	AGE QUALIFIED	AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	10	$849,839	$0	0.0000%	1.083%	$6,095	0.7172%	1.800%
6	AGE QUALIFIED	AQ - TRADITIONAL DETACHED (< 2,001 SF)	29	$773,437	$0	0.0000%	1.083%	$5,546	0.7170%	1.800%
		SUBTOTAL	*62*							
	TOTAL UNITS		752							

[1] Based on information provided by Zimmerman Group 11/29/16.
[2] Based on Price Point Study dated 10/31/16.

FISCAL YEAR - COLLECTION OF TAXES		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
I. CFD BONDED INDEBTEDNESS			*SEP 2017*											
CONSTRUCTION PROCEEDS		$0	$68,152,126	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
PROCEEDS SURPLUS / (SHORTFALL)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL BOND FINANCED FACILITIES		$0	$68,152,126	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL BONDED INDEBTEDNESS		$0	$77,610,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
II. ABSORPTION-BUILDING PERMITS (as of 1/1)														
UNDEVELOPED PROPERTY														
1	REMAINING UNDEVELOPED ACRES	3.63	3.63	2.63	0.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	REMAINING UNDEVELOPED ACRES	9.89	9.89	8.49	4.84	1.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	REMAINING UNDEVELOPED ACRES	17.45	17.45	14.88	8.59	2.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	REMAINING UNDEVELOPED ACRES	19.41	19.41	16.52	9.16	2.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	REMAINING UNDEVELOPED ACRES	5.67	5.67	4.76	2.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	REMAINING UNDEVELOPED ACRES	7.53	7.53	6.07	2.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	SUBTOTAL	*63.58*	*63.58*	*53.35*	*27.81*	*6.47*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
CUMULATIVE NON-RESIDENTIAL PROPERTY (BP as of 1/1)														
ZONE	DESCRIPTION													
1	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	SUBTOTAL	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
CUMULATIVE RESIDENTIAL PROPERTY (BP as of 1/1)														
ZONE	DESCRIPTION													
1	TRADITIONAL ATTACHED (> 1,600 SF)	0	0	3	8	10	10	10	10	10	10	10	10	10
1	TRADITIONAL ATTACHED (1,401 - 1,600 SF)	0	0	11	32	40	40	40	40	40	40	40	40	40
1	TRADITIONAL ATTACHED (1,201 - 1,400 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
1	TRADITIONAL ATTACHED (1,001 - 1,200 SF)	0	0	5	15	20	20	20	20	20	20	20	20	20
1	TRADITIONAL ATTACHED (< 1,001 SF)	0	0	3	8	10	10	10	10	10	10	10	10	10
	SUBTOTAL	*0*	*0*	*22*	*63*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*
2	CLUSTER ATTACHED (> 1,900 SF)	0	0	2	7	12	14	14	14	14	14	14	14	14
2	CLUSTER ATTACHED (1,701 - 1,900 SF)	0	0	4	16	29	33	33	33	33	33	33	33	33
2	CLUSTER ATTACHED (1,501 - 1,700 SF)	0	0	10	38	66	75	75	75	75	75	75	75	75
2	CLUSTER ATTACHED (1,301 - 1,500 SF)	0	0	7	23	38	44	44	44	44	44	44	44	44
2	CLUSTER ATTACHED (< 1,301 SF)	0	0	4	13	21	24	24	24	24	24	24	24	24
	SUBTOTAL	*0*	*0*	*27*	*97*	*166*	*190*	*190*	*190*	*190*	*190*	*190*	*190*	*190*
3	CLUSTER DETACHED (> 2,600 SF)	0	0	5	19	33	38	38	38	38	38	38	38	38
3	CLUSTER DETACHED (2,401 - 2,600 SF)	0	0	3	10	16	19	19	19	19	19	19	19	19
3	CLUSTER DETACHED (2,201 - 2,400 SF)	0	0	6	20	36	42	42	42	42	42	42	42	42
3	CLUSTER DETACHED (2,001 - 2,200 SF)	0	0	7	24	39	46	46	46	46	46	46	46	46
3	CLUSTER DETACHED (1,801 - 2,000 SF)	0	0	6	20	33	39	39	39	39	39	39	39	39
3	CLUSTER DETACHED (< 1,801 SF)	0	0	2	7	11	13	13	13	13	13	13	13	13
	SUBTOTAL	*0*	*0*	*29*	*100*	*168*	*197*	*197*	*197*	*197*	*197*	*197*	*197*	*197*
4	TRADITIONAL DETACHED (> 4,400 SF)	0	0	1	5	8	9	9	9	9	9	9	9	9
4	TRADITIONAL DETACHED (4,201 - 4,400 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (4,001 - 4,200 SF)	0	0	1	5	8	9	9	9	9	9	9	9	9
4	TRADITIONAL DETACHED (3,801 - 4,000 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (3,601 - 3,800 SF)	0	0	3	11	17	19	19	19	19	19	19	19	19
4	TRADITIONAL DETACHED (3,401 - 3,600 SF)	0	0	1	5	8	9	9	9	9	9	9	9	9
4	TRADITIONAL DETACHED (3,201 - 3,400 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (3,001 - 3,200 SF)	0	0	2	6	9	10	10	10	10	10	10	10	10
4	TRADITIONAL DETACHED (2,801 - 3,000 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (2,601 - 2,800 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (2,401 - 2,600 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (2,201 - 2,400 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (2,001 - 2,200 SF)	0	0	10	33	55	65	65	65	65	65	65	65	65
4	TRADITIONAL DETACHED (1,801 - 2,000 SF)	0	0	3	10	18	21	21	21	21	21	21	21	21
4	TRADITIONAL DETACHED (< 1,801 SF)	0	0	3	10	16	19	19	19	19	19	19	19	19
	SUBTOTAL	*0*	*0*	*24*	*85*	*139*	*161*	*161*	*161*	*161*	*161*	*161*	*161*	*161*

FISCAL YEAR - COLLECTION OF TAXES		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
5	AQ - CLUSTER DETACHED (> 1,900 SF)	0	0	1	4	6	6	6	6	6	6	6	6	6
5	AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	0	0	3	12	19	19	19	19	19	19	19	19	19
5	AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	0	0	5	20	30	30	30	30	30	30	30	30	30
5	AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
5	AQ - CLUSTER DETACHED (< 1,301 SF)	0	0	1	4	7	7	7	7	7	7	7	7	7
	SUBTOTAL	*0*	*0*	*10*	*40*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*
6	AQ - TRADITIONAL DETACHED (> 2,400 SF)	0	0	4	15	23	23	23	23	23	23	23	23	23
6	AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	0	0	2	7	10	10	10	10	10	10	10	10	10
6	AQ - TRADITIONAL DETACHED (< 2,001 SF)	0	0	6	20	29	29	29	29	29	29	29	29	29
	SUBTOTAL	*0*	*0*	*12*	*42*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*
CUMULATIVE RESIDENTIAL UNITS		0	0	124	427	677	752	752	752	752	752	752	752	752

III. MELLO-ROOS SPECIAL TAXES

UNDEVELOPED PROPERTY SPECIAL TAXES

ZONE	DESCRIPTION													
1	REMAINING UNDEVELOPED ACRES	$0	$0	$266,086	$198,023	$52,015	$0	$0	$0	$0	$0	$0	$0	$0
2	REMAINING UNDEVELOPED ACRES	$0	$0	$822,043	$723,908	$370,144	$11,825	$0	$0	$0	$0	$0	$0	$0
3	REMAINING UNDEVELOPED ACRES	$0	$0	$1,173,413	$1,027,185	$531,499	$19,671	$0	$0	$0	$0	$0	$0	$0
4	REMAINING UNDEVELOPED ACRES	$0	$0	$1,119,890	$978,193	$486,306	$17,427	$0	$0	$0	$0	$0	$0	$0
5	REMAINING UNDEVELOPED ACRES	$0	$0	$251,588	$216,599	$82,123	$0	$0	$0	$0	$0	$0	$0	$0
6	REMAINING UNDEVELOPED ACRES	$0	$0	$322,480	$266,954	$95,695	$0	$0	$0	$0	$0	$0	$0	$0
	SUBTOTAL	*$0*	*$0*	*$3,955,500*	*$3,410,862*	*$1,617,782*	*$48,923*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*

NON-RESIDENTIAL PROPERTY SPECIAL TAXES

ZONE	DESCRIPTION													
1	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	SUBTOTAL	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*

RESIDENTIAL PROPERTY SPECIAL TAXES

ZONE	DESCRIPTION													
1	TRADITIONAL ATTACHED (> 1,600 SF)	$0	$0	$0	$13,696	$37,253	$47,497	$43,776	$44,659	$45,558	$46,476	$47,412	$48,367	$49,341
1	TRADITIONAL ATTACHED (1,401 - 1,600 SF)	$0	$0	$0	$46,008	$136,519	$174,062	$160,427	$163,660	$166,957	$170,321	$173,752	$177,251	$180,821
1	TRADITIONAL ATTACHED (1,201 - 1,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1	TRADITIONAL ATTACHED (1,001 - 1,200 SF)	$0	$0	$0	$18,460	$56,487	$76,822	$70,804	$72,231	$73,686	$75,171	$76,685	$78,229	$79,805
1	TRADITIONAL ATTACHED (< 1,001 SF)	$0	$0	$0	$6,424	$17,475	$22,280	$20,535	$20,949	$21,371	$21,801	$22,240	$22,688	$23,145
	SUBTOTAL	*$0*	*$0*	*$0*	*$84,588*	*$247,733*	*$320,662*	*$295,541*	*$301,497*	*$307,572*	*$313,769*	*$320,089*	*$326,536*	*$333,112*
2	CLUSTER ATTACHED (> 1,900 SF)	$0	$0	$0	$12,927	$46,151	$80,698	$86,772	$88,521	$90,305	$92,124	$93,980	$95,873	$97,803
2	CLUSTER ATTACHED (1,701 - 1,900 SF)	$0	$0	$0	$22,539	$91,960	$170,011	$178,306	$181,899	$185,564	$189,303	$193,116	$197,005	$200,973
2	CLUSTER ATTACHED (1,501 - 1,700 SF)	$0	$0	$0	$49,382	$191,404	$339,087	$355,140	$362,297	$369,597	$377,043	$384,638	$392,385	$400,287
2	CLUSTER ATTACHED (1,301 - 1,500 SF)	$0	$0	$0	$32,163	$107,792	$181,654	$193,859	$197,765	$201,750	$205,815	$209,961	$214,189	$218,503
2	CLUSTER ATTACHED (< 1,301 SF)	$0	$0	$0	$17,201	$57,023	$93,956	$98,966	$100,960	$102,995	$105,070	$107,186	$109,345	$111,547
	SUBTOTAL	$0	$0	$0	$134,213	$494,330	$865,405	$913,043	$931,443	$950,211	$969,354	$988,881	$1,008,798	$1,029,113
3	CLUSTER DETACHED (> 2,600 SF)	$0	$0	$0	$38,184	$148,000	$262,194	$278,268	$283,876	$289,596	$295,430	$301,381	$307,451	$313,643
3	CLUSTER DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$22,027	$74,892	$122,224	$133,771	$136,467	$139,216	$142,021	$144,882	$147,800	$150,776
3	CLUSTER DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$42,877	$145,780	$267,653	$287,800	$293,600	$299,515	$305,550	$311,705	$317,983	$324,386
3	CLUSTER DETACHED (2,001 - 2,200 SF)	$0	$0	$0	$46,968	$164,254	$272,251	$295,960	$301,925	$308,008	$314,214	$320,543	$326,999	$333,584
3	CLUSTER DETACHED (1,801 - 2,000 SF)	$0	$0	$0	$37,851	$128,695	$216,594	$235,922	$240,676	$245,526	$250,472	$255,518	$260,664	$265,913
3	CLUSTER DETACHED (< 1,801 SF)	$0	$0	$0	$11,486	$41,003	$65,722	$71,587	$73,030	$74,502	$76,002	$77,533	$79,095	$80,688
	SUBTOTAL	*$0*	*$0*	*$0*	*$199,392*	*$702,625*	*$1,206,637*	*$1,303,308*	*$1,329,573*	*$1,356,363*	*$1,383,689*	*$1,411,562*	*$1,439,992*	*$1,468,991*
4	TRADITIONAL DETACHED (> 4,400 SF)	$0	$0	$0	$12,987	$66,233	$108,092	$112,077	$114,336	$116,640	$118,990	$121,387	$123,831	$126,325
4	TRADITIONAL DETACHED (4,201 - 4,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (4,001 - 4,200 SF)	$0	$0	$0	$12,344	$62,954	$102,741	$106,530	$108,676	$110,866	$113,100	$115,378	$117,702	$120,072
4	TRADITIONAL DETACHED (3,801 - 4,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,601 - 3,800 SF)	$0	$0	$0	$32,649	$122,107	$192,485	$198,277	$202,273	$206,348	$210,506	$214,746	$219,071	$223,483

FISCAL YEAR - COLLECTION OF TAXES		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
4	TRADITIONAL DETACHED (3,401 - 3,600 SF)	$0	$0	$0	$10,620	$54,162	$88,392	$91,651	$93,498	$95,382	$97,304	$99,264	$101,263	$103,302
4	TRADITIONAL DETACHED (3,201 - 3,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,001 - 3,200 SF)	$0	$0	$0	$18,971	$58,052	$88,820	$90,958	$92,791	$94,661	$96,568	$98,513	$100,497	$102,521
4	TRADITIONAL DETACHED (2,801 - 3,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,601 - 2,800 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,001 - 2,200 SF)	$0	$0	$0	$66,964	$225,402	$383,183	$417,377	$425,788	$434,367	$443,118	$452,044	$461,149	$470,435
4	TRADITIONAL DETACHED (1,801 - 2,000 SF)	$0	$0	$0	$18,432	$62,668	$115,058	$123,718	$126,211	$128,755	$131,349	$133,994	$136,693	$139,446
4	TRADITIONAL DETACHED (< 1,801 SF)	$0	$0	$0	$17,005	$57,818	$94,358	$103,273	$105,354	$107,477	$109,642	$111,850	$114,103	$116,401
	SUBTOTAL	*$0*	*$0*	*$0*	*$189,972*	*$709,395*	*$1,173,129*	*$1,243,860*	*$1,268,927*	*$1,294,495*	*$1,320,575*	*$1,347,176*	*$1,374,310*	*$1,401,985*
5	AQ - CLUSTER DETACHED (> 1,900 SF)	$0	$0	$0	$5,204	$21,231	$32,483	$29,938	$30,542	$31,157	$31,785	$32,425	$33,078	$33,744
5	AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	$0	$0	$0	$14,851	$60,591	$97,854	$90,189	$92,006	$93,860	$95,751	$97,680	$99,647	$101,654
5	AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	$0	$0	$0	$22,582	$92,135	$140,967	$129,924	$132,542	$135,213	$137,937	$140,715	$143,549	$146,440
5	AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	AQ - CLUSTER DETACHED (< 1,301 SF)	$0	$0	$0	$4,378	$17,863	$31,886	$29,388	$29,980	$30,584	$31,200	$31,829	$32,470	$33,124
	SUBTOTAL	*$0*	*$0*	*$0*	*$47,015*	*$191,820*	*$303,190*	*$279,438*	*$285,070*	*$290,814*	*$296,673*	*$302,649*	*$308,744*	*$314,962*
6	AQ - TRADITIONAL DETACHED (> 2,400 SF)	$0	$0	$0	$25,621	$97,999	$153,271	$141,264	$144,111	$147,015	$149,977	$152,998	$156,079	$159,222
6	AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	$0	$0	$0	$12,434	$44,390	$64,683	$59,615	$60,817	$62,042	$63,292	$64,567	$65,868	$67,194
6	AQ - TRADITIONAL DETACHED (< 2,001 SF)	$0	$0	$0	$33,940	$115,395	$170,668	$157,299	$160,469	$163,702	$167,000	$170,364	$173,795	$177,295
	SUBTOTAL	*$0*	*$0*	*$0*	*$71,994*	*$257,784*	*$388,622*	*$358,178*	*$365,396*	*$372,759*	*$380,269*	*$387,929*	*$395,742*	*$403,711*
TOTAL SPECIAL TAXES		**$0**	**$0**	**$3,955,500**	**$4,138,037**	**$4,221,468**	**$4,306,567**	**$4,393,369**	**$4,481,906**	**$4,572,215**	**$4,664,329**	**$4,758,286**	**$4,854,122**	**$4,951,874**
IV. SPECIAL TAX REQUIREMENT														
NEW BONDED INDEBTEDNESS		$0	$77,610,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RESERVE FUND		$0	$7,129,574	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
ANNUAL GROSS DEBT SERVICE - SERIES A		$0	$0	$3,880,500	$4,095,046	$4,176,947	$4,260,486	$4,345,695	$4,432,609	$4,521,261	$4,611,687	$4,703,920	$4,797,999	$4,893,959
TOTAL ANNUAL DEBT SERVICE		$0	$0	$3,880,500	$4,095,046	$4,176,947	$4,260,486	$4,345,695	$4,432,609	$4,521,261	$4,611,687	$4,703,920	$4,797,999	$4,893,959
CFD ADMINISTRATION		$0	$0	$75,000	$76,500	$78,030	$79,591	$81,182	$82,806	$84,462	$86,151	$87,874	$89,632	$91,425
RESERVE FUND INTEREST (6% DELINQUENCY)		$0	$0	$0	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)
CAPITALIZED INTEREST		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
PAY-AS-YOU-GO FUNDS		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET ANNUAL DEBT SERVICE		**$0**	**$0**	**$3,955,500**	**$4,138,037**	**$4,221,468**	**$4,306,567**	**$4,393,369**	**$4,481,906**	**$4,572,215**	**$4,664,329**	**$4,758,286**	**$4,854,122**	**$4,951,874**
ANNUAL SURPLUS/(DEFICIT)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CUMULATIVE SURPLUS/(DEFICIT)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

-- DEBT SERVICE SCHEDULE ASSUMES FEBRUARY 15 AND SEPTEMBER 15 BOND PAYMENTS --

V. AVERAGE ANNUAL SPECIAL TAX

UNDEVELOPED PROPERTY, PER ACRE

ZONE	DESCRIPTION													
1	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$73,383	$75,327	$67,506	$0	$0	$0	$0	$0	$0	$0	$0
2	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$83,085	$85,286	$76,431	$9,462	$0	$0	$0	$0	$0	$0	$0
3	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$67,240	$69,022	$61,855	$7,657	$0	$0	$0	$0	$0	$0	$0
4	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$57,685	$59,213	$53,065	$6,569	$0	$0	$0	$0	$0	$0	$0
5	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$44,356	$45,531	$40,804	$0	$0	$0	$0	$0	$0	$0	$0
6	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$42,849	$43,984	$39,417	$0	$0	$0	$0	$0	$0	$0	$0

NON-RESIDENTIAL PROPERTY, PER ACRE

ZONE	DESCRIPTION													
1	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

FISCAL YEAR - COLLECTION OF TAXES		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
RESIDENTIAL PROPERTY, PER UNIT														
ZONE	DESCRIPTION													
1	TRADITIONAL ATTACHED (> 1,600 SF)	$0	$0	$0	$4,565	$4,657	$4,750	$4,378	$4,466	$4,556	$4,648	$4,741	$4,837	$4,934
1	TRADITIONAL ATTACHED (1,401 - 1,600 SF)	$0	$0	$0	$4,183	$4,266	$4,352	$4,011	$4,091	$4,174	$4,258	$4,344	$4,431	$4,521
1	TRADITIONAL ATTACHED (1,201 - 1,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1	TRADITIONAL ATTACHED (1,001 - 1,200 SF)	$0	$0	$0	$3,692	$3,766	$3,841	$3,540	$3,612	$3,684	$3,759	$3,834	$3,911	$3,990
1	TRADITIONAL ATTACHED (< 1,001 SF)	$0	$0	$0	$2,141	$2,184	$2,228	$2,053	$2,095	$2,137	$2,180	$2,224	$2,269	$2,315
2	CLUSTER ATTACHED (> 1,900 SF)	$0	$0	$0	$6,464	$6,593	$6,725	$6,198	$6,323	$6,450	$6,580	$6,713	$6,848	$6,986
2	CLUSTER ATTACHED (1,701 - 1,900 SF)	$0	$0	$0	$5,635	$5,748	$5,862	$5,403	$5,512	$5,623	$5,736	$5,852	$5,970	$6,090
2	CLUSTER ATTACHED (1,501 - 1,700 SF)	$0	$0	$0	$4,938	$5,037	$5,138	$4,735	$4,831	$4,928	$5,027	$5,129	$5,232	$5,337
2	CLUSTER ATTACHED (1,301 - 1,500 SF)	$0	$0	$0	$4,595	$4,687	$4,780	$4,406	$4,495	$4,585	$4,678	$4,772	$4,868	$4,966
2	CLUSTER ATTACHED (< 1,301 SF)	$0	$0	$0	$4,300	$4,386	$4,474	$4,124	$4,207	$4,291	$4,378	$4,466	$4,556	$4,648
3	CLUSTER DETACHED (> 2,600 SF)	$0	$0	$0	$7,637	$7,789	$7,945	$7,323	$7,470	$7,621	$7,774	$7,931	$8,091	$8,254
3	CLUSTER DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$7,342	$7,489	$7,639	$7,041	$7,182	$7,327	$7,475	$7,625	$7,779	$7,936
3	CLUSTER DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$7,146	$7,289	$7,435	$6,852	$6,990	$7,131	$7,275	$7,422	$7,571	$7,723
3	CLUSTER DETACHED (2,001 - 2,200 SF)	$0	$0	$0	$6,710	$6,844	$6,981	$6,434	$6,564	$6,696	$6,831	$6,968	$7,109	$7,252
3	CLUSTER DETACHED (1,801 - 2,000 SF)	$0	$0	$0	$6,309	$6,435	$6,563	$6,049	$6,171	$6,296	$6,422	$6,552	$6,684	$6,818
3	CLUSTER DETACHED (< 1,801 SF)	$0	$0	$0	$5,743	$5,858	$5,975	$5,507	$5,618	$5,731	$5,846	$5,964	$6,084	$6,207
4	TRADITIONAL DETACHED (> 4,400 SF)	$0	$0	$0	$12,987	$13,247	$13,512	$12,453	$12,704	$12,960	$13,221	$13,487	$13,759	$14,036
4	TRADITIONAL DETACHED (4,201 - 4,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (4,001 - 4,200 SF)	$0	$0	$0	$12,344	$12,591	$12,843	$11,837	$12,075	$12,318	$12,567	$12,820	$13,078	$13,341
4	TRADITIONAL DETACHED (3,801 - 4,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,601 - 3,800 SF)	$0	$0	$0	$10,883	$11,101	$11,323	$10,436	$10,646	$10,860	$11,079	$11,302	$11,530	$11,762
4	TRADITIONAL DETACHED (3,401 - 3,600 SF)	$0	$0	$0	$10,620	$10,832	$11,049	$10,183	$10,389	$10,598	$10,812	$11,029	$11,251	$11,478
4	TRADITIONAL DETACHED (3,201 - 3,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,001 - 3,200 SF)	$0	$0	$0	$9,486	$9,675	$9,869	$9,096	$9,279	$9,466	$9,657	$9,851	$10,050	$10,252
4	TRADITIONAL DETACHED (2,801 - 3,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,601 - 2,800 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,001 - 2,200 SF)	$0	$0	$0	$6,696	$6,830	$6,967	$6,421	$6,551	$6,683	$6,817	$6,955	$7,095	$7,237
4	TRADITIONAL DETACHED (1,801 - 2,000 SF)	$0	$0	$0	$6,144	$6,267	$6,392	$5,891	$6,010	$6,131	$6,255	$6,381	$6,509	$6,640
4	TRADITIONAL DETACHED (< 1,801 SF)	$0	$0	$0	$5,668	$5,782	$5,897	$5,435	$5,545	$5,657	$5,771	$5,887	$6,005	$6,126
5	AQ - CLUSTER DETACHED (> 1,900 SF)	$0	$0	$0	$5,204	$5,308	$5,414	$4,990	$5,090	$5,193	$5,297	$5,404	$5,513	$5,624
5	AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	$0	$0	$0	$4,950	$5,049	$5,150	$4,747	$4,842	$4,940	$5,040	$5,141	$5,245	$5,350
5	AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	$0	$0	$0	$4,516	$4,607	$4,699	$4,331	$4,418	$4,507	$4,598	$4,691	$4,785	$4,881
5	AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	AQ - CLUSTER DETACHED (< 1,301 SF)	$0	$0	$0	$4,378	$4,466	$4,555	$4,198	$4,283	$4,369	$4,457	$4,547	$4,639	$4,732
6	AQ - TRADITIONAL DETACHED (> 2,400 SF)	$0	$0	$0	$6,405	$6,533	$6,664	$6,142	$6,266	$6,392	$6,521	$6,652	$6,786	$6,923
6	AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	$0	$0	$0	$6,217	$6,341	$6,468	$5,962	$6,082	$6,204	$6,329	$6,457	$6,587	$6,719
6	AQ - TRADITIONAL DETACHED (< 2,001 SF)	$0	$0	$0	$5,657	$5,770	$5,885	$5,424	$5,533	$5,645	$5,759	$5,875	$5,993	$6,114
VI. MAXIMUM SPECIAL TAXES														
UNDEVELOPD PROPERTY														
ZONE	DESCRIPTION													
1	UNDEVELOPED PROPERTY	$0	$0	$311,833	$230,601	$68,942	$0	$0	$0	$0	$0	$0	$0	$0
2	UNDEVELOPED PROPERTY	$0	$0	$963,374	$843,003	$490,597	$129,138	$0	$0	$0	$0	$0	$0	$0
3	UNDEVELOPED PROPERTY	$0	$0	$1,375,154	$1,196,174	$704,461	$214,824	$0	$0	$0	$0	$0	$0	$0
4	UNDEVELOPED PROPERTY	$0	$0	$1,312,429	$1,139,123	$644,561	$190,315	$0	$0	$0	$0	$0	$0	$0
5	UNDEVELOPED PROPERTY	$0	$0	$294,843	$252,233	$108,848	$0	$0	$0	$0	$0	$0	$0	$0
6	UNDEVELOPED PROPERTY	$0	$0	$377,923	$310,872	$126,836	$0	$0	$0	$0	$0	$0	$0	$0
	SUBTOTAL	*$0*	*$0*	*$4,635,556*	*$3,972,007*	*$2,144,245*	*$534,277*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*
NON-RESIDENTIAL PROPERTY SPECIAL TAXES														
ZONE	DESCRIPTION													
1	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	SUBTOTAL	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*

FISCAL YEAR - COLLECTION OF TAXES		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
RESIDENTIAL PROPERTY SPECIAL TAXES														
ZONE	DESCRIPTION													
1	TRADITIONAL ATTACHED (> 1,600 SF)	$0	$0	$0	$13,696	$37,253	$47,497	$48,447	$49,416	$50,404	$51,413	$52,441	$53,490	$54,559
1	TRADITIONAL ATTACHED (1,401 - 1,600 SF)	$0	$0	$0	$46,008	$136,519	$174,062	$177,544	$181,094	$184,716	$188,411	$192,179	$196,022	$199,943
1	TRADITIONAL ATTACHED (1,201 - 1,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1	TRADITIONAL ATTACHED (1,001 - 1,200 SF)	$0	$0	$0	$18,460	$56,487	$76,822	$78,358	$79,926	$81,524	$83,155	$84,818	$86,514	$88,244
1	TRADITIONAL ATTACHED (< 1,001 SF)	$0	$0	$0	$6,424	$17,475	$22,280	$22,726	$23,180	$23,644	$24,117	$24,599	$25,091	$25,593
	SUBTOTAL	*$0*	*$0*	*$0*	*$84,588*	*$247,733*	*$320,662*	*$327,075*	*$333,616*	*$340,289*	*$347,094*	*$354,036*	*$361,117*	*$368,339*
2	CLUSTER ATTACHED (> 1,900 SF)	$0	$0	$0	$12,927	$46,151	$80,698	$96,031	$97,951	$99,910	$101,908	$103,947	$106,026	$108,146
2	CLUSTER ATTACHED (1,701 - 1,900 SF)	$0	$0	$0	$22,539	$91,960	$170,011	$197,330	$201,277	$205,302	$209,408	$213,597	$217,868	$222,226
2	CLUSTER ATTACHED (1,501 - 1,700 SF)	$0	$0	$0	$49,382	$191,404	$339,087	$393,032	$400,893	$408,911	$417,089	$425,431	$433,940	$442,618
2	CLUSTER ATTACHED (1,301 - 1,500 SF)	$0	$0	$0	$32,163	$107,792	$181,654	$214,543	$218,833	$223,210	$227,674	$232,228	$236,872	$241,610
2	CLUSTER ATTACHED (< 1,301 SF)	$0	$0	$0	$17,201	$57,023	$93,956	$109,525	$111,716	$113,950	$116,229	$118,554	$120,925	$123,343
	SUBTOTAL	*$0*	*$0*	*$0*	*$134,213*	*$494,330*	*$865,405*	*$1,010,461*	*$1,030,670*	*$1,051,284*	*$1,072,309*	*$1,093,756*	*$1,115,631*	*$1,137,943*
3	CLUSTER DETACHED (> 2,600 SF)	$0	$0	$0	$38,184	$148,000	$262,194	$307,958	$314,118	$320,400	$326,808	$333,344	$340,011	$346,811
3	CLUSTER DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$22,027	$74,892	$122,224	$148,044	$151,004	$154,025	$157,105	$160,247	$163,452	$166,721
3	CLUSTER DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$42,877	$145,780	$267,653	$318,507	$324,877	$331,375	$338,002	$344,762	$351,657	$358,691
3	CLUSTER DETACHED (2,001 - 2,200 SF)	$0	$0	$0	$46,968	$164,254	$272,251	$327,538	$334,089	$340,771	$347,586	$354,538	$361,629	$368,861
4	CLUSTER DETACHED (1,801 - 2,000 SF)	$0	$0	$0	$37,851	$128,695	$216,594	$261,094	$266,316	$271,642	$277,075	$282,616	$288,269	$294,034
4	CLUSTER DETACHED (< 1,801 SF)	$0	$0	$0	$11,486	$41,003	$65,722	$79,225	$80,810	$82,426	$84,075	$85,756	$87,471	$89,221
	SUBTOTAL	*$0*	*$0*	*$0*	*$199,392*	*$702,625*	*$1,206,637*	*$1,442,367*	*$1,471,214*	*$1,500,638*	*$1,530,651*	*$1,561,264*	*$1,592,489*	*$1,624,339*
4	TRADITIONAL DETACHED (> 4,400 SF)	$0	$0	$0	$12,987	$66,233	$108,092	$124,036	$126,516	$129,047	$131,628	$134,260	$136,945	$139,684
4	TRADITIONAL DETACHED (4,201 - 4,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (4,001 - 4,200 SF)	$0	$0	$0	$12,344	$62,954	$102,741	$117,896	$120,254	$122,659	$125,112	$127,614	$130,167	$132,770
4	TRADITIONAL DETACHED (3,801 - 4,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,601 - 3,800 SF)	$0	$0	$0	$32,649	$122,107	$192,485	$219,432	$223,821	$228,297	$232,863	$237,521	$242,271	$247,117
4	TRADITIONAL DETACHED (3,401 - 3,600 SF)	$0	$0	$0	$10,620	$54,162	$88,392	$101,430	$103,459	$105,528	$107,638	$109,791	$111,987	$114,227
4	TRADITIONAL DETACHED (3,201 - 3,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,001 - 3,200 SF)	$0	$0	$0	$18,971	$58,052	$88,820	$100,663	$102,676	$104,730	$106,824	$108,961	$111,140	$113,363
4	TRADITIONAL DETACHED (2,801 - 3,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,601 - 2,800 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	TRADITIONAL DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	TRADITIONAL DETACHED (2,001 - 2,200 SF)	$0	$0	$0	$66,964	$225,402	$383,183	$461,909	$471,147	$480,570	$490,182	$499,985	$509,985	$520,185
5	TRADITIONAL DETACHED (1,801 - 2,000 SF)	$0	$0	$0	$18,432	$62,668	$115,058	$136,919	$139,657	$142,450	$145,299	$148,205	$151,169	$154,193
5	TRADITIONAL DETACHED (< 1,801 SF)	$0	$0	$0	$17,005	$57,818	$94,358	$114,291	$116,577	$118,909	$121,287	$123,713	$126,187	$128,711
	SUBTOTAL	*$0*	*$0*	*$0*	*$189,972*	*$709,395*	*$1,173,129*	*$1,376,576*	*$1,404,107*	*$1,432,190*	*$1,460,833*	*$1,490,050*	*$1,519,851*	*$1,550,248*
5	AQ - CLUSTER DETACHED (> 1,900 SF)	$0	$0	$0	$5,204	$21,231	$32,483	$33,133	$33,795	$34,471	$35,161	$35,864	$36,581	$37,313
5	AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	$0	$0	$0	$14,851	$60,591	$97,854	$99,811	$101,808	$103,844	$105,921	$108,039	$110,200	$112,404
5	AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	$0	$0	$0	$22,582	$92,135	$140,967	$143,786	$146,662	$149,595	$152,587	$155,639	$158,751	$161,926
5	AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	AQ - CLUSTER DETACHED (< 1,301 SF)	$0	$0	$0	$4,378	$17,863	$31,886	$32,524	$33,174	$33,837	$34,514	$35,205	$35,909	$36,627
	SUBTOTAL	*$0*	*$0*	*$0*	*$47,015*	*$191,820*	*$303,190*	*$309,254*	*$315,439*	*$321,747*	*$328,182*	*$334,746*	*$341,441*	*$348,270*
6	AQ - TRADITIONAL DETACHED (> 2,400 SF)	$0	$0	$0	$25,621	$97,999	$153,271	$156,337	$159,463	$162,653	$165,906	$169,224	$172,608	$176,060
6	AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	$0	$0	$0	$12,434	$44,390	$64,683	$65,976	$67,296	$68,642	$70,014	$71,415	$72,843	$74,300
6	AQ - TRADITIONAL DETACHED (< 2,001 SF)	$0	$0	$0	$33,940	$115,395	$170,668	$174,082	$177,563	$181,115	$184,737	$188,432	$192,200	$196,044
	SUBTOTAL	*$0*	*$0*	*$0*	*$71,994*	*$257,784*	*$388,622*	*$396,395*	*$404,322*	*$412,409*	*$420,657*	*$429,070*	*$437,652*	*$446,405*
TOTAL MAXIMUM SPECIAL TAXES		**$0**	**$0**	**$4,635,556**	**$4,699,181**	**$4,747,931**	**$4,791,922**	**$4,862,127**	**$4,959,369**	**$5,058,556**	**$5,159,728**	**$5,262,922**	**$5,368,181**	**$5,475,544**
VII. DEBT SERVICE COVERAGE														
GROSS DEBT SERVICE COVERAGE *		NA	NA	117.52%	112.88%	111.80%	110.61%	110.02%	110.02%	110.02%	110.02%	110.02%	110.02%	110.02%
NET DEBT SERVICE COVERAGE **		NA	NA	117.52%	113.70%	112.60%	111.39%	110.79%	110.77%	110.76%	110.74%	110.73%	110.71%	110.70%

FISCAL YEAR - COLLECTION OF TAXES		2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**
I. CFD BONDED INDEBTEDNESS														
CONSTRUCTION PROCEEDS		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
PROCEEDS SURPLUS / (SHORTFALL)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL BOND FINANCED FACILITIES		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL BONDED INDEBTEDNESS		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
II. ABSORPTION-BUILDING PERMITS (as of 1/1)														
UNDEVELOPED PROPERTY														
1	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	SUBTOTAL	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
CUMULATIVE NON-RESIDENTIAL PROPERTY (BP as of 1/1)														
ZONE	DESCRIPTION													
1	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	SUBTOTAL	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
CUMULATIVE RESIDENTIAL PROPERTY (BP as of 1/1)														
ZONE	DESCRIPTION													
1	TRADITIONAL ATTACHED (> 1,600 SF)	10	10	10	10	10	10	10	10	10	10	10	10	10
1	TRADITIONAL ATTACHED (1,401 - 1,600 SF)	40	40	40	40	40	40	40	40	40	40	40	40	40
1	TRADITIONAL ATTACHED (1,201 - 1,400 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
1	TRADITIONAL ATTACHED (1,001 - 1,200 SF)	20	20	20	20	20	20	20	20	20	20	20	20	20
1	TRADITIONAL ATTACHED (< 1,001 SF)	10	10	10	10	10	10	10	10	10	10	10	10	10
	SUBTOTAL	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*
2	CLUSTER ATTACHED (> 1,900 SF)	14	14	14	14	14	14	14	14	14	14	14	14	14
2	CLUSTER ATTACHED (1,701 - 1,900 SF)	33	33	33	33	33	33	33	33	33	33	33	33	33
2	CLUSTER ATTACHED (1,501 - 1,700 SF)	75	75	75	75	75	75	75	75	75	75	75	75	75
2	CLUSTER ATTACHED (1,301 - 1,500 SF)	44	44	44	44	44	44	44	44	44	44	44	44	44
2	CLUSTER ATTACHED (< 1,301 SF)	24	24	24	24	24	24	24	24	24	24	24	24	24
	SUBTOTAL	*190*	*190*	*190*	*190*	*190*	*190*	*190*	*190*	*190*	*190*	*190*	*190*	*190*
3	CLUSTER DETACHED (> 2,600 SF)	38	38	38	38	38	38	38	38	38	38	38	38	38
3	CLUSTER DETACHED (2,401 - 2,600 SF)	19	19	19	19	19	19	19	19	19	19	19	19	19
3	CLUSTER DETACHED (2,201 - 2,400 SF)	42	42	42	42	42	42	42	42	42	42	42	42	42
3	CLUSTER DETACHED (2,001 - 2,200 SF)	46	46	46	46	46	46	46	46	46	46	46	46	46
3	CLUSTER DETACHED (1,801 - 2,000 SF)	39	39	39	39	39	39	39	39	39	39	39	39	39
3	CLUSTER DETACHED (< 1,801 SF)	13	13	13	13	13	13	13	13	13	13	13	13	13
	SUBTOTAL	*197*	*197*	*197*	*197*	*197*	*197*	*197*	*197*	*197*	*197*	*197*	*197*	*197*
4	TRADITIONAL DETACHED (> 4,400 SF)	9	9	9	9	9	9	9	9	9	9	9	9	9
4	TRADITIONAL DETACHED (4,201 - 4,400 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (4,001 - 4,200 SF)	9	9	9	9	9	9	9	9	9	9	9	9	9
4	TRADITIONAL DETACHED (3,801 - 4,000 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (3,601 - 3,800 SF)	19	19	19	19	19	19	19	19	19	19	19	19	19
4	TRADITIONAL DETACHED (3,401 - 3,600 SF)	9	9	9	9	9	9	9	9	9	9	9	9	9
4	TRADITIONAL DETACHED (3,201 - 3,400 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (3,001 - 3,200 SF)	10	10	10	10	10	10	10	10	10	10	10	10	10
4	TRADITIONAL DETACHED (2,801 - 3,000 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (2,601 - 2,800 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (2,401 - 2,600 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (2,201 - 2,400 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	TRADITIONAL DETACHED (2,001 - 2,200 SF)	65	65	65	65	65	65	65	65	65	65	65	65	65
4	TRADITIONAL DETACHED (1,801 - 2,000 SF)	21	21	21	21	21	21	21	21	21	21	21	21	21
4	TRADITIONAL DETACHED (< 1,801 SF)	19	19	19	19	19	19	19	19	19	19	19	19	19
	SUBTOTAL	*161*	*161*	*161*	*161*	*161*	*161*	*161*	*161*	*161*	*161*	*161*	*161*	*161*

FISCAL YEAR - COLLECTION OF TAXES		2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
5	AQ - CLUSTER DETACHED (> 1,900 SF)	6	6	6	6	6	6	6	6	6	6	6	6	6
5	AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	19	19	19	19	19	19	19	19	19	19	19	19	19
5	AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	30	30	30	30	30	30	30	30	30	30	30	30	30
5	AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
5	AQ - CLUSTER DETACHED (< 1,301 SF)	7	7	7	7	7	7	7	7	7	7	7	7	7
	SUBTOTAL	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*
6	AQ - TRADITIONAL DETACHED (> 2,400 SF)	23	23	23	23	23	23	23	23	23	23	23	23	23
6	AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	10	10	10	10	10	10	10	10	10	10	10	10	10
6	AQ - TRADITIONAL DETACHED (< 2,001 SF)	29	29	29	29	29	29	29	29	29	29	29	29	29
	SUBTOTAL	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*	*62*
CUMULATIVE RESIDENTIAL UNITS		752	752	752	752	752	752	752	752	752	752	752	752	752
III. MELLO-ROOS SPECIAL TAXES														
UNDEVELOPED PROPERTY SPECIAL TAXES														
ZONE	DESCRIPTION													
1	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	SUBTOTAL	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*
NON-RESIDENTIAL PROPERTY SPECIAL TAXES														
ZONE	DESCRIPTION													
1	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	SUBTOTAL	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*
RESIDENTIAL PROPERTY SPECIAL TAXES														
ZONE	DESCRIPTION													
1	TRADITIONAL ATTACHED (> 1,600 SF)	$50,335	$51,348	$52,382	$53,436	$54,512	$55,609	$56,727	$57,869	$59,033	$60,220	$61,431	$62,666	$63,926
1	TRADITIONAL ATTACHED (1,401 - 1,600 SF)	$184,462	$188,175	$191,963	$195,827	$199,768	$203,788	$207,888	$212,070	$216,336	$220,687	$225,126	$229,653	$234,270
1	TRADITIONAL ATTACHED (1,201 - 1,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1	TRADITIONAL ATTACHED (1,001 - 1,200 SF)	$81,412	$83,051	$84,722	$86,428	$88,167	$89,941	$91,751	$93,597	$95,479	$97,400	$99,359	$101,357	$103,394
1	TRADITIONAL ATTACHED (< 1,001 SF)	$23,611	$24,087	$24,571	$25,066	$25,570	$26,085	$26,610	$27,145	$27,691	$28,248	$28,816	$29,396	$29,987
	SUBTOTAL	*$339,819*	*$346,661*	*$353,639*	*$360,757*	*$368,017*	*$375,423*	*$382,976*	*$390,681*	*$398,540*	*$406,555*	*$414,732*	*$423,071*	*$431,578*
2	CLUSTER ATTACHED (> 1,900 SF)	$99,772	$101,781	$103,830	$105,920	$108,052	$110,226	$112,444	$114,706	$117,013	$119,366	$121,767	$124,216	$126,713
2	CLUSTER ATTACHED (1,701 - 1,900 SF)	$205,019	$209,147	$213,357	$217,651	$222,032	$226,499	$231,057	$235,705	$240,446	$245,282	$250,215	$255,247	$260,379
2	CLUSTER ATTACHED (1,501 - 1,700 SF)	$408,347	$416,568	$424,954	$433,507	$442,231	$451,130	$460,207	$469,465	$478,909	$488,541	$498,366	$508,388	$518,610
2	CLUSTER ATTACHED (1,301 - 1,500 SF)	$222,902	$227,390	$231,967	$236,636	$241,399	$246,256	$251,211	$256,265	$261,419	$266,677	$272,040	$277,511	$283,091
2	CLUSTER ATTACHED (< 1,301 SF)	$113,793	$116,084	$118,421	$120,804	$123,235	$125,715	$128,245	$130,825	$133,456	$136,140	$138,878	$141,671	$144,520
	SUBTOTAL	$1,049,834	$1,070,970	$1,092,529	$1,114,519	$1,136,948	$1,159,827	$1,183,163	$1,206,965	$1,231,244	$1,256,008	$1,281,267	$1,307,032	$1,333,312
3	CLUSTER DETACHED (> 2,600 SF)	$319,958	$326,400	$332,970	$339,672	$346,508	$353,481	$360,593	$367,847	$375,246	$382,794	$390,492	$398,344	$406,354
3	CLUSTER DETACHED (2,401 - 2,600 SF)	$153,812	$156,909	$160,067	$163,289	$166,575	$169,927	$173,346	$176,834	$180,391	$184,019	$187,720	$191,494	$195,345
3	CLUSTER DETACHED (2,201 - 2,400 SF)	$330,918	$337,580	$344,375	$351,307	$358,377	$365,588	$372,944	$380,447	$388,100	$395,906	$403,868	$411,989	$420,273
3	CLUSTER DETACHED (2,001 - 2,200 SF)	$340,301	$347,152	$354,141	$361,268	$368,539	$375,955	$383,519	$391,235	$399,105	$407,132	$415,320	$423,671	$432,190
3	CLUSTER DETACHED (1,801 - 2,000 SF)	$271,267	$276,729	$282,299	$287,981	$293,777	$299,688	$305,718	$311,869	$318,142	$324,541	$331,068	$337,725	$344,515
3	CLUSTER DETACHED (< 1,801 SF)	$82,313	$83,970	$85,660	$87,384	$89,143	$90,937	$92,766	$94,632	$96,536	$98,478	$100,458	$102,478	$104,539
	SUBTOTAL	*$1,498,569*	*$1,528,740*	*$1,559,513*	*$1,590,902*	*$1,622,919*	*$1,655,576*	*$1,688,887*	*$1,722,863*	*$1,757,519*	*$1,792,868*	*$1,828,925*	*$1,865,702*	*$1,903,215*
4	TRADITIONAL DETACHED (> 4,400 SF)	$128,869	$131,463	$134,110	$136,809	$139,562	$142,371	$145,235	$148,157	$151,137	$154,177	$157,278	$160,440	$163,666
4	TRADITIONAL DETACHED (4,201 - 4,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (4,001 - 4,200 SF)	$122,490	$124,956	$127,471	$130,037	$132,654	$135,323	$138,046	$140,823	$143,656	$146,545	$149,492	$152,498	$155,565
4	TRADITIONAL DETACHED (3,801 - 4,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,601 - 3,800 SF)	$227,983	$232,573	$237,254	$242,030	$246,901	$251,869	$256,936	$262,105	$267,378	$272,756	$278,241	$283,836	$289,543

FISCAL YEAR - COLLECTION OF TAXES		**2028-29**	**2029-30**	**2030-31**	**2031-32**	**2032-33**	**2033-34**	**2034-35**	**2035-36**	**2036-37**	**2037-38**	**2038-39**	**2039-40**	**2040-41**
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**
4	TRADITIONAL DETACHED (3,401 - 3,600 SF)	$105,382	$107,504	$109,668	$111,875	$114,127	$116,423	$118,766	$121,155	$123,592	$126,078	$128,613	$131,200	$133,838
4	TRADITIONAL DETACHED (3,201 - 3,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,001 - 3,200 SF)	$104,585	$106,691	$108,838	$111,029	$113,263	$115,543	$117,867	$120,239	$122,657	$125,124	$127,641	$130,207	$132,825
4	TRADITIONAL DETACHED (2,801 - 3,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,601 - 2,800 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,001 - 2,200 SF)	$479,908	$489,570	$499,425	$509,477	$519,730	$530,188	$540,856	$551,737	$562,835	$574,155	$585,702	$597,480	$609,493
4	TRADITIONAL DETACHED (1,801 - 2,000 SF)	$142,254	$145,118	$148,039	$151,019	$154,058	$157,158	$160,320	$163,545	$166,835	$170,190	$173,613	$177,104	$180,665
4	TRADITIONAL DETACHED (< 1,801 SF)	$118,745	$121,135	$123,574	$126,061	$128,598	$131,186	$133,825	$136,518	$139,264	$142,065	$144,922	$147,836	$150,808
	SUBTOTAL	*$1,430,215*	*$1,459,009*	*$1,488,379*	*$1,518,336*	*$1,548,893*	*$1,580,060*	*$1,611,851*	*$1,644,278*	*$1,677,353*	*$1,711,090*	*$1,745,502*	*$1,780,601*	*$1,816,403*
5	AQ - CLUSTER DETACHED (> 1,900 SF)	$34,424	$35,117	$35,824	$36,545	$37,280	$38,030	$38,795	$39,576	$40,372	$41,184	$42,012	$42,857	$43,719
5	AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	$103,701	$105,788	$107,918	$110,090	$112,305	$114,565	$116,870	$119,222	$121,620	$124,066	$126,561	$129,106	$131,702
5	AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	$149,389	$152,396	$155,464	$158,593	$161,785	$165,040	$168,361	$171,748	$175,203	$178,727	$182,321	$185,987	$189,727
5	AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	AQ - CLUSTER DETACHED (< 1,301 SF)	$33,791	$34,471	$35,165	$35,873	$36,595	$37,331	$38,082	$38,848	$39,630	$40,427	$41,240	$42,069	$42,915
	SUBTOTAL	*$321,304*	*$327,772*	*$334,371*	*$341,101*	*$347,965*	*$354,967*	*$362,109*	*$369,394*	*$376,824*	*$384,404*	*$392,134*	*$400,020*	*$408,063*
6	AQ - TRADITIONAL DETACHED (> 2,400 SF)	$162,428	$165,698	$169,034	$172,436	$175,906	$179,446	$183,057	$186,739	$190,496	$194,327	$198,235	$202,221	$206,287
6	AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	$68,547	$69,927	$71,335	$72,770	$74,235	$75,729	$77,252	$78,807	$80,392	$82,009	$83,658	$85,340	$87,056
6	AQ - TRADITIONAL DETACHED (< 2,001 SF)	$180,865	$184,506	$188,220	$192,009	$195,873	$199,814	$203,835	$207,935	$212,118	$216,385	$220,736	$225,175	$229,702
	SUBTOTAL	*$411,840*	*$420,132*	*$428,589*	*$437,215*	*$446,014*	*$454,989*	*$464,144*	*$473,481*	*$483,006*	*$492,720*	*$502,629*	*$512,737*	*$523,046*
TOTAL SPECIAL TAXES		**$5,051,582**	**$5,153,284**	**$5,257,020**	**$5,362,830**	**$5,470,757**	**$5,580,842**	**$5,693,129**	**$5,807,662**	**$5,924,486**	**$6,043,646**	**$6,165,189**	**$6,289,163**	**$6,415,616**
IV. SPECIAL TAX REQUIREMENT														
NEW BONDED INDEBTEDNESS		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
RESERVE FUND		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
ANNUAL GROSS DEBT SERVICE - SERIES A		$4,991,838	$5,091,675	$5,193,508	$5,297,378	$5,403,326	$5,511,393	$5,621,620	$5,734,053	$5,848,734	$5,965,709	$6,085,023	$6,206,723	$6,330,858
TOTAL ANNUAL DEBT SERVICE		$4,991,838	$5,091,675	$5,193,508	$5,297,378	$5,403,326	$5,511,393	$5,621,620	$5,734,053	$5,848,734	$5,965,709	$6,085,023	$6,206,723	$6,330,858
CFD ADMINISTRATION		$93,253	$95,118	$97,020	$98,961	$100,940	$102,959	$105,018	$107,118	$109,261	$111,446	$113,675	$115,948	$118,267
RESERVE FUND INTEREST (6% DELINQUENCY)		($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	($33,509)
CAPITALIZED INTEREST		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
PAY-AS-YOU-GO FUNDS		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET ANNUAL DEBT SERVICE		**$5,051,582**	**$5,153,284**	**$5,257,020**	**$5,362,830**	**$5,470,757**	**$5,580,842**	**$5,693,129**	**$5,807,662**	**$5,924,486**	**$6,043,646**	**$6,165,189**	**$6,289,163**	**$6,415,616**
ANNUAL SURPLUS/(DEFICIT)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CUMULATIVE SURPLUS/(DEFICIT)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		-- DEBT SERVICE SCHEDULE ASSUMES FEBRUARY 15 AND SEPTEMBER 15 BOND PAYMENTS --												
V. AVERAGE ANNUAL SPECIAL TAX														
UNDEVELOPED PROPERTY, PER ACRE														
ZONE	DESCRIPTION													
1	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NON-RESIDENTIAL PROPERTY, PER ACRE														
ZONE	DESCRIPTION													
1	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

FISCAL YEAR - COLLECTION OF TAXES	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**
RESIDENTIAL PROPERTY, PER UNIT													
ZONE DESCRIPTION													
1 TRADITIONAL ATTACHED (> 1,600 SF)	$5,033	$5,135	$5,238	$5,344	$5,451	$5,561	$5,673	$5,787	$5,903	$6,022	$6,143	$6,267	$6,393
1 TRADITIONAL ATTACHED (1,401 - 1,600 SF)	$4,612	$4,704	$4,799	$4,896	$4,994	$5,095	$5,197	$5,302	$5,408	$5,517	$5,628	$5,741	$5,857
1 TRADITIONAL ATTACHED (1,201 - 1,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1 TRADITIONAL ATTACHED (1,001 - 1,200 SF)	$4,071	$4,153	$4,236	$4,321	$4,408	$4,497	$4,588	$4,680	$4,774	$4,870	$4,968	$5,068	$5,170
1 TRADITIONAL ATTACHED (< 1,001 SF)	$2,361	$2,409	$2,457	$2,507	$2,557	$2,608	$2,661	$2,715	$2,769	$2,825	$2,882	$2,940	$2,999
2 CLUSTER ATTACHED (> 1,900 SF)	$7,127	$7,270	$7,416	$7,566	$7,718	$7,873	$8,032	$8,193	$8,358	$8,526	$8,698	$8,873	$9,051
2 CLUSTER ATTACHED (1,701 - 1,900 SF)	$6,213	$6,338	$6,465	$6,595	$6,728	$6,864	$7,002	$7,143	$7,286	$7,433	$7,582	$7,735	$7,890
2 CLUSTER ATTACHED (1,501 - 1,700 SF)	$5,445	$5,554	$5,666	$5,780	$5,896	$6,015	$6,136	$6,260	$6,385	$6,514	$6,645	$6,779	$6,915
2 CLUSTER ATTACHED (1,301 - 1,500 SF)	$5,066	$5,168	$5,272	$5,378	$5,486	$5,597	$5,709	$5,824	$5,941	$6,061	$6,183	$6,307	$6,434
2 CLUSTER ATTACHED (< 1,301 SF)	$4,741	$4,837	$4,934	$5,034	$5,135	$5,238	$5,344	$5,451	$5,561	$5,673	$5,787	$5,903	$6,022
3 CLUSTER DETACHED (> 2,600 SF)	$8,420	$8,589	$8,762	$8,939	$9,119	$9,302	$9,489	$9,680	$9,875	$10,074	$10,276	$10,483	$10,694
3 CLUSTER DETACHED (2,401 - 2,600 SF)	$8,095	$8,258	$8,425	$8,594	$8,767	$8,944	$9,123	$9,307	$9,494	$9,685	$9,880	$10,079	$10,281
3 CLUSTER DETACHED (2,201 - 2,400 SF)	$7,879	$8,038	$8,199	$8,364	$8,533	$8,704	$8,880	$9,058	$9,240	$9,426	$9,616	$9,809	$10,006
3 CLUSTER DETACHED (2,001 - 2,200 SF)	$7,398	$7,547	$7,699	$7,854	$8,012	$8,173	$8,337	$8,505	$8,676	$8,851	$9,029	$9,210	$9,395
3 CLUSTER DETACHED (1,801 - 2,000 SF)	$6,956	$7,096	$7,238	$7,384	$7,533	$7,684	$7,839	$7,997	$8,157	$8,322	$8,489	$8,660	$8,834
3 CLUSTER DETACHED (< 1,801 SF)	$6,332	$6,459	$6,589	$6,722	$6,857	$6,995	$7,136	$7,279	$7,426	$7,575	$7,728	$7,883	$8,041
4 TRADITIONAL DETACHED (> 4,400 SF)	$14,319	$14,607	$14,901	$15,201	$15,507	$15,819	$16,137	$16,462	$16,793	$17,131	$17,475	$17,827	$18,185
4 TRADITIONAL DETACHED (4,201 - 4,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (4,001 - 4,200 SF)	$13,610	$13,884	$14,163	$14,449	$14,739	$15,036	$15,338	$15,647	$15,962	$16,283	$16,610	$16,944	$17,285
4 TRADITIONAL DETACHED (3,801 - 4,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (3,601 - 3,800 SF)	$11,999	$12,241	$12,487	$12,738	$12,995	$13,256	$13,523	$13,795	$14,073	$14,356	$14,644	$14,939	$15,239
4 TRADITIONAL DETACHED (3,401 - 3,600 SF)	$11,709	$11,945	$12,185	$12,431	$12,681	$12,936	$13,196	$13,462	$13,732	$14,009	$14,290	$14,578	$14,871
4 TRADITIONAL DETACHED (3,201 - 3,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (3,001 - 3,200 SF)	$10,459	$10,669	$10,884	$11,103	$11,326	$11,554	$11,787	$12,024	$12,266	$12,512	$12,764	$13,021	$13,283
4 TRADITIONAL DETACHED (2,801 - 3,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (2,601 - 2,800 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (2,001 - 2,200 SF)	$7,383	$7,532	$7,683	$7,838	$7,996	$8,157	$8,321	$8,488	$8,659	$8,833	$9,011	$9,192	$9,377
4 TRADITIONAL DETACHED (1,801 - 2,000 SF)	$6,774	$6,910	$7,049	$7,191	$7,336	$7,484	$7,634	$7,788	$7,945	$8,104	$8,267	$8,434	$8,603
4 TRADITIONAL DETACHED (< 1,801 SF)	$6,250	$6,376	$6,504	$6,635	$6,768	$6,905	$7,043	$7,185	$7,330	$7,477	$7,627	$7,781	$7,937
5 AQ - CLUSTER DETACHED (> 1,900 SF)	$5,737	$5,853	$5,971	$6,091	$6,213	$6,338	$6,466	$6,596	$6,729	$6,864	$7,002	$7,143	$7,286
5 AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	$5,458	$5,568	$5,680	$5,794	$5,911	$6,030	$6,151	$6,275	$6,401	$6,530	$6,661	$6,795	$6,932
5 AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	$4,980	$5,080	$5,182	$5,286	$5,393	$5,501	$5,612	$5,725	$5,840	$5,958	$6,077	$6,200	$6,324
5 AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5 AQ - CLUSTER DETACHED (< 1,301 SF)	$4,827	$4,924	$5,024	$5,125	$5,228	$5,333	$5,440	$5,550	$5,661	$5,775	$5,891	$6,010	$6,131
6 AQ - TRADITIONAL DETACHED (> 2,400 SF)	$7,062	$7,204	$7,349	$7,497	$7,648	$7,802	$7,959	$8,119	$8,282	$8,449	$8,619	$8,792	$8,969
6 AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	$6,855	$6,993	$7,133	$7,277	$7,423	$7,573	$7,725	$7,881	$8,039	$8,201	$8,366	$8,534	$8,706
6 AQ - TRADITIONAL DETACHED (< 2,001 SF)	$6,237	$6,362	$6,490	$6,621	$6,754	$6,890	$7,029	$7,170	$7,314	$7,462	$7,612	$7,765	$7,921
VI. MAXIMUM SPECIAL TAXES													
UNDEVELOPD PROPERTY													
ZONE DESCRIPTION													
1 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*
NON-RESIDENTIAL PROPERTY SPECIAL TAXES													
ZONE DESCRIPTION													
1 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*

FISCAL YEAR - COLLECTION OF TAXES	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**
RESIDENTIAL PROPERTY SPECIAL TAXES													
ZONE DESCRIPTION													
1 TRADITIONAL ATTACHED (> 1,600 SF)	$55,651	$56,764	$57,899	$59,057	$60,238	$61,443	$62,672	$63,925	$65,204	$66,508	$67,838	$69,194	$70,578
1 TRADITIONAL ATTACHED (1,401 - 1,600 SF)	$203,942	$208,021	$212,181	$216,425	$220,753	$225,168	$229,672	$234,265	$238,950	$243,729	$248,604	$253,576	$258,647
1 TRADITIONAL ATTACHED (1,201 - 1,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1 TRADITIONAL ATTACHED (1,001 - 1,200 SF)	$90,009	$91,809	$93,645	$95,518	$97,429	$99,377	$101,365	$103,392	$105,460	$107,569	$109,721	$111,915	$114,153
1 TRADITIONAL ATTACHED (< 1,001 SF)	$26,105	$26,627	$27,159	$27,702	$28,257	$28,822	$29,398	$29,986	$30,586	$31,197	$31,821	$32,458	$33,107
SUBTOTAL	*$375,706*	*$383,220*	*$390,885*	*$398,702*	*$406,676*	*$414,810*	*$423,106*	*$431,568*	*$440,200*	*$449,004*	*$457,984*	*$467,143*	*$476,486*
2 CLUSTER ATTACHED (> 1,900 SF)	$110,309	$112,515	$114,765	$117,061	$119,402	$121,790	$124,226	$126,710	$129,245	$131,829	$134,466	$137,155	$139,898
2 CLUSTER ATTACHED (1,701 - 1,900 SF)	$226,670	$231,204	$235,828	$240,544	$245,355	$250,262	$255,268	$260,373	$265,580	$270,892	$276,310	$281,836	$287,473
2 CLUSTER ATTACHED (1,501 - 1,700 SF)	$451,471	$460,500	$469,710	$479,104	$488,686	$498,460	$508,429	$518,598	$528,970	$539,549	$550,340	$561,347	$572,574
2 CLUSTER ATTACHED (1,301 - 1,500 SF)	$246,442	$251,371	$256,398	$261,526	$266,757	$272,092	$277,534	$283,084	$288,746	$294,521	$300,411	$306,420	$312,548
2 CLUSTER ATTACHED (< 1,301 SF)	$125,810	$128,326	$130,893	$133,511	$136,181	$138,905	$141,683	$144,516	$147,407	$150,355	$153,362	$156,429	$159,558
SUBTOTAL	*$1,160,702*	*$1,183,916*	*$1,207,595*	*$1,231,746*	*$1,256,381*	*$1,281,509*	*$1,307,139*	*$1,333,282*	*$1,359,948*	*$1,387,147*	*$1,414,890*	*$1,443,187*	*$1,472,051*
3 CLUSTER DETACHED (> 2,600 SF)	$353,747	$360,822	$368,039	$375,400	$382,908	$390,566	$398,377	$406,345	$414,472	$422,761	$431,216	$439,840	$448,637
3 CLUSTER DETACHED (2,401 - 2,600 SF)	$170,056	$173,457	$176,926	$180,464	$184,074	$187,755	$191,510	$195,340	$199,247	$203,232	$207,297	$211,443	$215,672
3 CLUSTER DETACHED (2,201 - 2,400 SF)	$365,864	$373,182	$380,645	$388,258	$396,023	$403,944	$412,023	$420,263	$428,668	$437,242	$445,987	$454,906	$464,004
3 CLUSTER DETACHED (2,001 - 2,200 SF)	$376,239	$383,763	$391,439	$399,268	$407,253	$415,398	$423,706	$432,180	$440,824	$449,640	$458,633	$467,806	$477,162
4 CLUSTER DETACHED (1,801 - 2,000 SF)	$299,915	$305,913	$312,031	$318,272	$324,637	$331,130	$337,753	$344,508	$351,398	$358,426	$365,594	$372,906	$380,364
4 CLUSTER DETACHED (< 1,801 SF)	$91,005	$92,825	$94,682	$96,575	$98,507	$100,477	$102,487	$104,536	$106,627	$108,760	$110,935	$113,153	$115,417
SUBTOTAL	*$1,656,826*	*$1,689,962*	*$1,723,762*	*$1,758,237*	*$1,793,402*	*$1,829,270*	*$1,865,855*	*$1,903,172*	*$1,941,236*	*$1,980,060*	*$2,019,662*	*$2,060,055*	*$2,101,256*
4 TRADITIONAL DETACHED (> 4,400 SF)	$142,478	$145,328	$148,234	$151,199	$154,223	$157,307	$160,453	$163,662	$166,936	$170,274	$173,680	$177,154	$180,697
4 TRADITIONAL DETACHED (4,201 - 4,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (4,001 - 4,200 SF)	$135,425	$138,134	$140,896	$143,714	$146,589	$149,520	$152,511	$155,561	$158,672	$161,846	$165,083	$168,384	$171,752
4 TRADITIONAL DETACHED (3,801 - 4,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (3,601 - 3,800 SF)	$252,059	$257,100	$262,242	$267,487	$272,837	$278,293	$283,859	$289,536	$295,327	$301,234	$307,258	$313,404	$319,672
4 TRADITIONAL DETACHED (3,401 - 3,600 SF)	$116,511	$118,841	$121,218	$123,643	$126,115	$128,638	$131,210	$133,835	$136,511	$139,242	$142,026	$144,867	$147,764
4 TRADITIONAL DETACHED (3,201 - 3,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (3,001 - 3,200 SF)	$115,630	$117,942	$120,301	$122,707	$125,161	$127,665	$130,218	$132,822	$135,479	$138,188	$140,952	$143,771	$146,647
4 TRADITIONAL DETACHED (2,801 - 3,000 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (2,601 - 2,800 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 TRADITIONAL DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5 TRADITIONAL DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5 TRADITIONAL DETACHED (2,001 - 2,200 SF)	$530,589	$541,200	$552,024	$563,065	$574,326	$585,813	$597,529	$609,480	$621,669	$634,102	$646,785	$659,720	$672,915
5 TRADITIONAL DETACHED (1,801 - 2,000 SF)	$157,276	$160,422	$163,630	$166,903	$170,241	$173,646	$177,119	$180,661	$184,274	$187,960	$191,719	$195,553	$199,465
5 TRADITIONAL DETACHED (< 1,801 SF)	$131,285	$133,911	$136,589	$139,321	$142,107	$144,949	$147,848	$150,805	$153,821	$156,898	$160,036	$163,236	$166,501
SUBTOTAL	*$1,581,253*	*$1,612,878*	*$1,645,136*	*$1,678,038*	*$1,711,599*	*$1,745,831*	*$1,780,748*	*$1,816,363*	*$1,852,690*	*$1,889,744*	*$1,927,539*	*$1,966,089*	*$2,005,411*
5 AQ - CLUSTER DETACHED (> 1,900 SF)	$38,059	$38,820	$39,597	$40,388	$41,196	$42,020	$42,861	$43,718	$44,592	$45,484	$46,394	$47,322	$48,268
5 AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	$114,652	$116,945	$119,284	$121,669	$124,103	$126,585	$129,117	$131,699	$134,333	$137,020	$139,760	$142,555	$145,406
5 AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	$165,165	$168,468	$171,838	$175,274	$178,780	$182,355	$186,003	$189,723	$193,517	$197,387	$201,335	$205,362	$209,469
5 AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5 AQ - CLUSTER DETACHED (< 1,301 SF)	$37,359	$38,107	$38,869	$39,646	$40,439	$41,248	$42,073	$42,914	$43,772	$44,648	$45,541	$46,452	$47,381
SUBTOTAL	*$355,235*	*$362,340*	*$369,587*	*$376,978*	*$384,518*	*$392,208*	*$400,052*	*$408,053*	*$416,215*	*$424,539*	*$433,030*	*$441,690*	*$450,524*
6 AQ - TRADITIONAL DETACHED (> 2,400 SF)	$179,582	$183,173	$186,837	$190,573	$194,385	$198,273	$202,238	$206,283	$210,408	$214,617	$218,909	$223,287	$227,753
6 AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	$75,786	$77,302	$78,848	$80,425	$82,033	$83,674	$85,347	$87,054	$88,795	$90,571	$92,383	$94,230	$96,115
6 AQ - TRADITIONAL DETACHED (< 2,001 SF)	$199,965	$203,965	$208,044	$212,205	$216,449	$220,778	$225,193	$229,697	$234,291	$238,977	$243,757	$248,632	$253,604
SUBTOTAL	*$455,333*	*$464,439*	*$473,728*	*$483,203*	*$492,867*	*$502,724*	*$512,779*	*$523,034*	*$533,495*	*$544,165*	*$555,048*	*$566,149*	*$577,472*
TOTAL MAXIMUM SPECIAL TAXES	**$5,585,055**	**$5,696,756**	**$5,810,691**	**$5,926,905**	**$6,045,443**	**$6,166,352**	**$6,289,679**	**$6,415,473**	**$6,543,782**	**$6,674,658**	**$6,808,151**	**$6,944,314**	**$7,083,200**
VII. DEBT SERVICE COVERAGE													
GROSS DEBT SERVICE COVERAGE *	110.02%	110.02%	110.02%	110.02%	110.02%	110.02%	110.02%	110.02%	110.02%	110.02%	110.02%	110.02%	110.02%
NET DEBT SERVICE COVERAGE **	110.69%	110.67%	110.66%	110.65%	110.64%	110.62%	110.61%	110.60%	110.59%	110.58%	110.57%	110.56%	110.54%

* MAXIMUM SPECIAL TAXES LESS CFD ADMINISTRATION, DIVIDED BY GROSS DEBT SERVICE

** MAXIMUM SPECIAL TAXES LESS CFD ADMINISTRATION PLUS RESERVE EARNINGS, DIVIDED BY GROSS DEBT SERVICE

FISCAL YEAR - COLLECTION OF TAXES		2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		2041	2042	2043	2044	2045	2046	TOTAL
I. CFD BONDED INDEBTEDNESS								
CONSTRUCTION PROCEEDS		$0	$0	$0	$0	$0	$0	$68,152,126
PROCEEDS SURPLUS / (SHORTFALL)		$0	$0	$0	$0	$0	$0	$0
TOTAL BOND FINANCED FACILITIES		$0	$0	$0	$0	$0	$0	$68,152,126
TOTAL BONDED INDEBTEDNESS		$0	$0	$0	$0	$0	$0	$77,610,000
II. ABSORPTION-BUILDING PERMITS (as of 1/1)								
UNDEVELOPED PROPERTY								
1	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	NA
2	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	NA
3	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	NA
4	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	NA
5	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	NA
6	REMAINING UNDEVELOPED ACRES	0.00	0.00	0.00	0.00	0.00	0.00	NA
	SUBTOTAL	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*NA*
CUMULATIVE NON-RESIDENTIAL PROPERTY (BP as of 1/1)								
ZONE	DESCRIPTION							
1	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	NA
2	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	NA
3	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	NA
4	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	NA
5	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	NA
6	NON-RESIDENTIAL ACREAGE	0.00	0.00	0.00	0.00	0.00	0.00	NA
	SUBTOTAL	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*NA*
CUMULATIVE RESIDENTIAL PROPERTY (BP as of 1/1)								
ZONE	DESCRIPTION							
1	TRADITIONAL ATTACHED (> 1,600 SF)	10	10	10	10	10	10	NA
1	TRADITIONAL ATTACHED (1,401 - 1,600 SF)	40	40	40	40	40	40	NA
1	TRADITIONAL ATTACHED (1,201 - 1,400 SF)	0	0	0	0	0	0	NA
1	TRADITIONAL ATTACHED (1,001 - 1,200 SF)	20	20	20	20	20	20	NA
1	TRADITIONAL ATTACHED (< 1,001 SF)	10	10	10	10	10	10	NA
	SUBTOTAL	*80*	*80*	*80*	*80*	*80*	*80*	*NA*
2	CLUSTER ATTACHED (> 1,900 SF)	14	14	14	14	14	14	NA
2	CLUSTER ATTACHED (1,701 - 1,900 SF)	33	33	33	33	33	33	NA
2	CLUSTER ATTACHED (1,501 - 1,700 SF)	75	75	75	75	75	75	NA
2	CLUSTER ATTACHED (1,301 - 1,500 SF)	44	44	44	44	44	44	NA
2	CLUSTER ATTACHED (< 1,301 SF)	24	24	24	24	24	24	NA
	SUBTOTAL	*190*	*190*	*190*	*190*	*190*	*190*	*NA*
3	CLUSTER DETACHED (> 2,600 SF)	38	38	38	38	38	38	NA
3	CLUSTER DETACHED (2,401 - 2,600 SF)	19	19	19	19	19	19	NA
3	CLUSTER DETACHED (2,201 - 2,400 SF)	42	42	42	42	42	42	NA
3	CLUSTER DETACHED (2,001 - 2,200 SF)	46	46	46	46	46	46	NA
3	CLUSTER DETACHED (1,801 - 2,000 SF)	39	39	39	39	39	39	NA
3	CLUSTER DETACHED (< 1,801 SF)	13	13	13	13	13	13	NA
	SUBTOTAL	*197*	*197*	*197*	*197*	*197*	*197*	*NA*
4	TRADITIONAL DETACHED (> 4,400 SF)	9	9	9	9	9	9	NA
4	TRADITIONAL DETACHED (4,201 - 4,400 SF)	0	0	0	0	0	0	NA
4	TRADITIONAL DETACHED (4,001 - 4,200 SF)	9	9	9	9	9	9	NA
4	TRADITIONAL DETACHED (3,801 - 4,000 SF)	0	0	0	0	0	0	NA
4	TRADITIONAL DETACHED (3,601 - 3,800 SF)	19	19	19	19	19	19	NA
4	TRADITIONAL DETACHED (3,401 - 3,600 SF)	9	9	9	9	9	9	NA
4	TRADITIONAL DETACHED (3,201 - 3,400 SF)	0	0	0	0	0	0	NA
4	TRADITIONAL DETACHED (3,001 - 3,200 SF)	10	10	10	10	10	10	NA
4	TRADITIONAL DETACHED (2,801 - 3,000 SF)	0	0	0	0	0	0	NA
4	TRADITIONAL DETACHED (2,601 - 2,800 SF)	0	0	0	0	0	0	NA
4	TRADITIONAL DETACHED (2,401 - 2,600 SF)	0	0	0	0	0	0	NA
4	TRADITIONAL DETACHED (2,201 - 2,400 SF)	0	0	0	0	0	0	NA
4	TRADITIONAL DETACHED (2,001 - 2,200 SF)	65	65	65	65	65	65	NA
4	TRADITIONAL DETACHED (1,801 - 2,000 SF)	21	21	21	21	21	21	NA
4	TRADITIONAL DETACHED (< 1,801 SF)	19	19	19	19	19	19	NA
	SUBTOTAL	*161*	*161*	*161*	*161*	*161*	*161*	*NA*

FISCAL YEAR - COLLECTION OF TAXES		2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		2041	2042	2043	2044	2045	2046	TOTAL
5	AQ - CLUSTER DETACHED (> 1,900 SF)	6	6	6	6	6	6	NA
5	AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	19	19	19	19	19	19	NA
5	AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	30	30	30	30	30	30	NA
5	AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	0	0	0	0	0	0	NA
5	AQ - CLUSTER DETACHED (< 1,301 SF)	7	7	7	7	7	7	NA
	SUBTOTAL	*62*	*62*	*62*	*62*	*62*	*62*	*NA*
6	AQ - TRADITIONAL DETACHED (> 2,400 SF)	23	23	23	23	23	23	NA
6	AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	10	10	10	10	10	10	NA
6	AQ - TRADITIONAL DETACHED (< 2,001 SF)	29	29	29	29	29	29	NA
	SUBTOTAL	*62*	*62*	*62*	*62*	*62*	*62*	*NA*
CUMULATIVE RESIDENTIAL UNITS		752	752	752	752	752	752	NA

III. MELLO-ROOS SPECIAL TAXES

UNDEVELOPED PROPERTY SPECIAL TAXES

ZONE	DESCRIPTION							
1	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$516,124
2	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$1,927,920
3	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$2,751,768
4	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$2,601,816
5	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$550,310
6	REMAINING UNDEVELOPED ACRES	$0	$0	$0	$0	$0	$0	$685,128
	SUBTOTAL	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$9,033,066*

NON-RESIDENTIAL PROPERTY SPECIAL TAXES

ZONE	DESCRIPTION							
1	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
2	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
3	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
4	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
5	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
6	NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
	SUBTOTAL	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*

RESIDENTIAL PROPERTY SPECIAL TAXES

ZONE	DESCRIPTION							
1	TRADITIONAL ATTACHED (> 1,600 SF)	$65,212	$66,523	$67,860	$69,224	$70,615	$0	$1,502,964
1	TRADITIONAL ATTACHED (1,401 - 1,600 SF)	$238,980	$243,784	$248,684	$253,682	$258,781	$0	$5,503,704
1	TRADITIONAL ATTACHED (1,201 - 1,400 SF)	$0	$0	$0	$0	$0	$0	$0
1	TRADITIONAL ATTACHED (1,001 - 1,200 SF)	$105,473	$107,593	$109,756	$111,962	$114,212	$0	$2,423,432
1	TRADITIONAL ATTACHED (< 1,001 SF)	$30,590	$31,204	$31,832	$32,471	$33,124	$0	$705,012
	SUBTOTAL	*$440,254*	*$449,105*	*$458,132*	*$467,340*	*$476,731*	*$0*	*$10,135,112*
2	CLUSTER ATTACHED (> 1,900 SF)	$129,261	$131,859	$134,510	$137,213	$139,970	$0	$2,923,772
2	CLUSTER ATTACHED (1,701 - 1,900 SF)	$265,614	$270,953	$276,399	$281,954	$287,621	$0	$6,005,252
2	CLUSTER ATTACHED (1,501 - 1,700 SF)	$529,036	$539,671	$550,518	$561,583	$572,869	$0	$11,974,162
2	CLUSTER ATTACHED (1,301 - 1,500 SF)	$288,782	$294,587	$300,509	$306,548	$312,709	$0	$6,541,350
2	CLUSTER ATTACHED (< 1,301 SF)	$147,425	$150,389	$153,412	$156,495	$159,640	$0	$3,343,397
	SUBTOTAL	$1,360,117	$1,387,459	$1,415,347	$1,443,794	$1,472,809	$0	*$30,787,932*
3	CLUSTER DETACHED (> 2,600 SF)	$414,523	$422,856	$431,356	$440,025	$448,868	$0	$9,376,311
3	CLUSTER DETACHED (2,401 - 2,600 SF)	$199,272	$203,278	$207,364	$211,532	$215,783	$0	$4,511,032
3	CLUSTER DETACHED (2,201 - 2,400 SF)	$428,722	$437,340	$446,131	$455,097	$464,243	$0	$9,690,051
3	CLUSTER DETACHED (2,001 - 2,200 SF)	$440,879	$449,741	$458,781	$468,002	$477,407	$0	$9,979,044
3	CLUSTER DETACHED (1,801 - 2,000 SF)	$351,442	$358,507	$365,713	$373,063	$380,560	$0	$7,952,435
3	CLUSTER DETACHED (< 1,801 SF)	$106,640	$108,784	$110,971	$113,201	$115,476	$0	$2,415,014
	SUBTOTAL	*$1,941,478*	*$1,980,506*	*$2,020,315*	*$2,060,920*	*$2,102,337*	*$0*	*$43,923,888*
4	TRADITIONAL DETACHED (> 4,400 SF)	$166,957	$170,313	$173,736	$177,228	$180,790	$0	$3,783,194
4	TRADITIONAL DETACHED (4,201 - 4,400 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (4,001 - 4,200 SF)	$158,692	$161,882	$165,136	$168,455	$171,840	$0	$3,595,924
4	TRADITIONAL DETACHED (3,801 - 4,000 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,601 - 3,800 SF)	$295,364	$301,302	$307,358	$313,535	$319,836	$0	$6,708,742

FISCAL YEAR - COLLECTION OF TAXES		2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**TOTAL**
4	TRADITIONAL DETACHED (3,401 - 3,600 SF)	$136,528	$139,273	$142,072	$144,928	$147,840	$0	$3,093,699
4	TRADITIONAL DETACHED (3,201 - 3,400 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,001 - 3,200 SF)	$135,496	$138,219	$140,998	$143,832	$146,722	$0	$3,084,128
4	TRADITIONAL DETACHED (2,801 - 3,000 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,601 - 2,800 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,001 - 2,200 SF)	$621,747	$634,245	$646,994	$659,997	$673,261	$0	$14,066,627
4	TRADITIONAL DETACHED (1,801 - 2,000 SF)	$184,297	$188,002	$191,781	$195,636	$199,567	$0	$4,165,524
4	TRADITIONAL DETACHED (< 1,801 SF)	$153,840	$156,933	$160,087	$163,305	$166,587	$0	$3,482,569
	SUBTOTAL	*$1,852,921*	*$1,890,169*	*$1,928,162*	*$1,966,915*	*$2,006,443*	*$0*	*$41,980,407*
5	AQ - CLUSTER DETACHED (> 1,900 SF)	$44,598	$45,494	$46,409	$47,341	$48,293	$0	$1,019,455
5	AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	$134,350	$137,050	$139,805	$142,615	$145,481	$0	$3,066,897
5	AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	$193,541	$197,432	$201,400	$205,448	$209,577	$0	$4,424,144
5	AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	$0	$0	$0	$0	$0	$0	$0
5	AQ - CLUSTER DETACHED (< 1,301 SF)	$43,778	$44,658	$45,556	$46,471	$47,405	$0	$997,008
	SUBTOTAL	*$416,266*	*$424,634*	*$433,170*	*$441,876*	*$450,756*	*$0*	*$9,507,504*
6	AQ - TRADITIONAL DETACHED (> 2,400 SF)	$210,435	$214,665	$218,980	$223,381	$227,870	$0	$4,809,199
6	AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	$88,806	$90,592	$92,412	$94,270	$96,164	$0	$2,034,203
6	AQ - TRADITIONAL DETACHED (< 2,001 SF)	$234,320	$239,031	$243,835	$248,736	$253,735	$0	$5,366,759
	SUBTOTAL	*$533,561*	*$544,287*	*$555,228*	*$566,387*	*$577,769*	*$0*	*$12,210,161*
TOTAL SPECIAL TAXES		**$6,544,599**	**$6,676,161**	**$6,810,354**	**$6,947,231**	**$7,086,846**	**$0**	**$157,578,070**
IV. SPECIAL TAX REQUIREMENT								
NEW BONDED INDEBTEDNESS		$0	$0	$0	$0	$0	($77,610,000)	$77,610,000
RESERVE FUND		$0	$0	$0	$0	$0	($7,129,574)	$7,129,574
ANNUAL GROSS DEBT SERVICE - SERIES A		$6,457,475	$6,586,624	$6,718,357	$6,852,724	$6,989,778	$7,129,574	$162,736,478
TOTAL ANNUAL DEBT SERVICE		$6,457,475	$6,586,624	$6,718,357	$6,852,724	$6,989,778	$7,129,574	$162,736,478
CFD ADMINISTRATION		$120,633	$123,045	$125,506	$128,016	$130,577	$0	$2,909,418
RESERVE FUND INTEREST (6% DELINQUENCY)		($33,509)	($33,509)	($33,509)	($33,509)	($33,509)	$0	($938,252)
CAPITALIZED INTEREST		$0	$0	$0	$0	$0	$0	$0
PAY-AS-YOU-GO FUNDS		$0	$0	$0	$0	$0	$0	$0
NET ANNUAL DEBT SERVICE		**$6,544,599**	**$6,676,161**	**$6,810,354**	**$6,947,231**	**$7,086,846**	**$0**	**$157,578,070**
ANNUAL SURPLUS/(DEFICIT)		$0	$0	$0	$0	$0	$0	NA
CUMULATIVE SURPLUS/(DEFICIT)		$0	$0	$0	$0	$0	$0	NA

-- DEBT SERVICE SCHEDULE ASSUMES FEBRUARY 15 AND SEPTEMBER 15 BOND PAYMENTS --

V. AVERAGE ANNUAL SPECIAL TAX

UNDEVELOPED PROPERTY, PER ACRE

ZONE	DESCRIPTION							
1	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA
2	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA
3	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA
4	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA
5	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA
6	UNDEVELOPED PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA

NON-RESIDENTIAL PROPERTY, PER ACRE

ZONE	DESCRIPTION							
1	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA
2	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA
3	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA
4	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA
5	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA
6	NON-RESIDENTIAL PROPERTY, PER ACRE	$0	$0	$0	$0	$0	$0	NA

FISCAL YEAR - COLLECTION OF TAXES	2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**TOTAL**
RESIDENTIAL PROPERTY, PER UNIT							
ZONE DESCRIPTION							
1 TRADITIONAL ATTACHED (> 1,600 SF)	$6,521	$6,652	$6,786	$6,922	$7,061	$0	NA
1 TRADITIONAL ATTACHED (1,401 - 1,600 SF)	$5,975	$6,095	$6,217	$6,342	$6,470	$0	NA
1 TRADITIONAL ATTACHED (1,201 - 1,400 SF)	$0	$0	$0	$0	$0	$0	NA
1 TRADITIONAL ATTACHED (1,001 - 1,200 SF)	$5,274	$5,380	$5,488	$5,598	$5,711	$0	NA
1 TRADITIONAL ATTACHED (< 1,001 SF)	$3,059	$3,120	$3,183	$3,247	$3,312	$0	NA
2 CLUSTER ATTACHED (> 1,900 SF)	$9,233	$9,419	$9,608	$9,801	$9,998	$0	NA
2 CLUSTER ATTACHED (1,701 - 1,900 SF)	$8,049	$8,211	$8,376	$8,544	$8,716	$0	NA
2 CLUSTER ATTACHED (1,501 - 1,700 SF)	$7,054	$7,196	$7,340	$7,488	$7,638	$0	NA
2 CLUSTER ATTACHED (1,301 - 1,500 SF)	$6,563	$6,695	$6,830	$6,967	$7,107	$0	NA
2 CLUSTER ATTACHED (< 1,301 SF)	$6,143	$6,266	$6,392	$6,521	$6,652	$0	NA
3 CLUSTER DETACHED (> 2,600 SF)	$10,909	$11,128	$11,351	$11,580	$11,812	$0	NA
3 CLUSTER DETACHED (2,401 - 2,600 SF)	$10,488	$10,699	$10,914	$11,133	$11,357	$0	NA
3 CLUSTER DETACHED (2,201 - 2,400 SF)	$10,208	$10,413	$10,622	$10,836	$11,053	$0	NA
3 CLUSTER DETACHED (2,001 - 2,200 SF)	$9,584	$9,777	$9,974	$10,174	$10,378	$0	NA
3 CLUSTER DETACHED (1,801 - 2,000 SF)	$9,011	$9,192	$9,377	$9,566	$9,758	$0	NA
3 CLUSTER DETACHED (< 1,801 SF)	$8,203	$8,368	$8,536	$8,708	$8,883	$0	NA
4 TRADITIONAL DETACHED (> 4,400 SF)	$18,551	$18,924	$19,304	$19,692	$20,088	$0	NA
4 TRADITIONAL DETACHED (4,201 - 4,400 SF)	$0	$0	$0	$0	$0	$0	NA
4 TRADITIONAL DETACHED (4,001 - 4,200 SF)	$17,632	$17,987	$18,348	$18,717	$19,093	$0	NA
4 TRADITIONAL DETACHED (3,801 - 4,000 SF)	$0	$0	$0	$0	$0	$0	NA
4 TRADITIONAL DETACHED (3,601 - 3,800 SF)	$15,545	$15,858	$16,177	$16,502	$16,833	$0	NA
4 TRADITIONAL DETACHED (3,401 - 3,600 SF)	$15,170	$15,475	$15,786	$16,103	$16,427	$0	NA
4 TRADITIONAL DETACHED (3,201 - 3,400 SF)	$0	$0	$0	$0	$0	$0	NA
4 TRADITIONAL DETACHED (3,001 - 3,200 SF)	$13,550	$13,822	$14,100	$14,383	$14,672	$0	NA
4 TRADITIONAL DETACHED (2,801 - 3,000 SF)	$0	$0	$0	$0	$0	$0	NA
4 TRADITIONAL DETACHED (2,601 - 2,800 SF)	$0	$0	$0	$0	$0	$0	NA
4 TRADITIONAL DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$0	$0	$0	NA
4 TRADITIONAL DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$0	$0	$0	NA
4 TRADITIONAL DETACHED (2,001 - 2,200 SF)	$9,565	$9,758	$9,954	$10,154	$10,358	$0	NA
4 TRADITIONAL DETACHED (1,801 - 2,000 SF)	$8,776	$8,952	$9,132	$9,316	$9,503	$0	NA
4 TRADITIONAL DETACHED (< 1,801 SF)	$8,097	$8,260	$8,426	$8,595	$8,768	$0	NA
5 AQ - CLUSTER DETACHED (> 1,900 SF)	$7,433	$7,582	$7,735	$7,890	$8,049	$0	NA
5 AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	$7,071	$7,213	$7,358	$7,506	$7,657	$0	NA
5 AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	$6,451	$6,581	$6,713	$6,848	$6,986	$0	NA
5 AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	$0	$0	$0	$0	$0	$0	NA
5 AQ - CLUSTER DETACHED (< 1,301 SF)	$6,254	$6,380	$6,508	$6,639	$6,772	$0	NA
6 AQ - TRADITIONAL DETACHED (> 2,400 SF)	$9,149	$9,333	$9,521	$9,712	$9,907	$0	NA
6 AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	$8,881	$9,059	$9,241	$9,427	$9,616	$0	NA
6 AQ - TRADITIONAL DETACHED (< 2,001 SF)	$8,080	$8,242	$8,408	$8,577	$8,749	$0	NA
VI. MAXIMUM SPECIAL TAXES							
UNDEVELOPD PROPERTY							
ZONE DESCRIPTION							
1 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$611,376
2 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$2,426,113
3 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$3,490,614
4 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$3,286,427
5 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$655,924
6 UNDEVELOPED PROPERTY	$0	$0	$0	$0	$0	$0	$815,631
SUBTOTAL	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$11,286,084*
NON-RESIDENTIAL PROPERTY SPECIAL TAXES							
ZONE DESCRIPTION							
1 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
2 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
3 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
4 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
5 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
6 NON-RESIDENTIAL PROPERTY	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	$0

FISCAL YEAR - COLLECTION OF TAXES		2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	
CALENDAR YEAR - PAYMENTS TO BOND HOLDERS		2041	2042	2043	2044	2045	2046	TOTAL
RESIDENTIAL PROPERTY SPECIAL TAXES								
ZONE	DESCRIPTION							
1	TRADITIONAL ATTACHED (> 1,600 SF)	$71,990	$73,430	$74,898	$76,396	$77,924	$79,483	$1,729,706
1	TRADITIONAL ATTACHED (1,401 - 1,600 SF)	$263,820	$269,097	$274,479	$279,968	$285,568	$291,279	$6,334,642
1	TRADITIONAL ATTACHED (1,201 - 1,400 SF)	$0	$0	$0	$0	$0	$0	$0
1	TRADITIONAL ATTACHED (1,001 - 1,200 SF)	$116,436	$118,765	$121,140	$123,563	$126,034	$128,555	$2,790,165
1	TRADITIONAL ATTACHED (< 1,001 SF)	$33,769	$34,445	$35,133	$35,836	$36,553	$37,284	$811,373
	SUBTOTAL	*$486,016*	*$495,736*	*$505,651*	*$515,764*	*$526,079*	*$536,601*	*$11,665,886*
2	CLUSTER ATTACHED (> 1,900 SF)	$142,696	$145,550	$148,461	$151,431	$154,459	$157,548	$3,373,214
2	CLUSTER ATTACHED (1,701 - 1,900 SF)	$293,222	$299,087	$305,068	$311,170	$317,393	$323,741	$6,928,795
2	CLUSTER ATTACHED (1,501 - 1,700 SF)	$584,026	$595,706	$607,620	$619,773	$632,168	$644,811	$13,813,632
2	CLUSTER ATTACHED (1,301 - 1,500 SF)	$318,799	$325,175	$331,678	$338,312	$345,078	$351,980	$7,545,451
2	CLUSTER ATTACHED (< 1,301 SF)	$162,749	$166,004	$169,324	$172,710	$176,165	$179,688	$3,855,997
	SUBTOTAL	*$1,501,492*	*$1,531,522*	*$1,562,152*	*$1,593,395*	*$1,625,263*	*$1,657,769*	*$35,517,089*
3	CLUSTER DETACHED (> 2,600 SF)	$457,610	$466,762	$476,097	$485,619	$495,332	$505,238	$10,817,617
3	CLUSTER DETACHED (2,401 - 2,600 SF)	$219,985	$224,385	$228,872	$233,450	$238,119	$242,881	$5,203,905
3	CLUSTER DETACHED (2,201 - 2,400 SF)	$473,285	$482,750	$492,405	$502,253	$512,298	$522,544	$11,180,726
3	CLUSTER DETACHED (2,001 - 2,200 SF)	$486,705	$496,439	$506,368	$516,495	$526,825	$537,362	$11,511,989
4	CLUSTER DETACHED (1,801 - 2,000 SF)	$387,972	$395,731	$403,646	$411,719	$419,953	$428,352	$9,174,405
4	CLUSTER DETACHED (< 1,801 SF)	$117,725	$120,079	$122,481	$124,931	$127,429	$129,978	ERR
	SUBTOTAL	*$2,143,281*	*$2,186,147*	*$2,229,870*	*$2,274,467*	*$2,319,956*	*$2,366,355*	*ERR*
4	TRADITIONAL DETACHED (> 4,400 SF)	$184,311	$187,997	$191,757	$195,592	$199,504	$203,494	$4,363,706
4	TRADITIONAL DETACHED (4,201 - 4,400 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (4,001 - 4,200 SF)	$175,187	$178,691	$182,265	$185,910	$189,628	$193,421	$4,147,700
4	TRADITIONAL DETACHED (3,801 - 4,000 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,601 - 3,800 SF)	$326,065	$332,586	$339,238	$346,023	$352,943	$360,002	$7,735,729
4	TRADITIONAL DETACHED (3,401 - 3,600 SF)	$150,720	$153,734	$156,809	$159,945	$163,144	$166,407	$3,568,411
4	TRADITIONAL DETACHED (3,201 - 3,400 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (3,001 - 3,200 SF)	$149,580	$152,571	$155,623	$158,735	$161,910	$165,148	$3,555,249
4	TRADITIONAL DETACHED (2,801 - 3,000 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,601 - 2,800 SF)	$0	$0	$0	$0	$0	$0	$0
4	TRADITIONAL DETACHED (2,401 - 2,600 SF)	$0	$0	$0	$0	$0	$0	$0
5	TRADITIONAL DETACHED (2,201 - 2,400 SF)	$0	$0	$0	$0	$0	$0	$0
5	TRADITIONAL DETACHED (2,001 - 2,200 SF)	$686,373	$700,100	$714,102	$728,384	$742,952	$757,811	$16,228,453
5	TRADITIONAL DETACHED (1,801 - 2,000 SF)	$203,454	$207,523	$211,673	$215,907	$220,225	$224,629	$4,806,330
5	TRADITIONAL DETACHED (< 1,801 SF)	$169,831	$173,228	$176,692	$180,226	$183,830	$187,507	$4,017,475
	SUBTOTAL	*$2,045,519*	*$2,086,430*	*$2,128,158*	*$2,170,721*	*$2,214,136*	*$2,258,419*	*$48,423,052*
5	AQ - CLUSTER DETACHED (> 1,900 SF)	$49,233	$50,218	$51,222	$52,247	$53,292	$54,358	$1,174,523
5	AQ - CLUSTER DETACHED (1,701 - 1,900 SF)	$148,314	$151,281	$154,306	$157,392	$160,540	$163,751	$3,534,033
5	AQ - CLUSTER DETACHED (1,501 - 1,700 SF)	$213,659	$217,932	$222,290	$226,736	$231,271	$235,896	$5,097,091
5	AQ - CLUSTER DETACHED (1,301 - 1,500 SF)	$0	$0	$0	$0	$0	$0	$0
5	AQ - CLUSTER DETACHED (< 1,301 SF)	$48,328	$49,295	$50,281	$51,286	$52,312	$53,358	$1,149,225
	SUBTOTAL	*$459,535*	*$468,725*	*$478,100*	*$487,662*	*$497,415*	*$507,363*	*$10,954,872*
6	AQ - TRADITIONAL DETACHED (> 2,400 SF)	$232,308	$236,954	$241,693	$246,527	$251,458	$256,487	$5,540,884
6	AQ - TRADITIONAL DETACHED (2,001 - 2,400 SF)	$98,037	$99,998	$101,998	$104,038	$106,119	$108,241	$2,342,985
6	AQ - TRADITIONAL DETACHED (< 2,001 SF)	$258,676	$263,850	$269,127	$274,510	$280,000	$285,600	$6,181,496
	SUBTOTAL	*$589,021*	*$600,802*	*$612,818*	*$625,074*	*$637,576*	*$650,327*	*$14,065,365*
TOTAL MAXIMUM SPECIAL TAXES		**$7,224,864**	**$7,369,362**	**$7,516,749**	**$7,667,084**	**$7,820,425**	**$7,976,834**	**ERR**
VII. DEBT SERVICE COVERAGE								
GROSS DEBT SERVICE COVERAGE *		110.02%	110.02%	110.02%	110.02%	110.02%	111.88%	NA
NET DEBT SERVICE COVERAGE **		110.53%	110.52%	110.51%	110.50%	110.50%	111.88%	NA

* MAXIMUM SPECIAL TAXES LESS CFD ADMINISTRATION, DIVIDED BY GROSS DEBT SERVICE

** MAXIMUM SPECIAL TAXES LESS CFD ADMINISTRATION PLUS RESERVE EARNINGS, DIVIDED BY GROSS DEBT SERVICE

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Bond Counsel will deliver an opinion for the Bonds substantially in the form set forth below:

[Closing Date]

Community Facilities District No. 2017-1
of the County of Orange (Village of Esencia)
Santa Ana, California

Re: $76,950,000 Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (Improvement Area No. 1) Series A of 2018 Special Tax Bonds

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the Board of Supervisors of the County of Orange taken in connection with the authorization and issuance by the Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (the "District") of its (Improvement Area No. 1) Series A of 2018 Special Tax Bonds in the aggregate principal amount of $76,950,000 (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 of fact and certifications made by the District, the initial purchasers 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 Mello Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), Resolution No. 18-008, adopted by the Board of Supervisors of the County of Orange, acting in its capacity as the legislative body of the District (the "Board") on January 23, 2018, and the Indenture dated as of February 1, 2018 (the "Indenture"), by and between the District and U.S. Bank National Association, as trustee. All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

The Bonds are dated their date of delivery and mature on the dates and in the amounts set forth in the Indenture. The Bonds bear interest payable semiannually on each February 15 and August 15, commencing on August 15, 2018, at the rates per annum set forth in the Indenture. The Bonds are registered bonds in the form set forth in the Indenture, redeemable in the amounts, at the times and in the manner provided for 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 District and are legal, valid and binding limited obligations of the District, 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 and other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, or by the limitations on legal remedies against public agencies in the State of California. The Bonds are limited obligations of the District but are not a debt of the County of Orange (the "County"), the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and,

except for the Special Taxes, neither the faith and credit nor the taxing power of the County, the State of California, or any of its political subdivisions is pledged for the payment thereof.

(2) The execution and delivery of the Indenture has been duly authorized by the District, and the Indenture is valid and binding upon the District and is enforceable in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, or by the limitations on legal remedies against public agencies in the State of California; provided, however, we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative Expenses and we express no opinion as to any provisions with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

(3) The Indenture creates a valid pledge of that which the Indenture purports to pledge, subject to the provisions of the Indenture, except to the extent that enforceability of the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, or by the limitations on legal remedies against public agencies in the State of California.

(4) 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.

(5) Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

(6) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues for the Bondowner 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 4 above) and is exempt from State of California personal income tax.

(7) The amount by which a Bondowner'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 Bondowner'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 Bondowner 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 opinion expressed in paragraph (4) 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 District and the County 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 District and the County have covenanted to

comply with all such requirements. Except as set forth in paragraphs (4), (5), (6) and (7) 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 may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in the Indenture, 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 effect on the exclusion of interest 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 and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions, including the default judgment entered on July 13, 2017, by the Superior Court of the State of California for the County of Orange in the action entitled County of Orange v. All Persons Interested in the Matter etc., Case No. 30-2017-00918061-CU-MC-CJC, and cover certain matters not directly addressed by such authorities.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to the matters contained in the Official Statement.

Respectfully submitted,

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC DATA FOR THE COUNTY OF ORANGE

The following economic data for the County of Orange (the "County"), the City of Rancho Santa Margarita and the City of Mission Viejo are presented for information purposes only. The Bonds are not a debt or obligation of the County or the City.

General

The County is third largest county in California and is located adjacent to the Pacific Ocean and the Counties of Los Angeles, San Bernardino, Riverside and San Diego. The County is located in the most heavily populated region of California, necessitating easy access to road, rail, air and sea transportation. The County is also a major Southern California tourist center with a large number of amusement parks and recreational and entertainment activities. The County's Pacific Coast shoreline includes five state beaches and parks, five Municipal beaches and five County beaches.

The County is a general law county and governed by a five-member Board of Supervisors, each of whom serves for four-year terms. The County provides a wide range of services to its residents, including police, medical and health services, senior citizen assistance, library services, judicial institutions (including support programs), airport service, roads, solid waste management, harbors, beaches and parks, life guard services and a variety of public assistance programs.

Population

The following table summarizes population estimates for the City of Mission Viejo, the City of Rancho Santa Margarita, County and State from 2013 through 2017.

POPULATION ESTIMATES
The City of Mission Viejo, the City of Rancho Santa Margarita, County of Orange and the State of California
2013-2017[(1)]

Year	*City of Mission Viejo*	*City of Rancho Santa Margarita*	*County of Orange*	*California*
2013	94,645	48,375	3,102,606	38,238,492
2014	94,948	48,464	3,127,083	38,572,211
2015	95,939	48,575	3,152,376	38,915,880
2016	96,763	48,636	3,172,152	39,189,035
2017	96,718	48,602	3,194,024	39,523,613

(1) January 1 data.
Source: California State Department of Finance, Demographic Research Unit.

Income

The following tables show the personal income and per capita income for the County, State of California and United States from 2011 through 2016.

PERSONAL INCOME
County of Orange, State of California, and United States
2011-2016

Year	*County of Orange*	*California*	*United States*
2011	$157,031,273	$1,727,433,579	$13,233,436,000
2012	169,583,534	1,838,567,162	13,904,485,000
2013	166,369,802	1,861,956,514	14,068,960,000
2014	174,586,467	1,986,025,976	14,811,388,000
2015	188,471,529	2,133,664,158	15,547,661,000
2016	196,920,661	2,212,691,221	15,912,777,000

Note: Dollars in Thousands.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME[(1)]
County of Orange, State of California, and United States
2011-2016

Year	*County of Orange*	*California*	*United States*
2011	$51,420	$45,849	$42,461
2012	54,972	48,369	44,282
2013	53,451	48,570	44,493
2014	55,699	51,344	46,464
2015	59,708	54,718	48,451
2016	62,071	56,374	49,246

(1) Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures from 2012 to 2016 for the City of Mission Viejo, the City of Rancho Santa Margarita, the County and the State of California.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Mission Viejo, City of Rancho Santa Margarita, County of Orange, State of California and the United States
2012-2016[1]

	Area	*Labor Force*	*Employment[2]*	*Unemployment[3]*	*Unemployment Rate[4]*
2012	City of Mission Viejo	49,000	45,300	3,600	7.4%
	City of Rancho Santa Margarita	26,600	25,400	1,200	4.6
	Orange County	1,562,100	1,439,300	122,900	7.9
	State of 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	City of Mission Viejo	49,100	46,100	3,000	6.2%
	City of Rancho Santa Margarita	26,800	25,800	1,000	3.8
	Orange County	1,565,300	1,462,400	102,900	6.6
	State of 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	City of Mission Viejo	49,300	46,800	2,500	5.1%
	City of Rancho Santa Margarita	27,100	26,200	900	3.2
	Orange County	1,572,000	1,485,700	86,200	5.5
	State of 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	City of Mission Viejo	49,900	47,800	2,100	4.2%
	City of Rancho Santa Margarita	27,500	26,800	700	2.6
	Orange County	1,588,700	1,518,000	70,700	4.4
	State of California	18,893,200	17,723,300	1,169,900	6.2
	United States	157,130,000	146,411,000	8,296,000	5.3
2016	City of Mission Viejo	50,300	48,500	1,900	3.8%
	City of Rancho Santa Margarita	27,800	27,100	600	2.3
	Orange County	1,602,400	1,538,000	64,300	4.0
	State of 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) Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
(2) Includes persons involved in labor-management trade disputes.
(3) Includes all persons without jobs who are actively seeking work.
(4) The unemployment rate is computed from un-rounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2016 Benchmark.

Industry

The following table summarizes employment figures by industry for the Anaheim-Santa Ana-Irvine Metropolitan Division ("MD"), which is located entirely within the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
Anaheim-Santa Ana-Irvine MD
(County of Orange)
2012-2016

	2012	*2013*	*2014*	*2015*	*2016*
Farming	2,800	2,900	2,800	2,400	2,800
Mining and Logging	600	600	700	600	500
Construction	72,900	78,400	83,100	91,700	96,900
Manufacturing	158,300	158,000	157,400	157,000	156,400
Wholesale Trade	77,200	79,400	80,900	80,800	80,800
Retail Trade	144,000	145,500	148,500	151,200	142,600
Transportation, Warehousing and Utilities	28,000	27,500	26,500	26,900	27,600
Information	24,300	25,000	24,500	25,500	26,000
Financial Activities	108,300	113,100	113,600	116,100	117,400
Professional and Business Services	260,600	267,300	276,600	286,600	296,200
Education and Health Services	177,000	186,000	190,800	198,800	203,700
Leisure and Hospitality	180,600	187,800	194,500	203,800	211,800
Other Services	44,600	45,600	47,300	48,900	50,300
Government	147,900	148,700	152,200	156,400	160,100
Total:	1,427,100	1,465,700	1,499,300	1,546,900	1,582,600

Note: Items may not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2016 Benchmark.

Largest Employers

The following table presents the largest employers in the County as of June 30, 2017.

LARGEST EMPLOYERS
County of Orange
2017

Name of Business	*Number of Employees*	*Type of Business*
Walt Disney Co.	29,000	Entertainment
University of California, Irvine	23,605	Education
County of Orange	18,264	County Government
St. Joseph Health System	11,925	Healthcare
Allied Universal	8,229	Security Systems
Kaiser Permanente	7,694	Healthcare
Boeing Co.	6,103	Aerospace Industries
Wal-Mart	6,000	Retail
California State University, Fullerton	5,781	Education
Bank of America	5,500	Financial Services

Source: County of Orange Comprehensive Annual Financial Report, Year Ended June 30, 2017.

Building Activity

The following tables summarize building permits and valuations for the County and City during calendar years 2012 through 2016.

BUILDING PERMITS AND VALUATIONS
County of Orange
2012-2016

	2012	*2013*	*2014*	*2015*	*2016*
Valuation (In $000's)					
Residential	$1,554,904	$2,596,543	$2,633,471	$2,826,883	$3,151,640
Nonresidential	1,271,034	1,578,466	2,000,168	2,203,105	2,495,687
Total Valuation[(1)]	$2,825,938	$4,175,009	$4,633,639	$5,029,988	$5,647,327
New Dwelling Units (#)					
Single-Family	2,438	3,889	3,646	3,667	4,226
Multi-Family	3,725	6,564	6,990	7,230	7,908
Total:	6,163	10,453	10,636	10,897	12,134

(1) Total may not add up due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Mission Viejo
2012-2016

	2012	*2013*	*2014*	*2015*	*2016*
Valuation (In $000's)					
Residential	$62,926	$58,373	$17,120	$23,735	$43,677
Nonresidential	18,805	6,190	23,183	19,040	18,656
Total Valuation[(1)]	$81,731	$64,563	$40,303	$42,775	$62,333
New Dwelling Units (#)					
Single-Family	40	5	2	0	36
Multi-Family	334	251	0	0	0
Total:	374	256	2	0	36

(1) Total may not add up due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Rancho Santa Margarita
2012-2016

	2012	*2013*	*2014*	*2015*	*2016*
Valuation (In $000's)					
Residential	$15,510	$24,258	$ 5,648	$ 5,395	$10,676
Nonresidential	11,096	11,236	5,430	9,675	18,770
Total Valuation[(1)]	$26,606	$35,494	$11,078	$15,070	$17,592
New Dwelling Units (#)					
Single-Family	34	17	0	0	22
Multi-Family	0	44	0	0	0
Total:	34	61	0	0	22

(1) Total may not add up due to rounding.
Source: Construction Industry Research Board.

Taxable Sales

The history of taxable transactions in the County and the Cities from 2011 through 2016 is shown in the following tables.

TAXABLE SALES
County of Orange
2011-2016

Year	*Retail Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2011	58,795	35,587,795	92,207	51,731,139
2012	60,273	38,372,456	93,183	55,230,612
2013	62,208	40,025,929	94,862	57,591,217
2014	65,291	41,288,537	97,943	60,097,128
2015	67,939	41,589,926	110,717	61,358,087
2016	68,338	42,269,770	112,154	62,511,421

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
City of Mission Viejo
2011-2016

Year	*Retail Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2011	1,727	1,155,130	2,542	1,380,815
2012	1,719	1,218,596	2,511	1,445,932
2013	1,694	1,260,548	2,452	1,467,087
2014	1,751	1,314,396	2,500	1,532,627
2015	1,771	1,305,281	2,826	1,541,616
2016	1,797	1,298,595	2,869	1,539,348

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
City of Rancho Santa Margarita
2011-2016

Year	*Retail Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2011	766	393,866	1,176	484,007
2012	790	431,529	1,187	525,714
2013	730	442,228	1,098	536,028
2014	715	447,378	1,073	544,759
2015	655	453,338	1,145	562,087
2016	676	457,783	1,200	575,368

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

The following is a summary of certain definitions and provisions of the Indenture which is not described elsewhere in the Official Statement. This Summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions.

DEFINITIONS

"Account" means any account created pursuant to the Indenture.

Acquisition Agreement" means that certain Series A of 2018 Special Tax Bonds Acquisition, Funding and Disclosure Agreement dated as of February 22, 2018, by and between the County and RMV PA2 Development, LLC, a Delaware limited liability company, together with any amendments thereto

"Acquisition and Construction Fund" means the fund by that name established 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.

"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 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 Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

"Administrative Expenses Cap" means $75,000 for Fiscal Year 2017-18, increasing at a rate of 2% per Fiscal Year thereafter.

"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.

"Assessor's Parcel" has the meaning ascribed to it in the RMA.

"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 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.

"Bondowner" or "Owner" means the person or persons in whose name or names any Bond or Parity Bond is registered.

"Bonds" means the District's (Improvement Area No. 1) Series A of 2018 Special Tax Bonds issued on February 22, 2018 in the aggregate principal amount of $76,950,000.

"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.

"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.

"Certificate of the Special Tax Consultant" means a certificate of David Taussig & Associates, Inc., or any successor entity appointed by the District, to administer the calculation and collection of the Special Taxes.

"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.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate dated as of February 1, 2018, executed and delivered by the District, together with any amendments thereto.

"Costs of Issuance" means the costs and expenses incurred in connection with the issuance and sale of the Bonds or Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants, fees of special tax consultants and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the District.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Indenture.

"County" means the County of Orange, California.

"County Facilities Account" means the account by that name established pursuant to the 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.

"Developed Property" has the meaning ascribed to it in the RMA.

"District" means Community Facilities District No. 2017-1 (Village of Esencia) established pursuant to the Act and the Resolution of Formation.

"Event of Default" shall mean the "event of default" described in the Indenture.

"Federal Securities" means any of the following: (a) non-callable direct obligations of the United States of America ("Treasuries") or obligations for which the full faith and credit of the United States of America are unconditionally pledged for the payment of interest and principal, (b) evidence 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, and (c) pre-refunded municipal obligations rated "AAA" and "Aaa" by Standard & Poor's and Moody's, respectively (or any combination thereof).

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next following June 30.

"Fitch" means Fitch Ratings, New York, New York, or its successors, and if such organization shall for any reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County.

"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*.

"Improvement Area" means Improvement Area No. 1 of the District designated pursuant to the Act and the Resolution of Formation.

"In-Tract Subaccount" means the subaccount by that name created and established in the Water Facilities Account of the Acquisition and Construction Fund pursuant to the Indenture.

"Indenture" means the Bond Indenture pursuant to which the Bonds are issued, together with any Supplemental Indenture approved pursuant to the Indenture.

"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.

"Interest Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

"Interest Payment Date" means each February 15 and August 15, commencing August 15, 2018; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

"Maximum Annual Debt Service" means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year:

(1) the principal amount of all Outstanding Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and

(2) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

"Maximum Special Tax" has the meaning ascribed to it in the RMA.

"Moody's" means Moody's Investors Service, Inc., New York, New York, or its successors, and if such organization shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County.

"Net Taxes" means Gross Taxes minus amounts set aside to pay Administrative Expenses.

"Nominee" shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Ordinance" means Ordinance No. 17-003 adopted by the legislative body of the District on April 25, 2017, providing for the levying of the Special Tax, as it may be amended from time to time, or any other ordinance adopted by the Board of Supervisors levying the Special Taxes.

"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 monies 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" means all bonds, notes or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided in the Indenture or any Supplemental Indenture, rank on a parity with the Bonds.

"Participants" shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

"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-chartered bank, savings bank, saving and loan association, or credit union in this 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.

"Person" means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

"Prepayments" means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the Improvement Area made in accordance with the RMA.

"Principal Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

"Principal Office of the Trustee" means the office of the Trustee located in Los Angeles, California, or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

"Project" means those public facilities described in the Acquisition Agreement which are to be acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities.

"Project Facilities Account" means the account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

"Project Costs" means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds, and to pay any other "incidental expenses" of the District, as such term is defined in the Act.

"Rating Agency" means Fitch, Moody's and Standard & Poor's, or any one of such entities, as the context requires.

"Rebate Fund" means the fund by that name established pursuant to the Indenture in which there are established the Accounts described in the Indenture.

"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.

"Redemption Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

"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.

"Representation Letter" shall mean the Blanket Letter of Representations from the District to the Depository as described in the Indenture.

"Reserve Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

"Reserve Requirement" means that amount as of any date of calculation equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; or (iv) $6,647,513.78, the initial Reserve Requirement.

"Reservoir Subaccount" means the subaccount by that name created and established in the Water Facilities Account of the Acquisition and Construction Fund pursuant to the Indenture.

"Resolution of Formation" means Resolution No. 17-034 adopted by the Board of Supervisors of the County on March 28, 2017, pursuant to which the County formed the District and designated the Improvement Area therein, together with Resolution No. 17-035 adopted by the legislative body of the District on March 28, 2017.

"RMA" means the Rate and Method of Apportionment of Special Taxes for Improvement Area No. 1 of Community Facilities District No. 2017-1 (Village of Esencia) in the form attached to the Resolution of Formation.

"Sinking Fund Payment" means the annual payment to be deposited in the Principal Account to redeem a portion of the Term Bonds in accordance with the schedules set forth in the Indenture and any annual sinking fund payment schedule to retire any 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 Improvement Area in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the March 28, 2017 election in the Improvement Area.

"Standard & Poor's" or "S&P" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business or its successors and if such organization shall no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County.

"Subordinated Bonds" means any bonds or indebtedness of the District that have a lien, charge, pledge or encumbrance on the Net Taxes junior and subordinated to the lien, charge, pledge and encumbrance thereon for the Bonds and any Parity Bonds.

"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.

"Tax Certificate" means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

"Taxable Property" has the meaning ascribed to it in the RMA.

"Term Bonds" means the Bonds maturing on August 15, 2042 and on August 15, 2047, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

"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, at its principal corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture and any successor thereto.

"Underwriters" means Stifel, Nicolaus & Company, Incorporated and Raymond James & Associates, Inc., with respect to the Bonds and, with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

"Undeveloped Property" has the meaning ascribed to it in the RMA.

"Water Facilities Account" means the account by that name established pursuant to the Indenture.

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 Special Taxes, no other taxes are pledged to the payment of the Bonds or any 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 certain amounts deposited by the District in the Special Tax Fund (exclusive of the Administrative Expense Account), 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 (exclusive of the Administrative Expense Account) 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 (exclusive of the Administrative Expense Account) which are, under the terms of the Indenture and the Act, set aside for the payment of the Bonds, any Parity Bonds and interest thereon and neither the members of the legislative body of the District or the Board of Supervisors of the County nor any persons executing the Bonds or any Parity Bonds, are liable personally on the Bonds or any Parity 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 therein. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Equality of Bonds and Parity Bonds and Pledge of Net Taxes. Pursuant to the Act and the Indenture, the Bonds and any Parity Bonds shall be secured by a pledge, charge, lien and encumbrance upon and equally payable from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof, shall be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), which are set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds and so long as any of the Bonds and any Parity Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund shall no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Acquisition and Construction Fund, the Costs of Issuance Fund or the Administrative Expense Account of the Special Tax Fund shall be construed as a trust fund held for the benefit of the Owners.

Nothing in the Indenture or any Supplemental Indenture shall preclude: (i) subject to the limitations contained in the Indenture, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption and payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California; or (ii) the issuance, subject to the limitations contained in the Indenture, of Parity Bonds which shall be payable from Net Taxes.

Place and Form of Payment. The Bonds and Parity Bonds shall be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and Parity Bonds and any premiums due upon the redemption thereof shall be payable upon presentation and surrender thereof at the Principal Office of the Trustee, or at the designated office of any successor Trustee. Interest on any Bond or Parity Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond or Parity Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest shall be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond or Parity Bond, in which event interest shall be payable from the dated date of such Bond or Parity Bond, as applicable; provided, however, that if at the time of authentication of such Bond or Parity Bond, interest is in default, interest on that Bond or Parity Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Bond or Parity Bond, interest on that Bond or Parity Bond shall be payable from its dated date. Interest on any Bond or Parity Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Bond or Parity Bond as of the close of business on the Record Date. Such interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of $1,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner.

Bond Register. The Trustee will keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Bonds and any Parity Bonds which shall upon reasonable prior notice be open to inspection by the District during all regular business hours, and, subject to the limitations set forth in the Indenture, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as provided in the Indenture.

The District and the Trustee may treat the Owner of any Bond or Parity Bond whose name appears on the Bond Register as the absolute Owner of that Bond or Parity Bond for any and all purposes, and the District and the Trustee shall not be affected by any notice to the contrary. The District and the Trustee may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes. It shall be the duty of the Bondowner to give written notice to the Trustee of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, the registration of any Bond or Parity 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 or her duly authorized attorney, upon surrender of such Bond or Parity Bond for cancellation at the office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds or Parity Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of Bonds or Parity Bonds for other authorized denominations of the same maturity and issue. The Trustee shall not collect from the Owner any charge for any new Bond or Parity Bond issued upon any exchange or transfer, but shall require the Bondowner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds or Parity Bonds shall be surrendered for registration of transfer or exchange, the District shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds or a new Parity Bond or Parity Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee shall not be required to register transfers or make exchanges of (i) Bonds or Parity Bonds for a period of 15 days next preceding any selection of the Bonds or Parity Bonds to be redeemed; or (ii) any Bonds or Parity Bonds chosen for redemption.

Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds. If any Bond or Parity Bond shall become mutilated, the District shall execute, and the Trustee shall authenticate and deliver, a new Bond or Parity Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond or Parity Bond so mutilated, but only upon surrender to the Trustee of the Bond or Parity Bond so mutilated. Every mutilated Bond or Parity Bond so surrendered to the Trustee shall be cancelled by the Trustee pursuant to the Indenture. If any Bond or Parity Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and, if any indemnity satisfactory to the Trustee shall be given, the District shall execute and the Trustee shall authenticate and deliver, a new Bond or Parity Bond, as applicable, of like tenor, maturity and issue, numbered and dated as the Trustee shall determine in lieu of and in substitution for the Bond or Parity Bond so lost, destroyed or stolen. Any Bond or Parity Bond issued in lieu of any Bond or Parity Bond alleged to be mutilated, lost, destroyed or stolen, shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds and Parity Bonds issued under the Indenture. The Trustee shall not treat both the original Bond or Parity Bond and any replacement Bond or Parity Bond as being Outstanding for the purpose of determining the principal amount of Bonds or Parity Bonds which may be executed, authenticated and delivered under the Indenture or for the purpose of determining any percentage of Bonds or Parity Bonds Outstanding under the Indenture, but both the original and replacement Bond or Parity Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond or Parity Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bonds or Parity Bonds.

Validity of Bonds and Parity Bonds. The validity of the authorization and issuance of the Bonds and any Parity Bonds shall not be affected in any way by any defect in any proceedings taken by the District and the recital contained in the Bonds or any Parity Bonds that the same are issued pursuant to the Act and other applicable laws of the State shall be conclusive evidence of their validity and of the regularity of their issuance.

Book-Entry System. The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in the Indenture, all of the Outstanding Bonds shall be registered in the registration books kept by the Trustee in the name of the Nominee. At the election of the District, any Parity Bonds may also be issued as book-entry bonds registered in the name of the Nominee as provided in the Indenture, in which case the references to "Bonds" in the Indenture with respect to the Book-Entry System shall be applicable to such Parity Bonds.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the District and the Trustee shall have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of, 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 due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Trustee, shall receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by the Depository to the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture shall refer to such new nominee of the Depository

Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the District determines that the Depository shall no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds so designated shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but shall be registered in whatever name or names Persons transferring or exchanging Bonds shall designate, in accordance with the provisions of the Indenture.

Payments to the Nominee. Notwithstanding any other provisions of the Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds; Application of Proceeds.

(a) The Trustee has established the following funds and accounts:

(1) The Community Facilities District No. 2017-1 Improvement Area No. 1 Proceeds Fund (the "Proceeds Fund").

(2) The Community Facilities District No. 2017-1 Improvement Area No. 1 Special Tax Fund (the "Special Tax Fund") (in which there shall be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account and an Administrative Expense Account).

(3) The Community Facilities District No. 2017-1 Improvement Area No. 1 Rebate Fund (the "Rebate Fund").

(4) The Community Facilities District No. 2017-1 Improvement Area No. 1 Acquisition and Construction Fund (the "Acquisition and Construction Fund") (in which there shall be established a Project Facilities Account, a County Facilities Account and a Water Facilities Account and in the Water Facilities Account a Reservoir Subaccount and an In-Tract Subaccount).

(5) The Community Facilities District No. 2017-1 Improvement Area No. 1 Costs of Issuance Fund (the "Costs of Issuance Fund").

(6) The Community Facilities District No. 2017-1 Improvement Area No. 1 Surplus Fund (the "Surplus Fund").

The amounts on deposit in the foregoing funds, accounts and subaccounts shall be held by the Trustee and the Trustee shall invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of the Indenture and shall disburse investment earnings thereon in accordance with the provisions of the Indenture.

In connection with the issuance of any Parity Bonds, the Trustee, at the direction of an Authorized Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

(b) The proceeds of the sale of the Bonds shall be received by the Trustee on behalf of the District and deposited and transferred as set forth in the Official Statement under the caption "ESTIMATED SOURCES AND USES OF FUNDS."

Deposits to and Disbursements from Special Tax Fund.

(a) Except for Prepayments which shall be deposited to the Interest Account, the Principal Account and/or the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee shall, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to:

(1) the Administrative Expense Account of the Special Tax Fund;

(2) the Interest Account of the Special Tax Fund;

(3) the Principal Account of the Special Tax Fund;

(4) the Redemption Account of the Special Tax Fund;

(5) the Reserve Account of the Special Tax Fund;

(6) the Rebate Fund; and

(7) the Surplus Fund.

(b) At maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts in the Indenture may be used by the District for any lawful purpose.

Administrative Expense Account of the Special Tax Fund. The Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a requisition, substantially in the form set forth in the Indenture, executed by an Authorized Representative of the District; provided, however, that, except as set forth in the following sentence, the total amount transferred in a Bond Year shall not exceed the Administrative Expenses Cap 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 in the Indenture, 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 to the Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expense Account to the extent necessary to collect delinquent Special Taxes on Undeveloped Property. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Permitted Investments as directed in writing by an Authorized Representative of the District and shall be disbursed as directed in a Certificate of an Authorized Representative.

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 optional or extraordinary 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, after making the transfer required by the Indenture, 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; provided, however, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency shall be made up by transfers from the Reserve Account:

(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. In the event that funds from Prepayments are deposited to the Interest Account, such amounts shall be expended in accordance with the schedule of payments included in the Certificate of an Authorized Representative delivered with respect to such Prepayments.

(b) To the Principal Account, an amount such that the balance in the Principal Account 5 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 on such August 15, whether at maturity or by Sinking Fund Payment, 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 funds from Prepayments are deposited to the Principal Account, such amounts shall be expended in accordance with the schedule of payments included in the Certificate of an Authorized Representative delivered with respect to such Prepayments.

Redemption Account of the Special Tax Fund.

(a) After making the deposits to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund pursuant to the Indenture, 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 (other than the Administrative Expense Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(b) Prepayments deposited to the Redemption Account, along with any amounts that an Authorized Officer of the District directs to be transferred from the Reserve Account to the Redemption Account in connection with any Prepayments, shall be applied on the redemption date established pursuant to the Indenture for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments; provided that amounts shall be transferred from the Reserve Account only if immediately following such redemption the amount in the Reserve Account will meet 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 or an extraordinary redemption from Prepayments 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, other than Prepayments, may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the next sentence. Purchases of Outstanding 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 or an extraordinary redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the Indenture, or in the case of Parity Bonds the premium established by 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.

Reserve Account of the Special Tax Fund. There shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The amounts in the Reserve Account shall 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 the Bonds and 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 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 the Bonds or 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 or the Principal 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 to the Administrative Expense Account, the Interest Account, the Principal Account and the Redemption Account, 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 Administrative Expense Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next August 15. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District, subject to any limitations in the Act, shall include the amount necessary fully 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 and the limitations of the Act.

(c) In connection with a redemption of Bonds in accordance with the Indenture, or Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Bonds or Parity Bonds, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District shall set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, 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 section shall be withdrawn from the Reserve Account on the Business Day before each February 15 and August 15 and transferred to the Interest Account of the Special Tax Fund.

Rebate Fund.

(a) The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. The District shall cause to be deposited in the Rebate Fund such amounts as required under the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund with respect to the Bonds shall be governed by the Indenture and the Tax Certificate.

Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final treasury regulations as may be applicable to the Bonds from time to time, which the District covenants to pay or cause to be paid to the United States at the times and in the amounts determined under the Tax Certificate. The Trustee agrees to comply with all instructions given to it by the District in accordance with this covenant. The Trustee shall conclusively be deemed to have complied with the provisions of this section if it follows the instructions of the District and shall not be required to take any actions under the Indenture in the absence of instructions from the District.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund with respect to the Bonds and each series of Parity Bonds after payment in full of such issue and after making the payments required to comply with this section and the applicable Tax Certificate for such issue may be withdrawn by the Trustee at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the requirements of this section of the Indenture shall survive the defeasance and final payment of the Bonds and any Parity Bonds.

(d) Amendment Without Consent of Owners. This section of the Indenture may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis. Notwithstanding any provision of this section, if the District shall provide to the Trustee an opinion of a nationally recognized bond or tax counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the tax-exempt status of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis, the Trustee and the District may conclusively rely on such opinion in complying with the requirements of this section, and this covenant under the Indenture shall be deemed to be modified to that extent.

Surplus Fund. After making the foregoing transfers required by the Indenture, 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 (i) 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, or (ii) that certain amounts be transferred to the Acquisition and Construction Fund because such amounts were included in the levy of Special Taxes for the previous Fiscal Year to pay for the acquisition or construction of the Project; provided, however, that, if a transfer is made to the Acquisition and Construction Fund and unexpended proceeds of the Bonds or an issue of Parity Bonds remain in the Acquisition and Construction Fund, the Trustee shall establish a subaccount of the Project Facilities Account for amounts transferred from the Surplus Fund. 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 of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or (v) 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 accordance with a Certificate of an Authorized Representative. 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 established by the Trustee 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 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 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.

Costs of Issuance Fund.

(a) The moneys in the Costs of Issuance Fund shall be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District to pay Costs of Issuance, substantially in the form attached to the Indenture, and all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in such Certificate, and the Trustee may rely on such payment instructions with no duty to investigate or inquire as to their authenticity or the authority under which they were given.

(b) Upon the receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Costs of Issuance Fund is no longer needed to pay Costs of Issuance, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Costs of Issuance Fund to the Project Facilities Account of the Acquisition and Construction Fund. On the date which is six months after the date of issuance of each series of Bonds and Parity Bonds, all amounts remaining in the Costs of Issuance Fund shall be transferred to the Project Facilities Account of the Acquisition and Construction Fund and the Costs of Issuance Fund shall be closed.

Acquisition and Construction Fund.

(a) The Trustee shall hold the moneys in the Acquisition and Construction Fund and the accounts and subaccounts therein and shall apply such moneys to pay the Project Costs. Amounts for Project Costs shall be disbursed by the Trustee on behalf of the District from an account or subaccount of the Acquisition and Construction Fund or the accounts or subaccounts therein as specified in a Request for Disbursement of Project Costs, substantially in the form set forth in the Indenture, which must be submitted by an Authorized Representative of the District to the Trustee in connection with each requested disbursement.

(b) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund and the accounts and subaccounts therein is no longer needed to pay Project Costs, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund and the accounts and subaccounts therein to the Principal Account or Redemption Account of the Special Tax Fund or to the Surplus Fund, as directed in the Certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there shall have been delivered to the Trustee with such Certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund 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, Accounts and Subaccounts under the Indenture shall be invested at the written direction of the District 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, Accounts and Subaccounts. Any loss resulting from such Permitted Investments shall be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on a Fund, Account or Subaccount shall be applied as follows: (i) investment earnings on all amounts deposited in the Costs of Issuance Fund, the Acquisition and Construction Fund, the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account of the Special Tax Fund) shall be deposited in those respective Funds and Accounts, and (ii) investment earnings on all amounts deposited in the Reserve Account shall be deposited and be applied as set forth in the Indenture. Moneys in the Funds, Accounts and Subaccounts held under the Indenture shall be invested by the Trustee as directed in writing by the District, from time to time, in Permitted Investments subject to the following restrictions:

(a) Moneys in the Costs of Issuance Fund and the Acquisition and Construction Fund (and the Accounts and subaccounts therein) shall be invested in Permitted Investments which will by their terms mature as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Costs of Issuance Fund and the Acquisition and Construction Fund (and the Accounts and subaccounts therein).

(b) 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 on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

(c) Monies in the Reserve Account of the Special Tax Fund may be invested only in Permitted Investments; provided that no such Permitted Investment of amounts in the Reserve Account shall mature later than the earlier of the final maturity date of the Bonds or any Parity Bonds.

(d) Moneys in the Rebate Fund shall be invested only in Permitted Investments of the type described in clause (2) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government or in Permitted Investments of the type described in clause (8) of the definition thereof.

(e) In the absence of written investment directions from the District, the Trustee shall hold such moneys uninvested.

The Trustee 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 such Funds and Accounts or from such Funds and Accounts. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds and Accounts shall be valued at their cost, except that amounts in the Reserve Account shall be valued at the market value thereof within five Business Days prior to each August 15. In making any valuations under the Indenture, the Trustee 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 in the Indenture to the contrary, the Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture.

The Trustee may act as principal or agent in the making or disposing of any investment and shall be entitled to its customary fee for making such investment. The Trustee may sell at the best market price obtainable, 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 shall not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee 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 include detail for all investment transactions made by the Trustee under the Indenture.

REDEMPTION

Selection of Bonds and Parity Bonds for Redemption. If less than all of the Bonds or Parity Bonds Outstanding are to be redeemed, the portion of any Bond or Parity Bond of a denomination of more than $5,000 to be redeemed shall be in the principal amount of $5,000 or an integral multiple thereof. In selecting portions of such Bonds or Parity Bonds for redemption, the Trustee shall treat such Bonds or Parity Bonds, as applicable, as representing that number of Bonds or Parity Bonds of $5,000 denominations which is obtained by dividing the principal amount of such Bonds or Parity Bonds to be redeemed in part by $5,000. The procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Indenture for such Parity Bonds. The Trustee shall promptly notify the District in writing of the Bonds or Parity Bonds, or portions thereof, selected for redemption.

Partial Redemption of Bonds or Parity Bonds. Upon surrender of any Bond or Parity Bond to be redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds or a new Parity Bond or Parity Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity or, in the case of surrender of a Parity Bond, a new Parity Bond or Parity Bonds subject to the foregoing limitations.

Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in the Indenture, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption: (a) the Bonds and Parity Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Indenture or in any Supplemental Indenture with respect to any Parity Bonds, anything in the Indenture or in the Bonds or the Parity Bonds to the contrary notwithstanding; (b) upon presentation and surrender thereof at the office of the Trustee, the redemption price of such Bonds and Parity Bonds shall be paid to the Owners thereof; (c) as of the redemption date the Bonds or the Parity Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or Parity Bonds, or portions thereof, shall cease to bear further interest; and (d) as of the date fixed for redemption no Owner of any of the Bonds, Parity Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Indenture or any Supplemental Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

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 with the Trustee as soon as reasonably practicable following their apportionment to the District, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by the Indenture; provided, however, that as to Special Taxes apportioned prior to the Delivery Date, the District covenants to instruct the Treasurer-Tax Collector to transfer such amounts to the Trustee not later than 10 Business Days following the Delivery Date. All such Special 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 under the Indenture.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Special 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 Subordinated Bonds or incurring other 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. Beginning in Fiscal Year 2017-18 and so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, subject to the limitations set forth in the Act and the RMA, the legislative body of the District covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and deemed available for such purpose, to pay (i) the principal of and interest on the Bonds and any Parity Bonds when due; (ii) the Administrative Expenses; and (iii) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement. The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

(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 the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement. 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 of the Special Tax Fund at the Reserve Requirement or to avoid a default in payment on the Bonds and any Parity Bonds.

The District covenants that it will deposit any Gross Taxes received in connection with a foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses 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 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 (other than the Administrative Expense Account as set forth in the Indenture), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, 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 improvements constructed with the proceeds of bonded indebtedness issued by the District, 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 of the Trustee (who shall have no duty 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. Absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds and 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 monies or property which would cause the 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 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 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) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(5) 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 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 Bonds and any applicable Parity Bonds.

(6) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Bonds and any issue of Parity Bonds and will comply with the covenants and requirements stated in the Indenture and incorporated by reference in the Indenture.

(7) 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 Bonds and 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 Improvement Area 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 Improvement Area, 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 Improvement Area 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 the sum of the Administrative Expenses Cap and 110% of 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, and (iii) 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 RMA 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 the sum of the Administrative Expenses Cap and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds Outstanding.

(h) Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in the Improvement Area 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) Continuing Disclosure. The District covenants to comply with the terms of the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriters in complying with Rule 15(c)2-12 adopted by the Securities and Exchange Commission.

(k) Further Assurances. The District shall preserve and protect the security pledged to the Bonds and any Parity Bonds against all claims and demands as long as the Bonds or Parity Bonds are Outstanding and shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or desirable 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.

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:

(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 of the Indenture 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 under the Indenture, 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;

(e) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners or that is contrary to the rules and regulations of the Municipal Securities Rulemaking Board.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described in the preceding paragraph, 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 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.

If at any time the District shall desire to adopt a Supplemental Indenture, which pursuant to the terms of this Section shall require the consent of the Bondowners, the District shall so notify the Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bond and Parity Bonds in instances where such consent is required pursuant to the provisions of this section, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

TRUSTEE

Trustee. U.S. Bank National Association has been appointed the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The Trustee represents that it has a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000. The District may, at any time, appoint a successor Trustee satisfying certain requirements under 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.

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 or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000, 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 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 this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. 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. In the event the District shall for any reason whatsoever fail to appoint a successor Trustee within ninety (90) days following the receipt of notice by the District, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture. Any such successor Trustee appointed by such court shall become the successor Trustee under the Indenture notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such 90-day period.

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.

The Trustee has agreed to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under (a) or (b) above and within 10 days of the Trustee's knowledge of a default of the type described in (c) above which, if not cured, with the passage of time would become an Event of Default.

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 his 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 25% in aggregate principal amount of Outstanding Bonds and Parity Bonds and if 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 Bond.

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.

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:

First, 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.

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 twenty-five percent (25%) in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues to be 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 and Parity Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds or Parity 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 and Parity Bonds similarly situated and the Trustee has been appointed (and the successive respective Owners of the Bonds and Parity Bonds and Parity 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 and Parity 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 and Parity 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 Owners of the Bonds and Parity Bonds under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Taxes 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 or the Parity Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as provided in the Indenture, out of the Net Taxes and other moneys pledged in the Indenture for such payment.

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 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, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds and Parity 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 and Parity Bonds.

The right of any Owner of any Bond or Parity Bond to receive payment of the principal of and interest and premium (if any) on such Bond or Parity Bonds 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.

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 District, the Trustee and the 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.

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 this section, 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's general fund 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 preceding paragraph 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 (exclusive of the Administrative Expense Account) and 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, in trust, or another escrow agent appointed by the District, 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 (exclusive of the Administrative Expense Account) 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.

If paid as provided above, then, 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 federal tax covenants of the District or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of an election by the District to defease any Bond or Parity Bond 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 mail 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 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 agent 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, 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.

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 and unpaid fees and expenses of the Trustee. 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 (other than in the Administrative Expense Account therein) 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 issued for the purpose of refunding all or a portion of the Bonds or Parity Bonds then Outstanding and only if the issuance of such Parity Bonds does not result in an increase in the Annual Debt Service due in any Bond Year. Parity Bonds may be issued subject to the following additional specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) 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 Treasurer-Tax Collector; 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.

(b) 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 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 a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds or Parity Bonds, including payment of all costs incidental to or connected with such refunding and to make a deposit to the Reserve Account of the Special Tax Fund pursuant to the Indenture;

(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 of the Special Tax Fund to increase the amount therein 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.

(c) 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 District shall accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(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 adopt 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 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 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 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; 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.

MISCELLANEOUS

Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption shall be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized in the Indenture and delivered to the Trustee for such purpose shall be, cancelled forthwith and shall not be reissued. The Trustee shall destroy such Bonds and Parity Bonds, as provided by law, and, upon request of the District, furnish to the District a certificate of such destruction.

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds or Parity Bonds shall be sufficient for the purposes of the Indenture (except as otherwise provided therein), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his authority.

(a) As to any Bond or Parity Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond or Parity Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond or Parity Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Trustee shall be affected by any notice to the contrary.

Nothing contained in the Indenture shall be construed as limiting the Trustee or the District to such proof, it being intended that the Trustee or the District may accept any other evidence of the matters stated therein which the Trustee or the District may deem sufficient. Any request or consent of the Owner of any Bond or Parity Bond shall bind every future Owner of the same Bond or Parity Bond in respect of anything done or suffered to be done by the Trustee or the District in pursuance of such request or consent

Unclaimed Moneys. Any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for one year after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for one year after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, shall be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee at the written request of the District or the Trustee shall, at the expense of the District, cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Provisions Constitute Contract. The provisions of the Indenture shall constitute a contract between the District and the Bondowners and the provisions of the Indenture shall be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Trustee, then the District, the Trustee and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds the Indenture shall be irrepealable, but shall be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

Future Contracts. Nothing contained in the Indenture shall be deemed to restrict or prohibit the District from making contracts or issuing Subordinated Bonds or creating other indebtedness payable from a pledge, lien, charge and encumbrance upon the Net Taxes which is subordinate to the pledge under the Indenture, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged under the Indenture.

Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or desirable 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 or any Parity Bonds the rights and benefits provided in the Indenture.

Severability. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and the Indenture, the Bonds and any Parity Bonds issued pursuant to the Indenture shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

APPENDIX F

FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of February 1, 2018 (the "Disclosure Certificate") is executed and delivered by Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (the "District") in connection with the issuance and delivery by the District of its $76,950,000 (Improvement Area No. 1) Series A of 2018 Special Tax Bonds (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 18-008 adopted on January 23, 2018, by the Board of Supervisors of the County of Orange, acting as the legislative body of the District, and the Bond Indenture dated as of February 1, 2018 by and between the District and U.S. Bank National Association, as trustee. The District covenants as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District 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 District 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 Public Finance Director of the County of Orange, or his or her designee, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean, initially, the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the then current Dissemination Agent a written acceptance of such designation.

"District" shall mean Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia).

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB.

"Improvement Area No. 1" shall mean Improvement Area No. 1 of the District.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"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.

"Official Statement" shall mean that certain Official Statement for the Bonds dated February 6, 2018.

"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.

"Trustee" means U.S. Bank National Association or such other entity appointed by the District pursuant to the Indenture to act as the trustee under the Indenture.

"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 District shall, or, if the Dissemination Agent is other than the District, upon written direction shall cause the Dissemination Agent to, not later than March 1 after the end of the District's Fiscal Year (June 30) commencing with the report due by March 1, 2018, which initial Annual Report shall consist solely of the Official Statement and audited financial statements of the District, if any, 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 District, 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 District's fiscal year changes, the District 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 District, 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 District 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 District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District 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 District and shall have no duty or obligation to review such Annual Report.

(c) 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, in a timely manner, a notice to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the District, 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 District 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 first Annual Report due by March 1, 2018 shall consist of the Official Statement and audited financial statements of the District, if any. Thereafter, the District's Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the District 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 entities from time to time by the Governmental Accounting Standards Board; provided, however, that the District 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 District shall modify the basis upon which its financial statements are prepared, the District shall provide the information referenced in Section 8 below regarding such modification. If the District is 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 of the August 16 preceding the filing of the Annual Report;

(iii) any changes to the RMA approved or submitted to the qualified electors for approval prior to the filing of the Annual Report;

(iv) an update of the estimated assessed value-to-lien ratio for the Improvement Area substantially in the form of Table 5 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

(v) until such time that the property within the Improvement Area is no longer owned by any developer or merchant builder, an update of the largest taxpayers in the Improvement Area substantially in the form of Table 6 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

(vi) the percentage of the maximum Special Taxes levied by the District in the Improvement Area with respect to the Bonds;

(vii) the status of any foreclosure actions being pursued by the District in the Improvement Area with respect to delinquent Special Taxes;

(viii) a statement as to whether the District participates in the Teeter Plan (as defined in the Official Statement) and in the event that the Teeter Plan is terminated with respect to the Improvement

Area, a table showing the total Special Taxes levied and the total Special Taxes collected for the prior fiscal year and the total Special Taxes that, as of December 31, remain unpaid for each prior fiscal year in which Special Taxes were levied and the number of delinquent parcels in the Improvement Area;

(ix) if Special Taxes are levied on Undeveloped Property, the amount of Special Taxes levied on Undeveloped Property and the amount of Special Taxes levied on Developed Property (as such terms are defined in the RMA); and

(x) any information not already included under (i) through (ix) above that the District is required to file in its annual report pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, with the California Debt and Investment Advisory Commission.

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 District 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 District 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 District shall give, or cause the Dissemination Agent to give, notice filed with the Repository 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 District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

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 paying agent or the change of the name of a paying agent;

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 District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District 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 District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District and that the Dissemination Agent, if other than the District, shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The District 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 District. The Dissemination Agent, if other than the District, shall not be responsible in any manner for the content of any notice or report prepared by the District 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 District. The Dissemination Agent may resign by providing thirty (30) days written notice to the District and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District 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 is 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 District 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 District. 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(a), 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 District 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 District 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 District shall have no obligation under this Certificate 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 District to comply with any provision of this Disclosure Certificate, the Trustee at the written direction of any 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 District 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 District 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 District 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 District 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:

District:	Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) County Executive Office 333 West Santa Ana Boulevard, 3rd Floor Santa Ana, CA 92701 Attn: Public Finance Director
Underwriters:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35th Floor San Francisco, CA 94104 Attn: Public Finance Department
	Raymond James & Associates, Inc. One Embarcadero Center, Suite 650 San Francisco, CA 92111 Attn: Public Finance

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 District, 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.

COMMUNITY FACILITIES DISTRICT NO. 2017-1 OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)

By: _____
Public Finance Director of the County of Orange

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APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT OF RMV PA2 DEVELOPMENT, LLC

This Developer Continuing Disclosure Agreement (the "Disclosure Agreement") dated as of February 1, 2018 is executed and delivered by the RMV PA2 Development, LLC (the "Landowner"), and David Taussig & Associates, as dissemination agent (the "Dissemination Agent"), in connection with the execution and delivery by Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) of its $76,950,000 Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (Improvement Area No. 1) Series A of 2018 Special Tax Bonds (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 18-008 adopted on January 23, 2018, by the Board of Supervisors of the County of Orange, acting as the legislative body of the District, and the Bond Indenture dated as of February 1, 2018 by and between the District and U.S. Bank National Association, as trustee. The Landowner covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Landowner to assist the Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. Unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Affiliate" shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person's executive officers, directors, joint venturers and general partners; provided, however, that in no case shall the District be deemed to be an Affiliate of the Landowner for purposes of this Disclosure Agreement. For the purpose of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise. Affiliates of the Landowner include, but are not limited to, RMV Community Development, LLC.

"Annual Report" shall mean any Annual Report provided by the Landowner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Chief Financial Officer or his designee acting on behalf of the Landowner, or such other officer or employee as the Landowner shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean David Taussig & Associates, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Landowner and which has filed with the Landowner and the District a written acceptance of such designation.

"District" shall mean Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia).

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB.

"Equity Securities" of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

"Fiscal Year" shall mean the period beginning on January 1 of each year and ending on the next succeeding December 31.

"Government Authority" shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Improvement Area No. 1" shall mean Improvement Area No. 1 of the District.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement, dated February 6, 2018, relating to the Bonds.

"Parity Bonds" shall mean bonds of the District that are secured on a parity with the Bonds.

"Person" shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

"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 Electronic Municipal Market Access (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.

"Semiannual Report" shall mean any report to be provided by the Landowner on or prior to December 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"State" shall mean the State of California.

"Underwriter" shall mean the original underwriters of the Bonds, which are Stifel, Nicolaus & Company, Incorporated and Raymond James & Associates, Inc.

SECTION 3. Provision of Annual Reports and Semiannual Report.

(a) The Landowner shall, or upon receipt of the Annual Report the Dissemination Agent shall, not later than June 15 of each year, commencing June 15, 2018, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, June 15 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent's offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent's offices are open for business. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement, provided that the audited financial statements, if any, of the Landowner may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date. In addition, until such time as the Landowner's reporting

requirements terminate pursuant to Section 6 below, the Landowner shall, or upon receipt of the Semiannual Report the Dissemination Agent shall, not later than December 15 of each year, commencing December 15, 2018, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, December 15 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent's offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent's offices are open for business.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to the Repository, the Landowner shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall notify the Landowner of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to the Repository by the date required in subsection (a) or to verify that an Annual Report or Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in the form required by the Repository.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report and the Semiannual Report the name and address of the Repository; and

(ii) promptly after receipt of the Annual Report, file a report with the Landowner and the District certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Report and Semiannual Report.

(a) The Landowner's Annual Report and Semiannual Report shall contain or include by reference the information which is updated, except with respect to the financial statements of the Developer required under 4(a)(4), through a date which shall not be more than 60 days prior to the date of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

1. An update (if any) to the information relating to the Landowner and its Affiliates under the captions in the Official Statement entitled "PROPERTY OWNERSHIP AND THE DEVELOPMENT—General Description of the Development," "The Developer," "The Development," and "Remaining Developer Properties." Such updates shall include, but not be limited to, the estimated remaining cost of the Landowner and its Affiliates to complete any of the public improvements in Improvement Area No. 1 and status of construction for the nonresidential property currently owned by the Landowner (to the extent the same remains owned by the Landowner or an Affiliate) (collectively, the Landowner Improvements").

2. Any significant amendments to land use entitlements with respect to parcels owned by the Landowner or its Affiliates within Improvement Area No. 1, or that are otherwise known to the

Landowner, including an update of the total acres subject to the levy of Special Taxes if the amendment affects the total number of acres subject to the levy of the Special Taxes.

3. Status of Special Tax payments on all parcels owned by the Landowner and its Affiliates.

4. In the Annual Report only, the financial statements of the Landowner for its most recently completed Fiscal Year (which currently ends on each December 31).

5. An update of the number of building permits pulled by each merchant builder as set forth in Table 7 of the Official Statement.

(b) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Landowner 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 Landowner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material under clauses (b) and (c) as soon as practicable after the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within Improvement Area No. 1 on a parcel owned by the Landowner or any Affiliate;

2. Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing of the Landowner Improvements to which the Landowner or any Affiliate has been provided a notice of default;

3. Material default by the Landowner or any Affiliate on any loan secured by property within Improvement Area No. 1 owned by the Landowner or any Affiliate to which the Landowner or any Affiliate has been provided a notice of default;

4. Payment default by the Landowner or any Affiliate on any loan of the Landowner or any Affiliate (whether or not such loan is secured by property within Improvement Area No. 1) which is beyond any applicable cure period in such loan;

5. The filing of any proceedings with respect to the Landowner or any Affiliate, in which the Landowner or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts; and

6. The filing of any lawsuit against the Landowner or any of its Affiliates which, in the reasonable judgment of the Landowner, will adversely affect the completion of the development of parcels owned by the Landowner or its Affiliates within Improvement Area No. 1, or litigation which if decided against the Landowner, or any of its Affiliates, in the reasonable judgment of the Landowner, would materially adversely affect the financial condition of the Landowner or its Affiliates or their respective ability to pay special taxes levied within Improvement Area No. 1.

(b) Whenever the Landowner obtains knowledge of the occurrence of a Listed Event, the Landowner shall as soon as possible determine if such event would be material under applicable federal

securities laws. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Landowner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Landowner shall promptly file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Repository, with a copy to the District.

SECTION 6. Termination of Reporting Obligation. The Landowner's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or

(b) as of the date of the filing for the Semiannual Report or Annual Report (1) with respect to the obligation of the Landowner to update the information pursuant to Section 4(a)(1) – (4) above, ninety percent (90%) of the public improvements to be constructed by the Landowner as described under the caption "PROPERTY OWNERSHIP AND THE DEVELOPMENT—The Development" have been completed based on costs expended and (2) with respect to the obligation of the Landowner to update the information pursuant to Section 4(a)(5) above, 75% of the building permits for the planned residential development within Improvement Area No. 1 have been issued.

If such termination occurs prior to the final maturity of the Bonds, the Landowner shall give notice of such termination in the same manner as for an Annual Report hereunder.

SECTION 7. Dissemination Agent. The Landowner may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Landowner pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing (i) thirty days written notice to the Landowner and the Dissemination Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Landowner may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates 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 amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the Indenture with the consent of owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the District and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds; and

(c) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) above to the District and the Trustee.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Landowner shall describe such amendment in the next Annual Report or Semiannual 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 Landowner.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Landowner from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. If the Landowner 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 Agreement, the Landowner shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The Landowner acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Landowner, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Landowner under such laws.

SECTION 10. Default. In the event of a failure of the Landowner or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Underwriter 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 Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the Landowner or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the Underwriter, owners of the Bonds or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Landowner or an opinion of nationally recognized bond counsel. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the Landowner as constituting the Annual Report required of the Landowner in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Landowner in a timely manner in a form suitable for filing with the Repositories. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

The Dissemination Agent will not, without the Landowner's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Landowner and its controlling persons from all liability arising out of such claim, action or proceedings. If a claim, action or proceeding is settled with the consent of the Landowner or if there is a final judgment (other than a stipulated final judgment without the approval of the Landowner) for the plaintiff in any such claim, action or proceeding, with or without the consent of the Landowner, the Landowner agrees to indemnify and hold harmless the Dissemination Agent to the extent described herein.

SECTION 12. Landowner as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Landowner is an independent contractor and not an agent of the District.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Landowner:	RMV PA2 Development, LLC 28811 Ortega Highway San Juan Capistrano, CA 92675 Attn: Chief Financial Officer
Dissemination Agent:	David Taussig & Associates 5000 Birch Street, Suite 6000 Newport Beach, CA 92660 Attn: Andrea Roess
Underwriters:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35th Floor San Francisco, CA 94104 Attn: Public Finance Department
	Raymond James & Associates, Inc. One Embarcadero Center, Suite 650 San Francisco, CA 94111 Attn: Public Finance

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Landowner, the District, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

RMV PA 2 DEVELOPMENT, LLC, a Delaware limited liability company

By: RANCHO MISSION VIEJO, LLC, a Delaware limited liability company, as agent and manager

By: _____
Name: Elise L. Millington
Title: Chief Financial Officer

By: _____
Name: Donald L. Vodra
Title: Chief Operating Officer

DAVID TAUSSIG & ASSOCIATES, as Dissemination Agent

By: _____
Authorized Officer

APPENDIX H

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 District believes to be reliable, but the District 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 to the District which the District believes to be reliable, but the District and the Underwriters do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

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*.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX I

SAMPLE PROPERTY TAX BILLS

COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 2017-1 (ESENCIA)
ESTIMATED FY 2017-18 SAMPLE TAX BILL
DEVELOPED PROPERTY – SINGLE FAMILY ATTACHED - MARKET RATE
ZONE 2 - TAX CLASS 1 (> 1,900 SF)

Assessed Value and Property Taxes		*Percent of Total AV*	*Expected Amount*	*Maximum Amount*
Total Assessed Value[1]	$642,500			
Net Assessed Value[1]	$635,500			
Land Assessed Value[2]	$335,544			
Unit Size[3]	1,962 Square Feet			
Lot Size[4]	2,268 Square Feet			
AD VALOREM PROPERTY TAXES[5]				
Basic Levy		1.00000%	$ 6,425.00	
Metropolitan Water District GO Bonds		0.00350	22.49	
Capistrano Unified School District SFID 1 GO Bonds, Series 2001		0.00417	26.79	
Capistrano Unified School District SFID 1 GO Bonds, Series 2012		0.00383	24.61	
Santa Margarita Water District ID No. 4/4C[6]	0.1304% of land value[6]	0.06885	442.37	
Total General Property Taxes and Overrides		1.08035%	$ 6,941.26	
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES				
Mosquito & Fire Ant Assessment[7]			$ 6.72	
Vector Control Charge[8]			1.92	
Metropolitan Water District West Standby Charge[9]			10.08	
County of Orange CFD No. 2017-1[10]			5,890.00	$ 5,890.00
Total Assessments, Special Taxes and Parcel Charges			$ 5,908.72	$ 5,908.72
PROJECTED TOTAL PROPERTY TAXES			$12,849.98	$12,849.98
Projected Total Effective Tax Rate (as percentage of Total Price)			**2.000%**	**2.000%**

(1) Based on expected base sale price for units in Tax Class 1 of Zone 2, provided by the Market Absorption Consultant as of November 21, 2017. Total Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.

(2) The ratio of land value to net value is assumed to be 0.528 based on the Price Point Study dated November 21, 2017 provided by the Market Absorption Consultant.

(3) Based on expected unit size for units in in Tax Class 1 of Zone 2, provided by the Market Absorption Consultant as of November 21, 2017.

(4) Based on the average lot size for all 190 units in Zone 2.

(5) Based on actual Fiscal Year 2017-18 *ad valorem* rates.

(6) Percent of land value of 0.1304% based on combined rate for ID 4/4C. For purposes of this analysis, the ratio of land value to net value is assumed to be 0.528 based on the Price Point Study dated November 21, 2017 provided by the Market Absorption Consultant.

(7) Based on the actual Fiscal Year 2017-18 rate of $6.72 per benefit unit. Residential parcels are assessed at 1 benefit unit.

(8) Based on the actual Fiscal Year 2017-18 rate of $1.92 per benefit unit. Residential parcels are assessed at 1 benefit unit.

(9) Based on the actual Fiscal Year 2017-18 rate of $10.08 per parcel or per acre, whichever is greater.

(10) Expected amount based on the Fiscal Year 2017-18 Special Tax rate of $5,890.00 per unit for Tax Class 1 property of Zone 2, which is 100.00% of the Fiscal Year 2017-18 Assigned Special Tax rate of $5,890.00 per unit. Maximum amount based on the greater of the Fiscal Year 2017-18 Backup Special Tax rate of $96,632.00 per acre for Zone 2 property or the Fiscal Year 2017-18 Assigned Special Tax of $5,890.00 per unit, which escalates by 2.00% per year thereafter.

Sources: David Taussig and Associates, Inc.; County of Orange; Metropolitan Water District; Santa Margarita Water District; Empire Economics, Inc.

COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 2017-1 (ESENCIA)
ESTIMATED FY 2017-18 SAMPLE TAX BILL
DEVELOPED PROPERTY – SINGLE FAMILY DETACHED - MARKET RATE
ZONE 4 - TAX CLASS 1 (> 4400 SF)

Assessed Value and Property Taxes	*Percent of Total AV*	*Expected Amount*	*Maximum Amount*
Total Assessed Value[1] $1,295,640			
Net Assessed Value[1] $1,288,640			
Land Assessed Value[2] $680,402			
Unit Size[3] 4,420 Square Feet			
Lot Size[4] 5,253 Square Feet			
AD VALOREM PROPERTY TAXES[5]			
Basic Levy	1.00000%	$12,956.40	
Metropolitan Water District GO Bonds	0.00350	45.35	
Capistrano Unified School District SFID 1 GO Bonds, Series 2001	0.00417	54.03	
Capistrano Unified School District SFID 1 GO Bonds, Series 2012	0.00383	49.62	
Santa Margarita Water District ID No. 4/4C[6] 0.1304% of land value[6]	0.06885	892.06	
Total General Property Taxes and Overrides	1.08035%	$13,997.46	
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
Mosquito & Fire Ant Assessment[7]		$ 6.72	
Vector Control Charge[8]		1.92	
Metropolitan Water District West Standby Charge[9]		10.08	
County of Orange CFD No. 2017-1[10]		11,897.00	11,897.00
Total Assessments, Special Taxes and Parcel Charges		$11,915.72	$11,915.72
PROJECTED TOTAL PROPERTY TAXES		$25,913.18	$25,913.18
Projected Total Effective Tax Rate (as percentage of Total Price)		**2.000%**	**2.000%**

(1) Based on expected base sale price for units in Tax Class 1 of Zone 4, provided by the Market Absorption Consultant as of November 21, 2017. Total Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.

(2) The ratio of land value to net value is assumed to be 0.528 based on the Price Point Study dated November 21, 2017 provided by the Market Absorption Consultant.

(3) Based on expected unit size for units in in Tax Class 1 of Zone 4, provided by the Market Absorption Consultant as of November 21, 2017.

(4) Based on the average lot size for all 161 units in Zone 4.

(5) Based on actual Fiscal Year 2017-18 *ad valorem* rates.

(6) Percent of land value of 0.1304% based on combined rate for ID 4/4C. For purposes of this analysis, the ratio of land value to net value is assumed to be 0.528 based on the Price Point Study dated November 21, 2017 provided by the Market Absorption Consultant.

(7) Based on the actual Fiscal Year 2017-18 rate of $6.72 per benefit unit. Residential parcels are assessed at 1 benefit unit.

(8) Based on the actual Fiscal Year 2017-18 rate of $1.92 per benefit unit. Residential parcels are assessed at 1 benefit unit.

(9) Based on the actual Fiscal Year 2017-18 rate of $10.08 per parcel or per acre, whichever is greater.

(10) Expected amount based on the Orange County CFD No. 2017-1 Fiscal Year 2017-18 Special Tax rate of $11,897.00 per unit for Tax Class 1 property of Zone 4, which is 100.00% of the Fiscal Year 2017-18 Assigned Special Tax rate of $11,897.00 per unit. Maximum amount based on the greater of the Fiscal Year 2017-18 Backup Special Tax rate of $66,503.00 per acre for Zone 4 property or the Fiscal Year 2017-18 Assigned Special Tax of $11,897.00 per unit, which escalates by 2.00% per year thereafter.

Sources: David Taussig and Associates, Inc.; County of Orange; Metropolitan Water District; Santa Margarita Water District; Empire Economics, Inc.

COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 2017-1 (ESENCIA)
ESTIMATED FY 2017-18 SAMPLE TAX BILL
DEVELOPED PROPERTY – SINGLE FAMILY DETACHED – AGE QUALIFIED
ZONE 5 - TAX CLASS 5 (> 1,301 SF)

Assessed Value and Property Taxes	*Percent of Total AV*	*Expected Amount*	*Maximum Amount*
Total Assessed Value[1] $596,542			
Net Assessed Value[1] $589,542			
Land Assessed Value[2] $311,278			
Unit Size[3] 1,279 Square Feet			
Lot Size[4] 3,985 Square Feet			
AD VALOREM PROPERTY TAXES[5]			
Basic Levy	1.00000%	$ 5,965.42	
Metropolitan Water District GO Bonds	0.00350	20.88	
Capistrano Unified School District SFID 1 GO Bonds, Series 2001	0.00417	24.88	
Capistrano Unified School District SFID 1 GO Bonds, Series 2012	0.00383	22.85	
Santa Margarita Water District ID No. 4/4C[6] 0.1304% of land value[6]	0.06885	410.73	
Total General Property Taxes and Overrides	1.08035%	$ 6,444.75	
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
Mosquito & Fire Ant Assessment[7]		$ 6.72	
Vector Control Charge[8]		1.92	
Metropolitan Water District West Standby Charge[9]		10.08	
County of Orange CFD No. 2017-1[10]		4,292.00	$ 4.850.66
Total Assessments, Special Taxes and Parcel Charges		$ 4,310.72	$ 4,869.38
PROJECTED TOTAL PROPERTY TAXES		$10,755.47	$11,314.13
Projected Total Effective Tax Rate (as percentage of Total Price)		**1.803%**	**1.897%**

(1) Based on expected base sale price for units in Tax Class 5 of Zone 5, provided by the Market Absorption Consultant as of November 21, 2017. Total Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.

(2) The ratio of land value to net value is assumed to be 0.528 based on the Price Point Study dated November 21, 2017 provided by the Market Absorption Consultant.

(3) Based on expected unit size for units in in Tax Class 5 of Zone 6, provided by the Market Absorption Consultant as of November 21, 2017.

(4) Based on the average lot size for all 62 units in Zone 5.

(5) Based on actual Fiscal Year 2017-18 *ad valorem* rates.

(6) Percent of land value of 0.1304% based on combined rate for ID 4/4C. For purposes of this analysis, the ratio of land value to net value is assumed to be 0.528 based on the Price Point Study dated November 21, 2017 provided by the Market Absorption Consultant.

(7) Based on the actual Fiscal Year 2017-18 rate of $6.72 per benefit unit. Residential parcels are assessed at 1 benefit unit.

(8) Based on the actual Fiscal Year 2017-18 rate of $1.92 per benefit unit. Residential parcels are assessed at 1 benefit unit.

(9) Based on the actual Fiscal Year 2017-18 rate of $10.08 per parcel or per acre, whichever is greater.

(10) Expected amount based on the Fiscal Year 2017-18 Special Tax rate of $4,292.00 per unit for Tax Class 5 property of Zone 5, which is 100.00% of the Fiscal Year 2017-18 Assigned Special Tax rate of $4.202.00 per unit. Maximum amount based on the greater of the Fiscal Year 2017-18 Backup Special Tax rate of $53,022.00 per acre for Zone 5 property or the Fiscal Year 2017-18 Assigned Special Tax of $4,282.00 per unit, which escalates by 2.00% per year thereafter.

Sources: David Taussig and Associates, Inc.; County of Orange; Metropolitan Water District; Santa Margarita Water District; Empire Economics, Inc.

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APPENDIX J

MARKET ABSORPTION STUDY

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COMMUNITY FACILITIES DISTRICT NO. 2017-1
(VILLAGE OF ESENCIA – PLANNING AREA 2.3)

MARKET ABSORPTION STUDY

PREPARED FOR:
COUNTY OF ORANGE
ORANGE COUNTY, CALIFORNIA

PREPARED BY:
EMPIRE ECONOMICS, INC.
JOSEPH T. JANCZYK, PH.D

MAY 26, 2017
(November 21, 2017: Revised/Updated Product Mix and Absorption Schedules)

OVERVIEW OF THE MARKET ABSORPTION STUDY

The County of Orange retained Empire Economics, Inc. (Empire), an economic and real estate consulting firm, to perform a Market Absorption Study for the active/forthcoming projects in CFD No. 2017-1, herein referred to as CFD No. 2017-1, which are being marketed as the Planned Community of Esencia (Planning Area 2.3 or Phase 3).

Introduction

This section provides a description of the role of the market absorption study in the bond financing program as well as a discussion of the methodology underlying the study, along with maps showing the market areas and location of the CFD. There is also a Certification of Independence that Empire performs studies only for the public sector.

Section I: Expected Product Mix Characteristics of the Active/Forthcoming Projects

There are expected to be nine residential projects by five different builders that plan to offer a total of 752 homes: Age–Qualified: 124-detached as well as All-Ages: 80-Attached, 374-Small Detached and 174-Large Detached. The prices for the homes, as estimated by the builders, average about $711,558, and they have a range from a low of $343,000 to a high of $1,410,000. The sizes of living areas for the projects average 1,981 sq.ft., and the various projects have a range from a low of 707 to 4,420 sq. ft.. The total tax burden is expected to amount to 1.80% for Age-Qualified and 2.00% for All-Ages; the County's maximum tax burden is 2.00%.

Section II: Economic and Real Estate Model Underlying the Market Absorption Study

The recent rate of employment growth for Orange County amounts to about 40,000+ new jobs per year, and this typically generates a demand for about 25,000 +new homes. By comparison, the supply of new homes, including for-sale and apartments, has recently amounted to only about 12,000 per year. Consequently, there is a strong demand for new housing. Orange County's economic base is expected to continue to generate strong employment growth, and this will strengthen its housing market, thereby providing support for the CFD No. 2017-1's active/forthcoming residential projects. The cities in the vicinity of CFD No. 2017-1 generally have unemployment rates that are below the County's overall rate of 3.7%. The potential impact of millennials choosing to reside in urbanized areas in apartments due to cultural factors as well as financial challenges is expected to have only a moderate impact on the demand for for-sale housing. From a cultural perspective, Orange County as a coastal/urbanized area matches their preferences. However, from a financial perspective, many millennials are not able to afford new homes, due to down payment and mortgage qualification requirements.

Section III: Overview of Development Trends/Patterns and Socioeconomic Factors

Orange County population, as a whole, grew about 16% from 2000 to 2016 and continues to grow at about one percent per year. CFD No. 2017-1 is situated in the southerly portion of Orange County and so it is somewhat distant from major employment centers, such as the cities of Irvine (20 miles) and Anaheim (30 miles). From a socioeconomic perspective, the cities in the vicinity of the CFD have a significantly lower crime rate and the school district has a higher educational achievement level than for Orange County and California; these positive socioeconomic factors support the demand for the active/forthcoming homes in the CFD.

Section IV: Analysis of the Residential Projects in the CFD No. 2017-1 Competitive Housing Market Area

A Competitive Market Analysis of the projects in the CFD was performed by comparing their characteristics with the currently active comparable projects in the Competitive Housing Market Area, including their prices, sizes of living area and Special Taxes. The active/forthcoming projects have full prices (base prices and special tax liens) that are generally similar to the currently active market comparable projects in Esencia Phase 1 and Esencia Phase II, for age qualified detached and all ages as well as attached/detached product types.

Section V: Estimated Absorption Schedules for the Projects in CFD No. 2017-1

The projects in CFD No. 2017-1 are expected to have their Grand Opening from October 2017 to early 2018. Based upon a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors that are expected to influence the absorption of the projects in the CFD, Empire concluded that the absorption prospects for future escrow closings for the 752 homes are regarded as being generally favorable. Potential risk factors include macroeconomic factors such as an economic downturn, a sudden spike in interest/mortgage rates and various potential proposed tax reform policies related to housing. While local housing market conditions factors include competition from the remaining homes in CFD No. 2015-1 (Esencia Phase I) and CFD No. 2016-1 (Esencia Phase II) that are expected to continue to enter the marketplace during the next several years.

Please refer to the following page for the Table of Contents; Empire recommends that the Study be read in its entirety.

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INTRODUCTION

A. OVERVIEW OF THE BOND FINANCING PROGRAM

Rancho Mission Viejo requested the County of Orange to form Community Facilities District No. 2017-1 (CFD No. 2017-1) to assist with the financing for the public infrastructure that is required to support the development of the active/forthcoming residential projects in a portion of the Planned Community of "Village of Esencia".

The Village of Esencia (Esencia) represents a newly developing area in the southerly portion of the County of Orange, easterly of the City of San Juan Capistrano. Esencia follows a sequential development pattern of Planned Communities that have previously been developed/built-out in this area, including Ladera Ranch with about 8,000 homes and Sendero with about 900 homes. Due to its size, Esencia has been partitioned into three phases. The first phase, CFD No. 2015-1, has 12 projects with for-sale homes. The second phase, CFD No. 2016, has 12 projects (six of which are continuation projects from CFD 2015-1) on the marketplace with for-sale homes. The third phase, CFD No. 2017-1, is expected to have 9 projects with Grand Openings starting in October 2017 through early 2018,

CFD No. 2017-1 is expected to have 752 for-sale homes in nine residential projects with five different builders and each of these will have a model complex; accordingly, these projects have been categorized into four major market segments:

- Age-Qualified: 55+
  - Detached Product: 2 projects
- All-Ages:
  - Attached Product: 1 project
  - Detached Product – Smaller Sq.Ft.: 4 projects
  - Detached Product – Larger Sq.Ft.: 2 projects

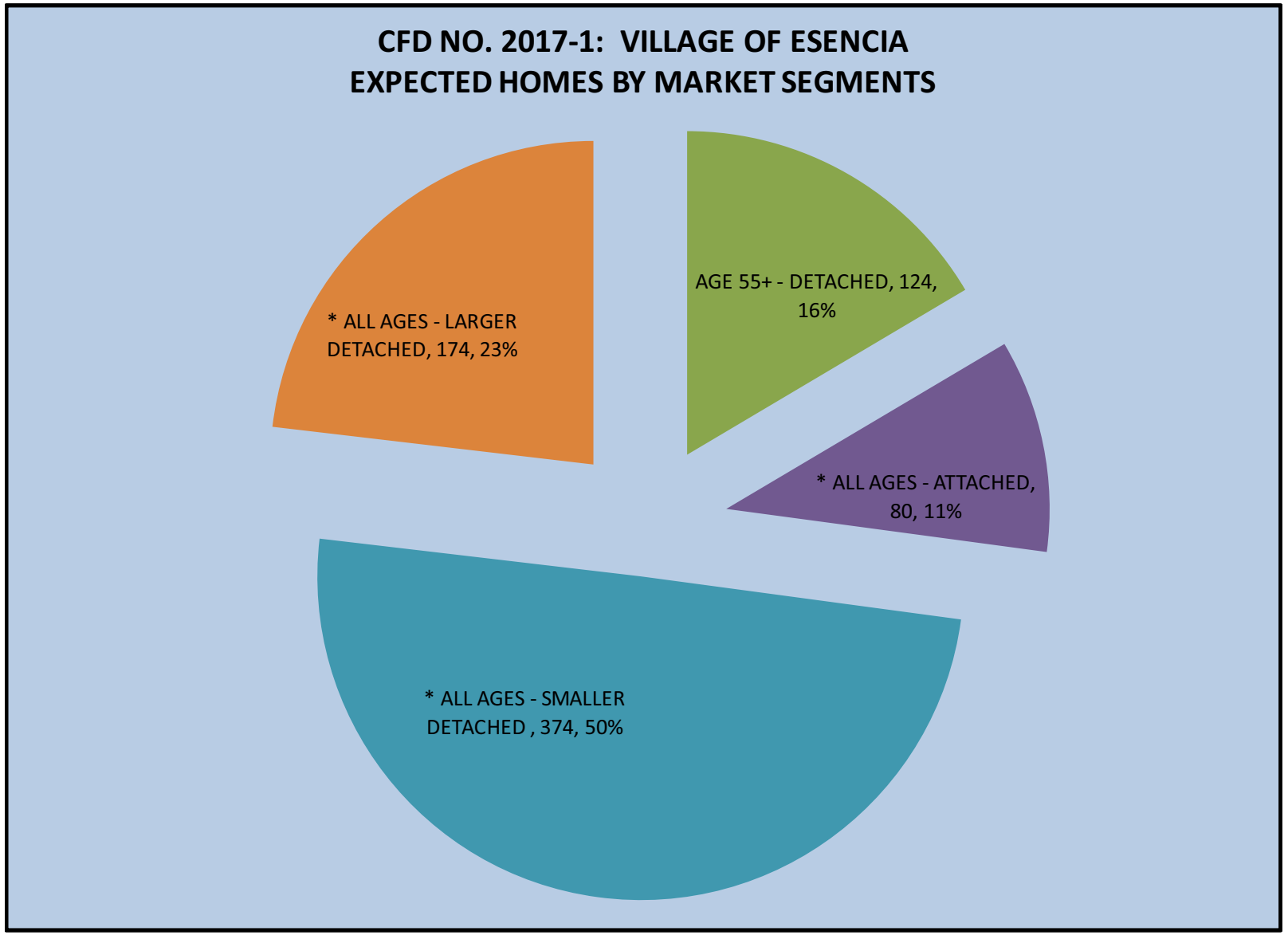
The County of Orange retained Empire Economics an economic and real estate consulting firm, to perform a Market Absorption Study for the active/forthcoming projects in CFD No. 2017-1. The Market Absorption Study performs a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors that are expected to influence the absorption of the active/forthcoming homes in CFD No. 2017-1, in order to arrive at conclusions regarding the following:

- Estimated absorption schedules for the homes in each of the nine residential projects, from market-entry to build-out, on an annualized basis.
- Discussion of potential economic, financial and real estate risk factors that may adversely impact their marketability.

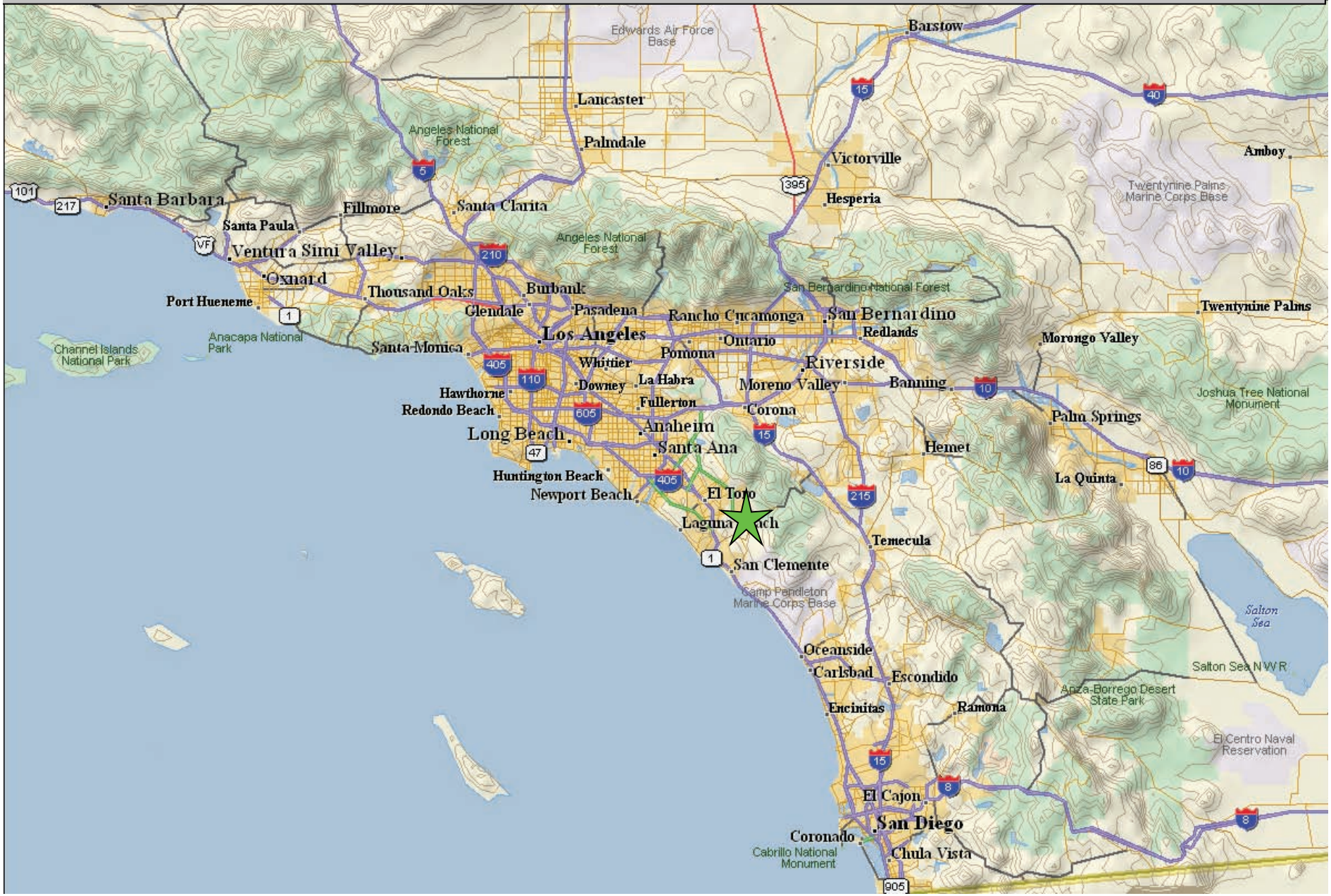
The relevant geographical areas for the economic and real estate research are as follows:

- Market Region includes all of the counties/cities in Southern California, as a whole
- Market Area encompasses the currently active comparable residential projects in southern Orange County.

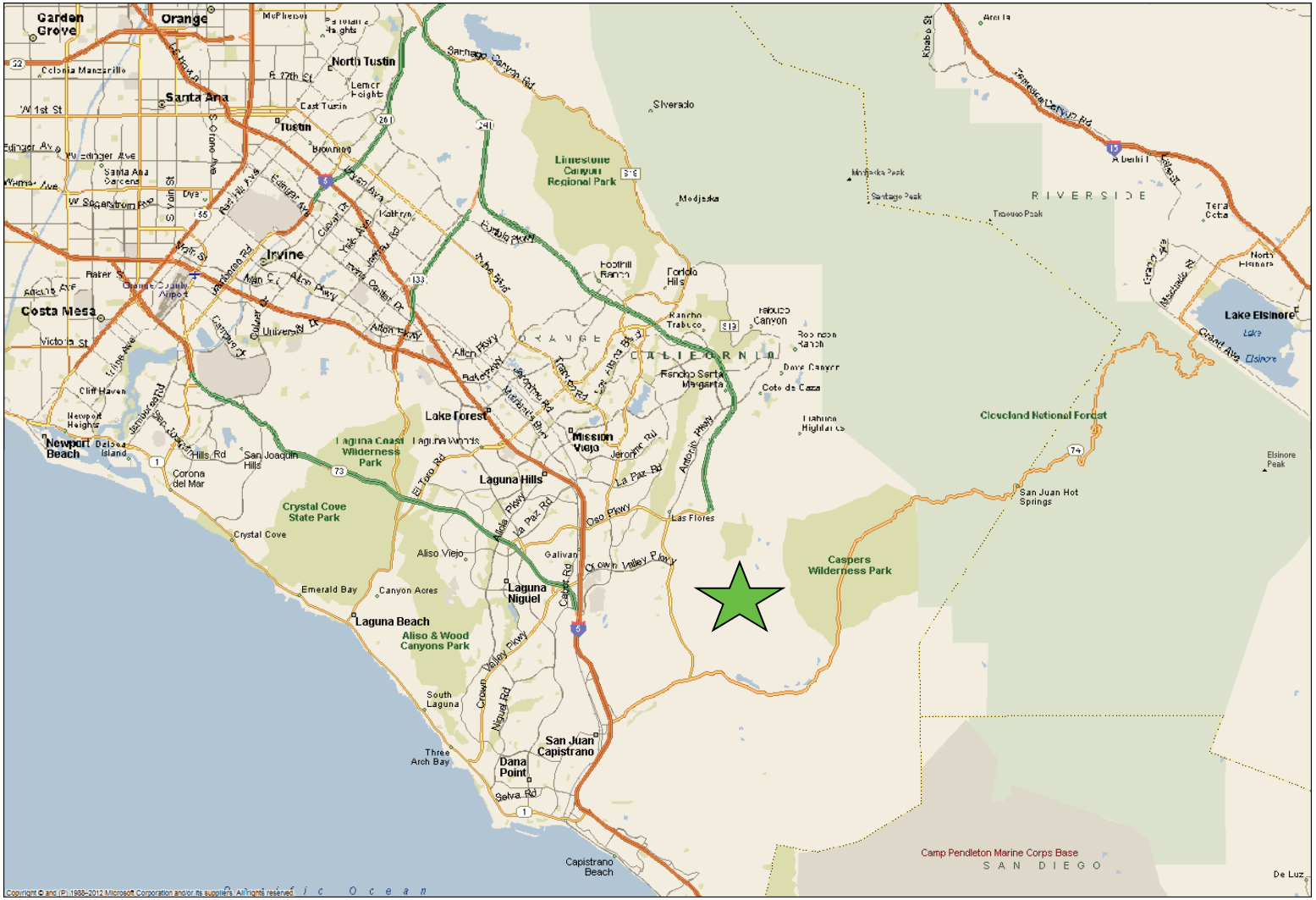
For information on the location of CFD No. 2017-1, please refer to the graph and maps on the following pages.


CFD NO. 2017-1: VILLAGE OF ESENCIA
EXPECTED HOMES BY MARKET SEGMENTS
* ALL AGES - LARGER DETACHED, 174, 23%
AGE 55+ - DETACHED, 124, 16%
* ALL AGES - ATTACHED, 80, 11%
* ALL AGES - SMALLER DETACHED , 374, 50%

SOUTHERN CALIFORNIA MARKET REGION:
LOCATION OF CFD NO. 2017-1: VILLAGE OF ESENCIA – PHASE 3



SOUTH ORANGE COUNTY
APPROXIMATE LOCATION OF CFD NO. 2017-1
(VILLAGE OF ESENCIA – PHASE 3; PLANNING AREA 2.3)



B. ROLES OF THE MARKET ABSORPTION STUDY FOR THE BOND FINANCING

The Market Absorption Study for CFD No. 2017-1 has a multiplicity of roles with regards to the Bond Financing; accordingly, these are set-forth below:

Marketing Prospects for the Residential Products

Estimated Absorption Schedules:
Escrow Closings of Homes to Homeowners,
from Market-Entry to Build-Out for
each of the Nine Projects

Potential Risk Factors that may Adversely Impact
the Marketability of the Projects

Relationship of the Market Study to the Special Tax Payments

Special Taxes for the Residential Projects/Products

Aggregate Levels of Special Tax Revenues for Bond Sizing

Absorption Rate Determines Shares of Payments:
Developer/Builders vs. Final-Users/Homeowners

Relationship of the Market Absorption Study to the Appraisal/Valuation

Appraisal of Property
Appraiser Uses Absorption Schedules for
Discounted Cash Flow – Present Value

(The Longer the Absorption Time, the Lower the Present Value)

C. METHODOLOGY UNDERLYING THE MARKET ABSORPTION STUDY FOR CFD NO. 2017-1

The Market Absorption Study performs a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors as well as the potential risk factors that are expected to influence the absorption of the homes in CFD No. 2017-1 (Village of Esencia – Phase 3; Planning Area 2.3); the primary components of the Study are as follows:

I. Expected For-Sale Residential Product Mix Characteristics

II. Economic and Real Estate Model Underlying the Market Absorption Study

III. Overview of the Development Trends/Patterns and Socioeconomic Factors

IV. Competitive Market Analysis of the Residential Projects

V. Estimated Absorption Schedules for the Projects/Products

Assumptions and Limiting Conditions

D. CERTIFICATION OF INDEPENDENCE

EMPIRE ECONOMICS PROVIDES CONSULTING SERVICES ONLY FOR PUBLIC ENTITIES

The Securities & Exchange Commission has taken action against firms that have utilized their research analysts to promote companies with whom they conduct business, citing this as a potential conflict of interest. Accordingly, Empire Economics (Empire), in order to ensure that its clients, including the County of Orange, are not placed in a situation that could cause such conflicts of interest, provides a Certification of Independence.

This Certificate states that Empire performs consulting services only for public entities such as the County of Orange, in order to avoid potential conflicts of interest that could occur if it also provided consulting services for developers/builders.

For example, if a research firm for a specific Community Facilities District were to provide consulting services to both the public entity as well as the property owner/developer/builders, then a potential conflict of interest could be created, given the different objectives of the public entity versus the property owner/developer.

Accordingly, Empire Economics certifies that the Market Absorption Study for the CFD No. 2017-1 of the County of Orange was performed in an independent professional manner, as represented by the following statements:

- Empire was retained to perform the Market Absorption Study by the County of Orange, not the CFD's developer/builders.
- Empire has not performed any consulting services for the CFD's property owner or the developer/builders during the past thirty years.
- Empire will not perform any consulting services for the CFD's property owner or the developer/builders during the next five years.
- Empire's compensation for performing the Market Absorption Study for the CFD is not contingent upon the issuance of bonds; Empire's fees are paid on a non-contingency basis.

Therefore, based upon the statements set-forth above, Empire hereby certifies that the Market Absorption Study for CFD No. 2017-1 of the County of Orange was performed in an independent professional manner.

SECTION I
EXPECTED FOR-SALE RESIDENTIAL PRODUCT MIX CHARACTERISTICS
(Source of Data: Rancho Mission Viejo and Merchant Builders)

CFD No. 2017-1, which encompasses Phase 3 Planning Area 2.3 of the Village of Esencia, is expected to have a total of 752 for-sale homes in nine different projects by five different builders. Empire has partitioned these projects into four distinct market segments, based upon age-qualified vs. all ages as well as attached vs. detached; accordingly, their characteristics are as follows:

- **Age-Qualified 55+ Detached Product** segment has two projects (AQ-14 and AQ-15), both by Pulte/Del Web, that are expected to have 124 homes. Their estimated base prices range from $594,990 to $834,990, for an overall average of about $727,635 Their living areas range from 1,279 sq.ft. to 2,451 sq.ft., for an overall average of 1,883 sq.ft. The value ratio amounts to about $389/sq.ft. and their total tax burden is not expected to exceed 1.80%.

- **All-Ages Attached Product** segment has one project (MR-2) by New Home Company that is expected to have 80 homes. The estimated base prices range from $343,000 to $530,000, for an overall average of about $494,750. Their living areas range from 707 sq.ft. to 1,619 sq.ft., for an overall average of 1,330 sq.ft. The value ratio amounts to about $372/sq.ft. and their total tax burden is not expected to exceed 2.00%.

- **All-Ages Detached Product - Smaller (Plan Average Below 2,200 sq.ft.)** segment has four projects (MR-4, MR-5, MR-12 and AH-13), by CalAtlantic Homes (2), Meritage, and New Home Company, that are expected to have 374 homes. Their estimated base prices range from $520,000 to $735,500, for an overall average of about $645,855. Their living areas range from 1,223 sq.ft. to 2,169 sq.ft., for an overall average of 1,778 sq.ft. The value ratio amounts to about $365/sq.ft. and their total tax burden is not expected to exceed 2.00%.

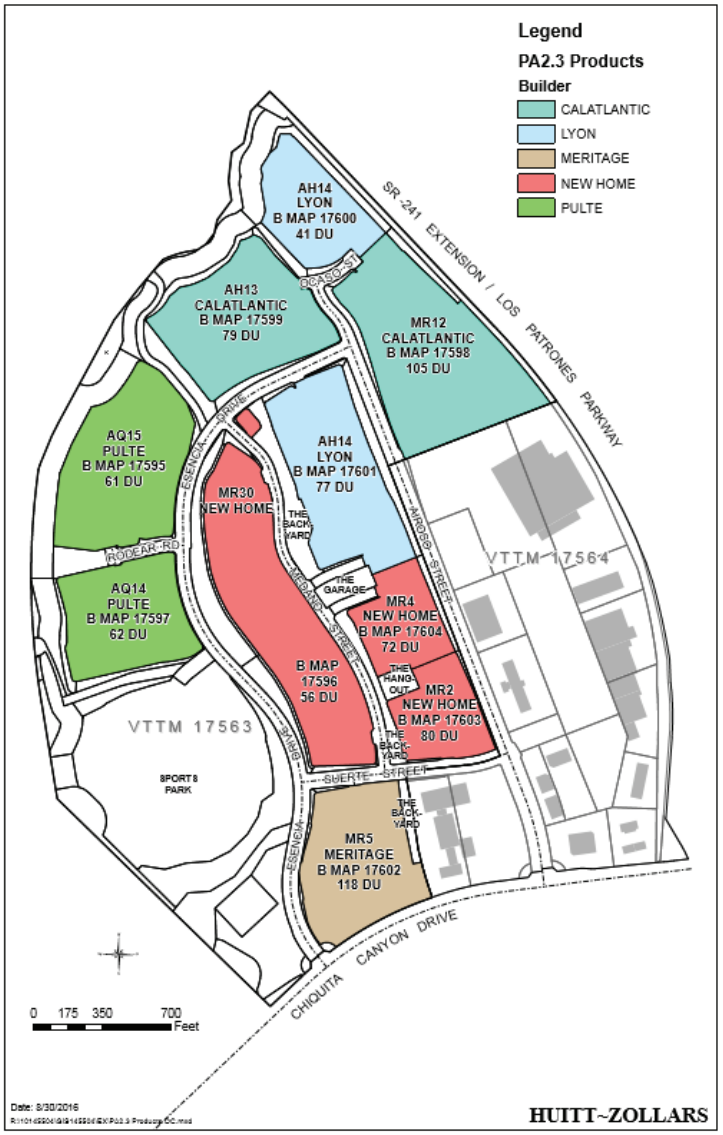
- **All-Ages Detached Product - Larger (Plan Average Above 2,200 sq.ft.)** segment has two projects (AH-14 and MR-30), including one by Lyon Homes and one by New Home Company, that are expected to have 174 homes. Their estimated base prices range from $690,000 to $1,410,000, for an overall average of about $941,006. Their living areas range from 1,914 sq.ft. to 4,420 sq.ft., for an overall average of 2,788 sq.ft. The value ratio amounts to about $331/sq.ft. and their total tax burden is not expected to exceed 2.00%.

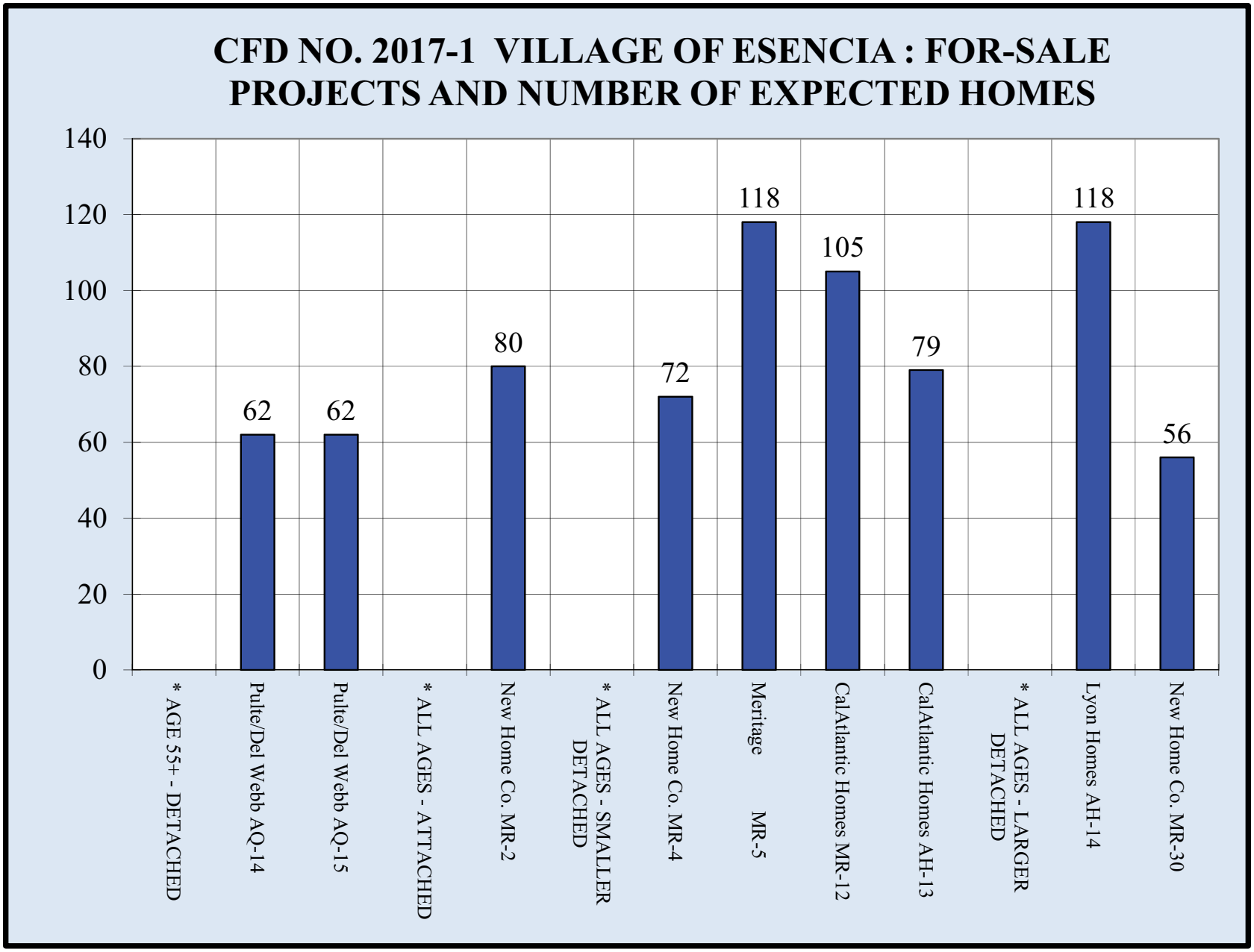
So, for all of the projects, as a whole, the base prices amount to some $711,558, on the average, and they have a range of $343,000 to $1,410,000. While their living areas amount to some 1,981 sq.ft., on the average, and they have a range of 707 to 4,420 sq.ft. Their overall value ratio amounts to $359/sq.ft., on the average. The total tax burdens are expected to be around 1.80% for the age qualified detached and not exceed 2.00% for the all-age products.

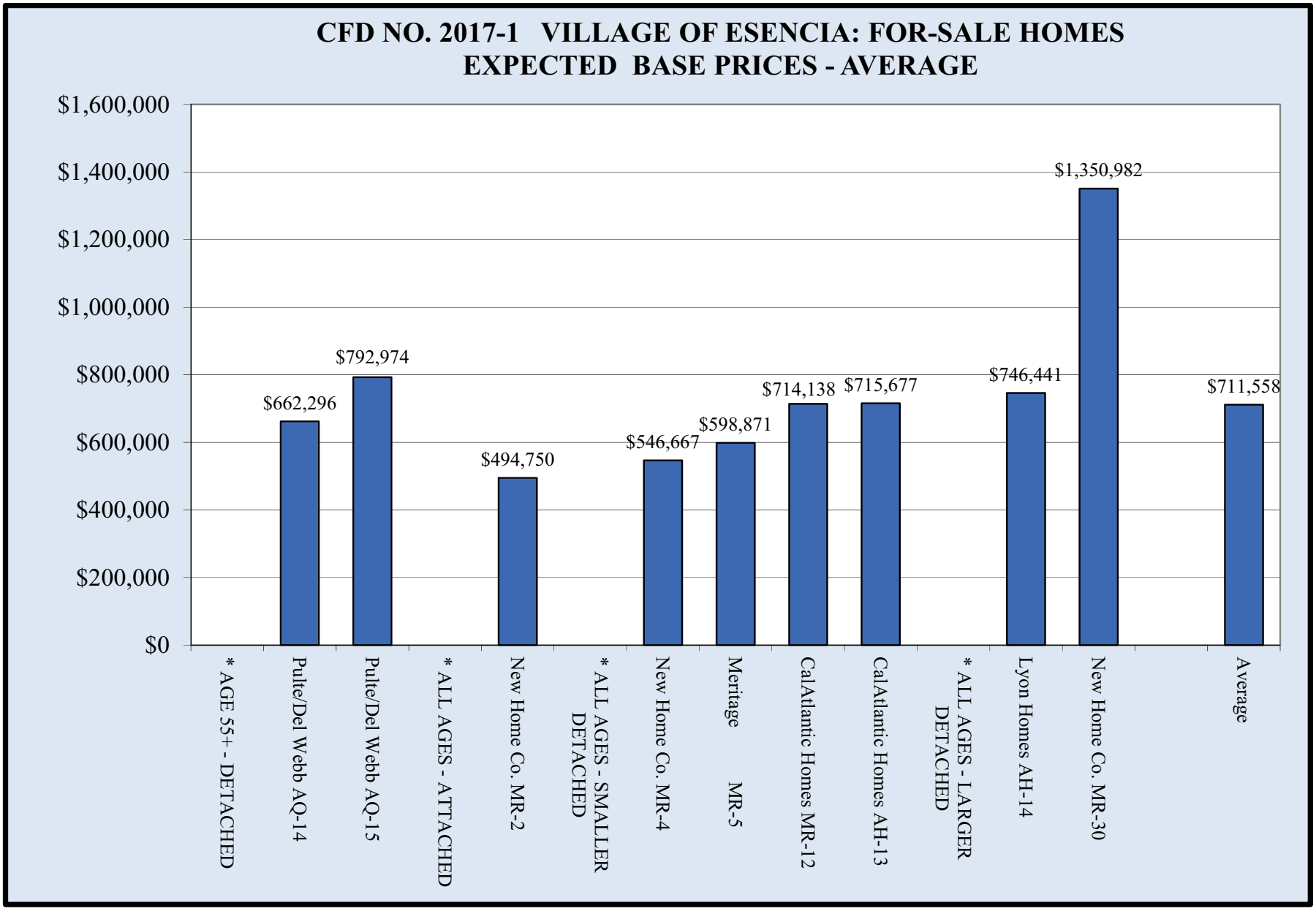
For more information on these projects, please refer to the following map, graphs and table.

CFD NO. 2017-1 ESENCIA PHASE 3 PLANNING AREA 2.3 PROJECT MAP

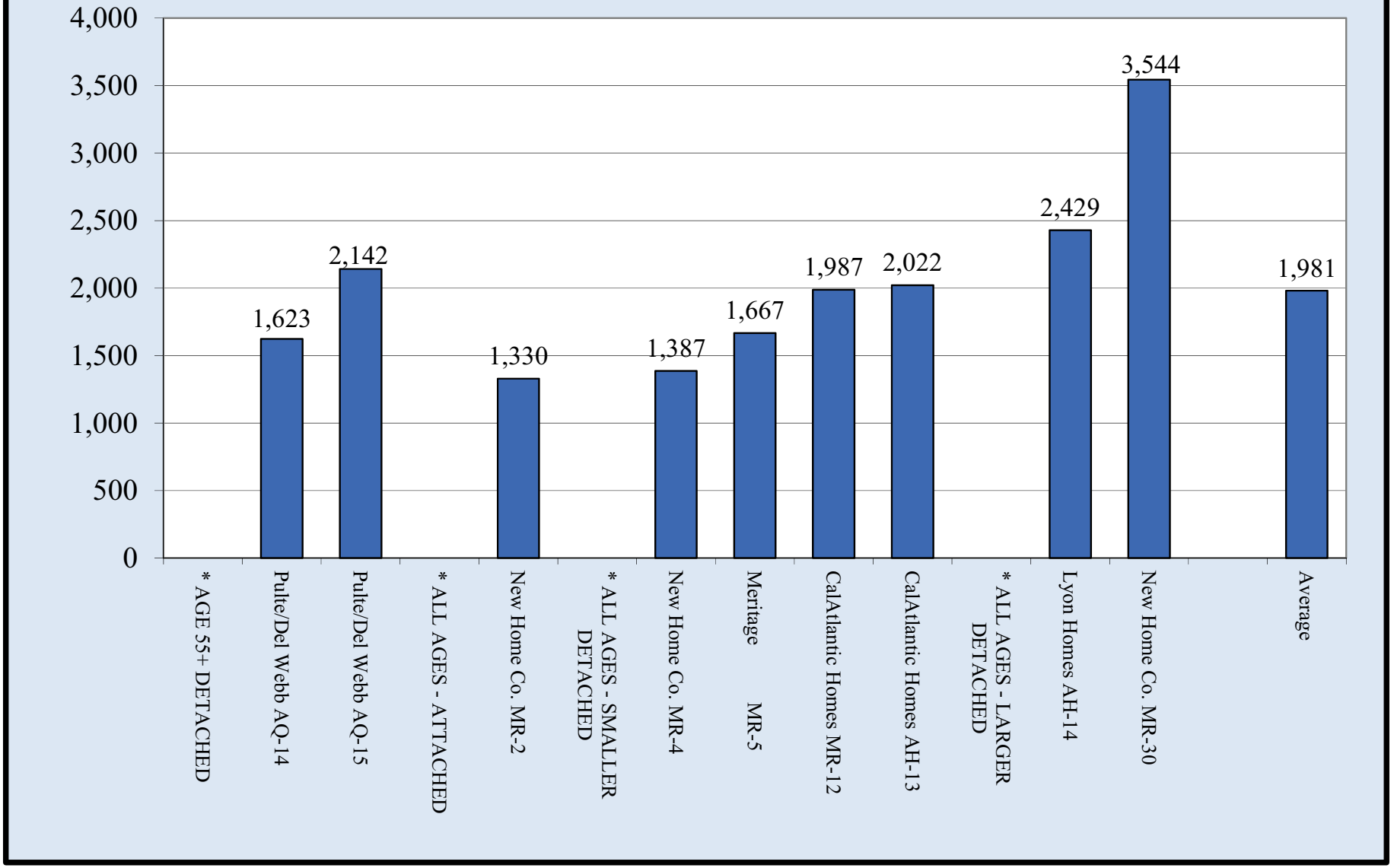
Residential projects of Esencia Phase 3 Planning Area 2.3 are planned for northerly of Chiquita Canyon Drive and westerly of Los Patrones Parkway.




CFD NO. 2017-1 VILLAGE OF ESENCIA : FOR-SALE PROJECTS AND NUMBER OF EXPECTED HOMES
140
120
100
80
60
40
20
0
62
62
80
72
118
105
79
118
56
* AGE 55+ - DETACHED
Pulte/Del Webb AQ-14
Pulte/Del Webb AQ-15
* ALL AGES - ATTACHED
New Home Co. MR-2
* ALL AGES - SMALLER DETACHED
New Home Co. MR-4
Meritage MR-5
CalAtlantic Homes MR-12
CalAtlantic Homes AH-13
* ALL AGES - LARGER DETACHED
Lyon Homes AH-14
New Home Co. MR-30


CFD NO. 2017-1 VILLAGE OF ESENCIA: FOR-SALE HOMES
EXPECTED BASE PRICES - AVERAGE
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
$662,296
$792,974
$494,750
$546,667
$598,871
$714,138
$715,677
$746,441
$1,350,982
$711,558
* AGE 55+ - DETACHED
Pulte/Del Webb AQ-14
Pulte/Del Webb AQ-15
* ALL AGES - ATTACHED
New Home Co. MR-2
* ALL AGES - SMALLER DETACHED
New Home Co. MR-4
Meritage MR-5
CalAtlantic Homes MR-12
CalAtlantic Homes AH-13
* ALL AGES - LARGER DETACHED
Lyon Homes AH-14
New Home Co. MR-30
Average

CFD NO. 2017-1: VILLAGE OF ESENCIA: FOR-SALE HOMES
EXPECTED SIZES OF LIVING AREA - AVERAGE



EXPECTED CHARACTERISTICS OF THE ACTIVE/FORTHCOMING PROJECTS IN CFD NO. 2017-1

(Source of Data: Rancho Mission Viejo/Merchant Builders November 2017)

	Age Qualified (Age 55+)		All Ages							Overall	
Market Segments >	**Detached**	**Detached**	**Attached**	**Detach-Smaller**	**Detach-Smaller**	**Detach-Smaller**	**Detach-Smaller**	**Detach-Larger**	**Detach-Larger**	**Totals**	**Totals**
Planning Area >	**AQ-14**	**AQ-15**	**MR-2**	**MR-4**	**MR-5**	**MR-12**	**AH-13**	**AH-14**	**MR-30**		
Project Name>	Vida	Alma	Azure	Cobalt	Modena	Avant	Vivaz	Reverie	Topaz		
Builder >	Pulte/Del Webb	Pulte/Del Webb	New Home Co.	New Home Co.	Meritage	CalAtlantic Homes	CalAtlantic Homes	Lyon Homes	New Home Co.		
Model Complex - Expected Opening	Q4/2017	Q4/2017	Q4/2017	Q4/2017	Q4/2017	Q4/2017	Q4/2017	Q1/2018	Q1/2018		
Commence Escrow Closings	Q1/2018	Q1/2018	Q1/2018	Q1/2018	Q4/2017	Q1/2018	Q1/2018	Q2/2018	Q3/2018		
Housing Units											
Totals	62	62	80	72	118	105	79	118	56	752	
Share	8.2%	8.2%	10.6%	9.6%	15.7%	14.0%	10.5%	15.7%	7.4%	100%	
Marketing Status:											
Closed	0	0	0	0	0	0	0	0	0	0	
Future Closings	62	62	80	72	118	105	79	118	56	752	
Market Segment-Totals>	124		80	374				174			
Expected Product Mix											
Plan # 1	7	19	10	24	20	19	13	19	17		
Plan # 2	7	10	16	24	10	20	16	21	9		
Plan # 3	6	10	4	24	17	33	20	19	18		
Plan # 4	6	23	8		10	33	30	21	12		
Plan # 5	6		4		14			38			
Plan # 6	6		8		16						
Plan # 7	12		3		17						
Plan # 8	12		10		14						
Plan # 9			7								
Plan # 10			10								
Totals	**62**	**62**	**80**	**72**	**118**	**105**	**79**	**118**	**56**		**752**
Living Areas (Sq. Ft.)											
Plan # 1	1,279	1,827	707	1,223	1,479	1,677	1,701	1,914	2,897		
Plan # 2	1,741	1,864	1,158	1,410	1,545	1,866	2,065	2,334	3,573		
Plan # 3	1,558	2,310	1,182	1,527	1,502	2,076	1,974	2,445	3,558		
Plan # 4	2,013	2,451	1,432		1,642	2,151	2,169	2,552	4,420		
Plan # 5	1,547		1,461		1,632			2,664			
Plan # 6	1,848		1,476		1,863						
Plan # 7	1,598		1,513		1,742						
Plan # 8	1,542		1,566		1,962						
Plan # 9			1,507								
Plan # 10			1,619								
Averages	**1,623**	**2,142**	**1,330**	**1,387**	**1,667**	**1,987**	**2,022**	**2,429**	**3,544**		**1,981**
Market Segment-Averages >	1,883		1,330	1,778				2,788			
Estimated Prices - Developer											
Plan # 1	$594,990	$739,990	$343,000	$520,000	$564,990	$669,500	$669,500	$690,000	$1,295,000		
Plan # 2	$675,990	$743,990	$470,000	$545,000	$571,990	$707,500	$707,500	$730,000	$1,360,000		
Plan # 3	$665,990	$845,990	$475,000	$575,000	$565,990	$722,500	$722,500	$750,000	$1,360,000		
Plan # 4	$724,990	$834,990	$510,000		$582,990	$735,500	$735,500	$750,000	$1,410,000		
Plan # 5	$663,990		$515,000		$601,990			$780,000			
Plan # 6	$687,990		$540,000		$640,990						
Plan # 7	$654,990		$530,000		$609,990						
Plan # 8	$653,990		$560,000		$652,990						
Plan # 9			$540,000								
Plan # 10			$530,000								
Averages	**$662,296**	**$792,974**	**$494,750**	**$546,667**	**$598,871**	**$714,138**	**$715,677**	**$746,441**	**$1,350,982**		**$711,558**
Market Segment-Averages >	$727,635		$494,750	$645,855				$941,006			
Value Ratios : (Price / Living Area)	$408	$370	$372	$394	$359	$359	$354	$307	$381		$359
Market Segment-Averages >	$389		$372	$365				$331			
Tax Burdens - Estimated											
Ad Valorem - Percent of Price	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%		0.00%
Special Taxes $/Yr. - Avg.	$4,835	$5,789	$4,601	$5,084	$5,570	$6,641	$6,656	$6,942	$12,564		$13,915
*** Total Tax Burden %/Price**	1.80%	1.80%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%		1.96%

SECTION II

ECONOMIC AND REAL ESTATE FORECASTING MODEL UNDERLYING THE MARKET ABSORPTION STUDY FOR THE CFD NO. 2017-1

A. OVERVIEW OF THE ECONOMIC AND REAL ESTATE FORECASTING MODEL

This section describes the Economic and Real Estate Forecasting Model underlying the Market Absorption Study for the active/forthcoming residential projects in the CFD No. 2017-1 (Village of Esencia Phase 3 Planning Area 2.3); accordingly, the primary components are as follows:

A. Recent/Expected Real Estate Trends/Patterns for the Market Region and Market Area

B. Recent/Expected Employment Trends/Patterns in the County of Orange
- Employment Trends/Patterns
- Major Employers
- Unemployment Rates: California, Orange County and Select Cities

C. Critical Components of the Forecasting Model
- Employment as the Primary Driver of Housing Demand and Prices
- Mortgage Rates as a Secondary Economic Driver of Housing Demand and Prices
- Levels of Mortgage Defaults
- Sales of Existing and New Homes
- New Residential Development Activity

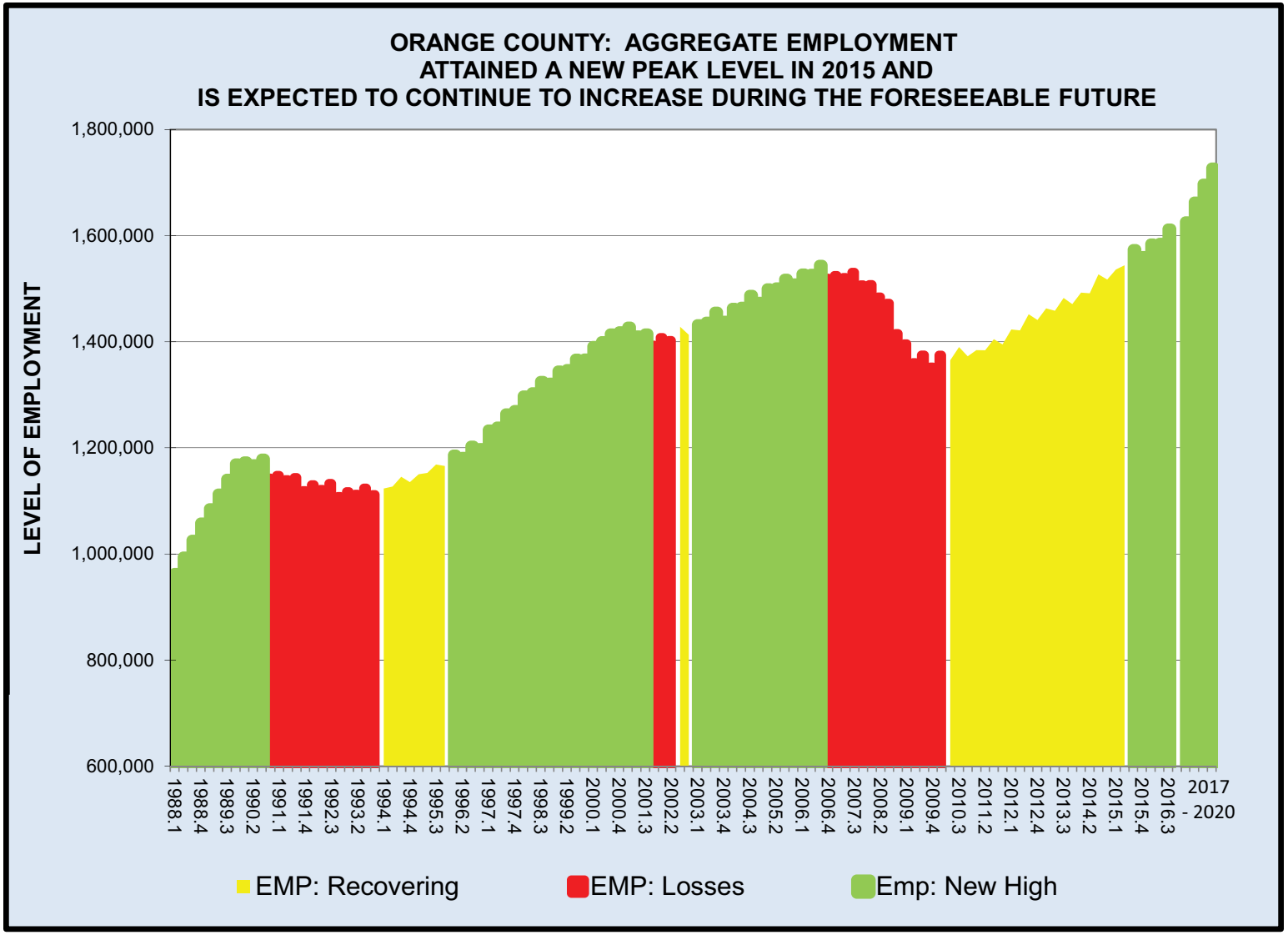
D. Extraordinary Factors Reducing the Demand of For-Sale Homes

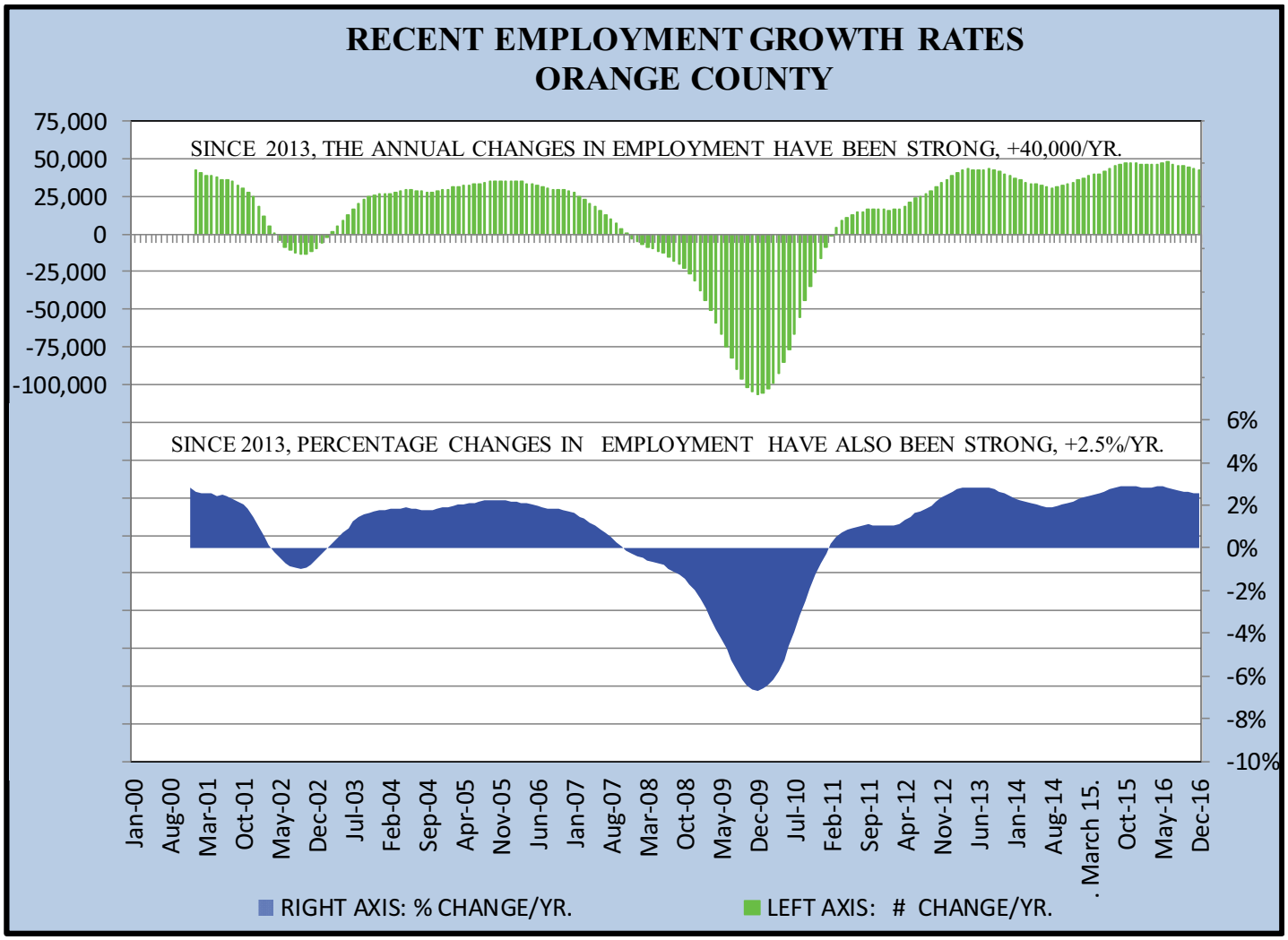
E. Conclusion on Recent/Future Housing Market Conditions

A. RECENT/EXPECTED REAL ESTATE MARKET TRENDS/PATTERNS FOR THE MARKET REGION AND MARKET AREA



B. RECENT/EXPECTED EMPLOYMENT TRENDS/PATTERNS IN THE COUNTY OF ORANGE

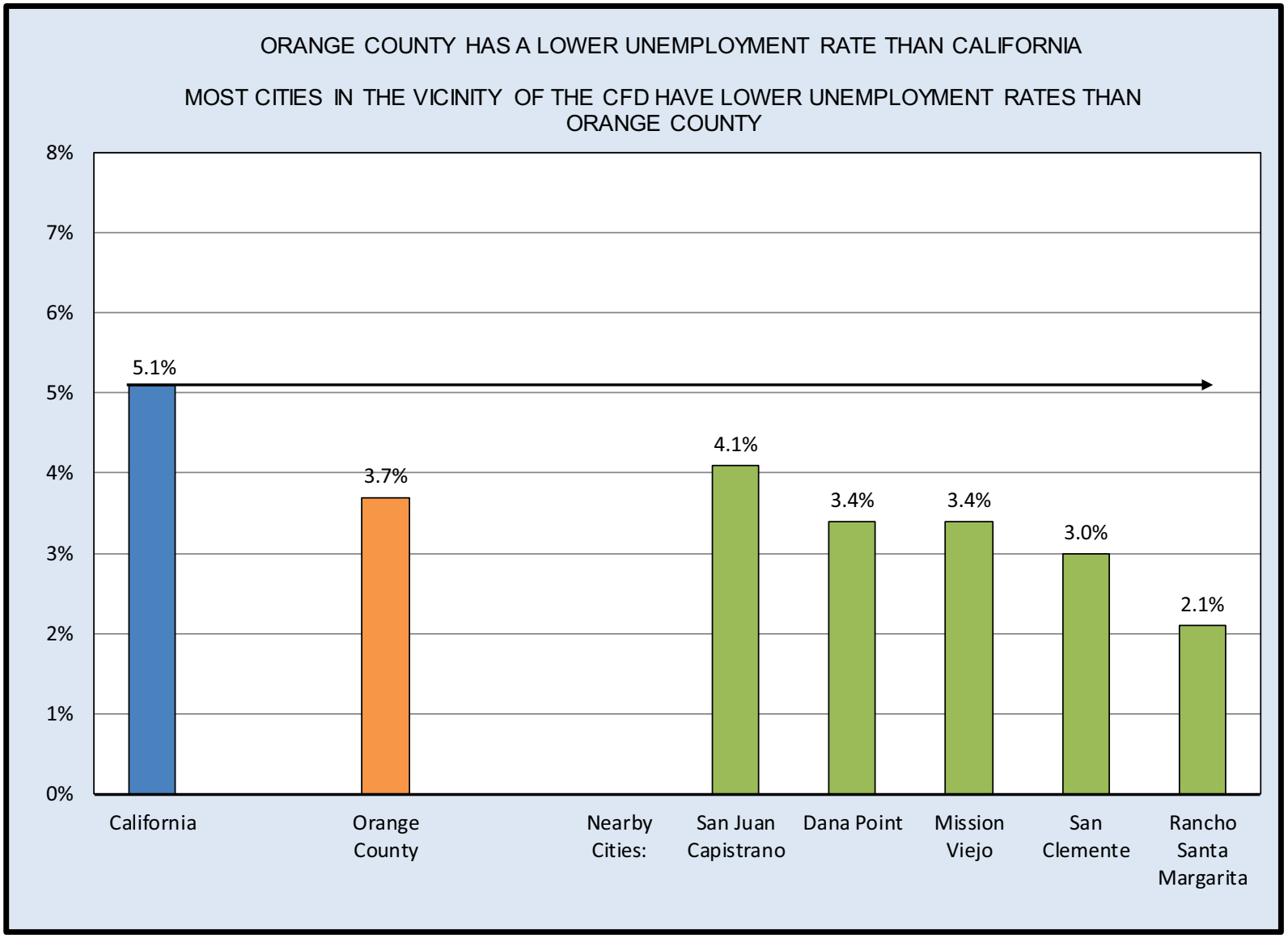



RECENT EMPLOYMENT GROWTH RATES
ORANGE COUNTY
SINCE 2013, THE ANNUAL CHANGES IN EMPLOYMENT HAVE BEEN STRONG, +40,000/YR.
SINCE 2013, PERCENTAGE CHANGES IN EMPLOYMENT HAVE ALSO BEEN STRONG, +2.5%/YR.
75,000
50,000
25,000
0
-25,000
-50,000
-75,000
-100,000
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
Jan-00
Aug-00
Mar-01
Oct-01
May-02
Dec-02
Jul-03
Feb-04
Sep-04
Apr-05
Nov-05
Jun-06
Jan-07
Aug-07
Mar-08
Oct-08
May-09
Dec-09
Jul-10
Feb-11
Sep-11
Apr-12
Nov-12
Jun-13
Jan-14
Aug-14
. March 15.
Oct-15
May-16
Dec-16
RIGHT AXIS: % CHANGE/YR.
LEFT AXIS: # CHANGE/YR.

ORANGE COUNTY - MAJOR EMPLOYERS
Source: Employment Development Department; May 2017

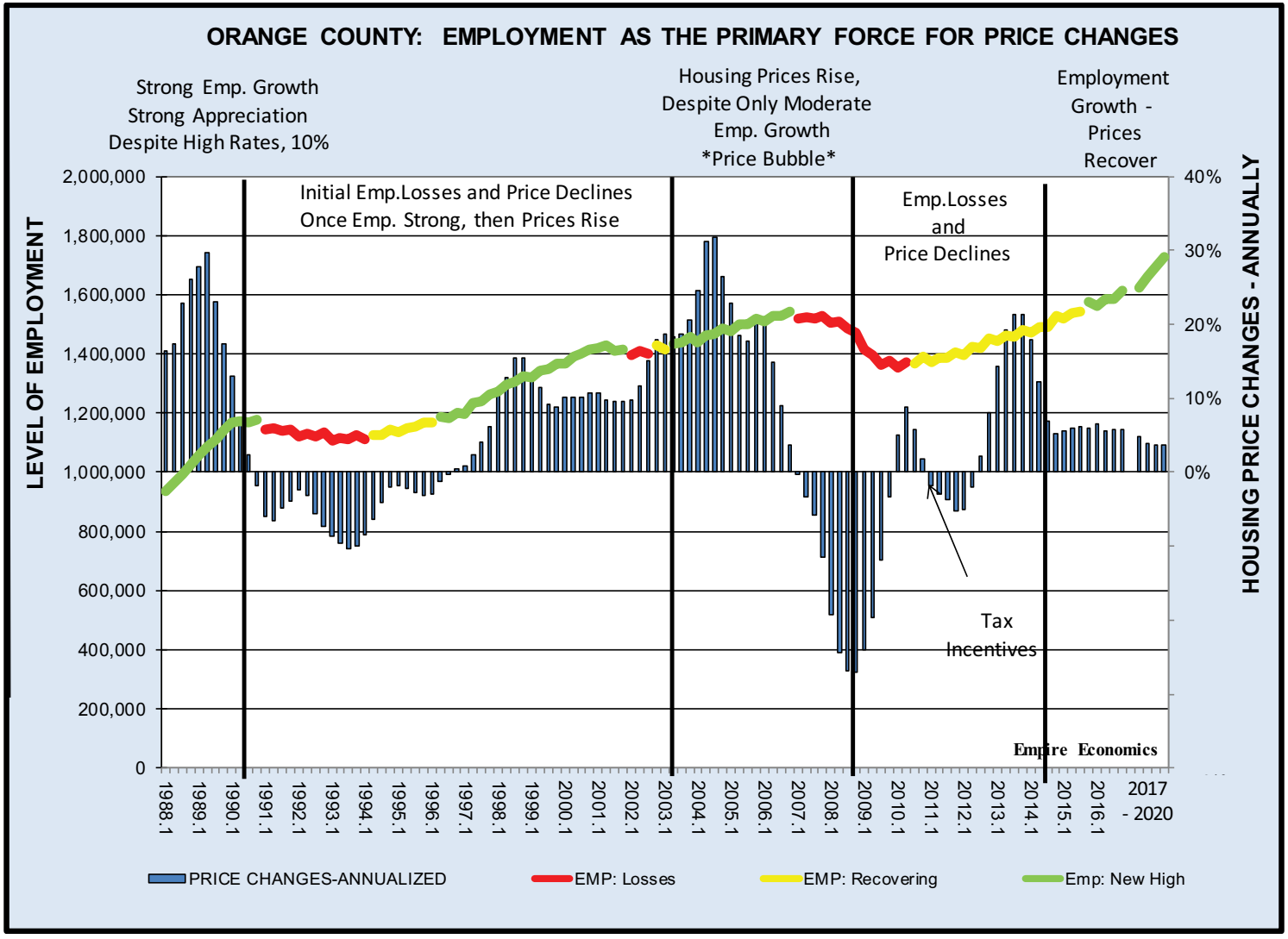
Employer Name	Location	Industry
Allergan Inc	Irvine	Drug Millers (mfrs)
Auto Club of S California	Costa Mesa	Automobile Clubs
Boeing Co	Seal Beach	Aerospace Industries (mfrs)
Broadcom Corp	Irvine	Semiconductors & Related Devices (mfrs)
California State-Fullerton	Fullerton	Schools-Universities & Colleges Academic
Choc Children's	Orange	Hospitals
Disneyland	Anaheim	Amusement & Theme Parks
Emplicity	Irvine	Business Services NEC
First American Title Ins Co	Santa Ana	Title Companies
Hoag Memorial Hosp Presby	Newport Beach	Hospitals
James R Glidewell Dental Crmcs	Irvine	Dentists
Jones Lang La Salle	Brea	Real Estate Management
Kaiser Permanente Oc Med Ctr	Anaheim	Hospitals
Laguna Woods Village Cmnty Ctr	Laguna Woods	Senior Citizens Service
Media Relations Dept-Ca Dept	Anaheim	Government Offices-State
Multi-Fineline Electronix Inc	Irvine	Electronic Equipment & Supplies-Mfrs
Puro Clean	Anaheim	Fire Damage Restoration
Raytheon Co	Fullerton	Search Detection/Nav Systs/Instr (mfrs)
St Joseph Hospital	Orange	Hospitals
St Jude Medical Ctr	Brea	Medical Centers
UC Irvine Medical Ctr	Orange	Hospitals
United Healthcare	Cypress	Health Plans
University of Ca-Irvine	Irvine	Schools-Universities & Colleges Academic
US Health Care Svc	Seal Beach	Health & Allied Services
Walt Disney Parks & Resorts	Anaheim	Amusement & Theme Parks

RECENT ORANGE COUNTY UNEMPLOYMENT RATES: MARCH 2017



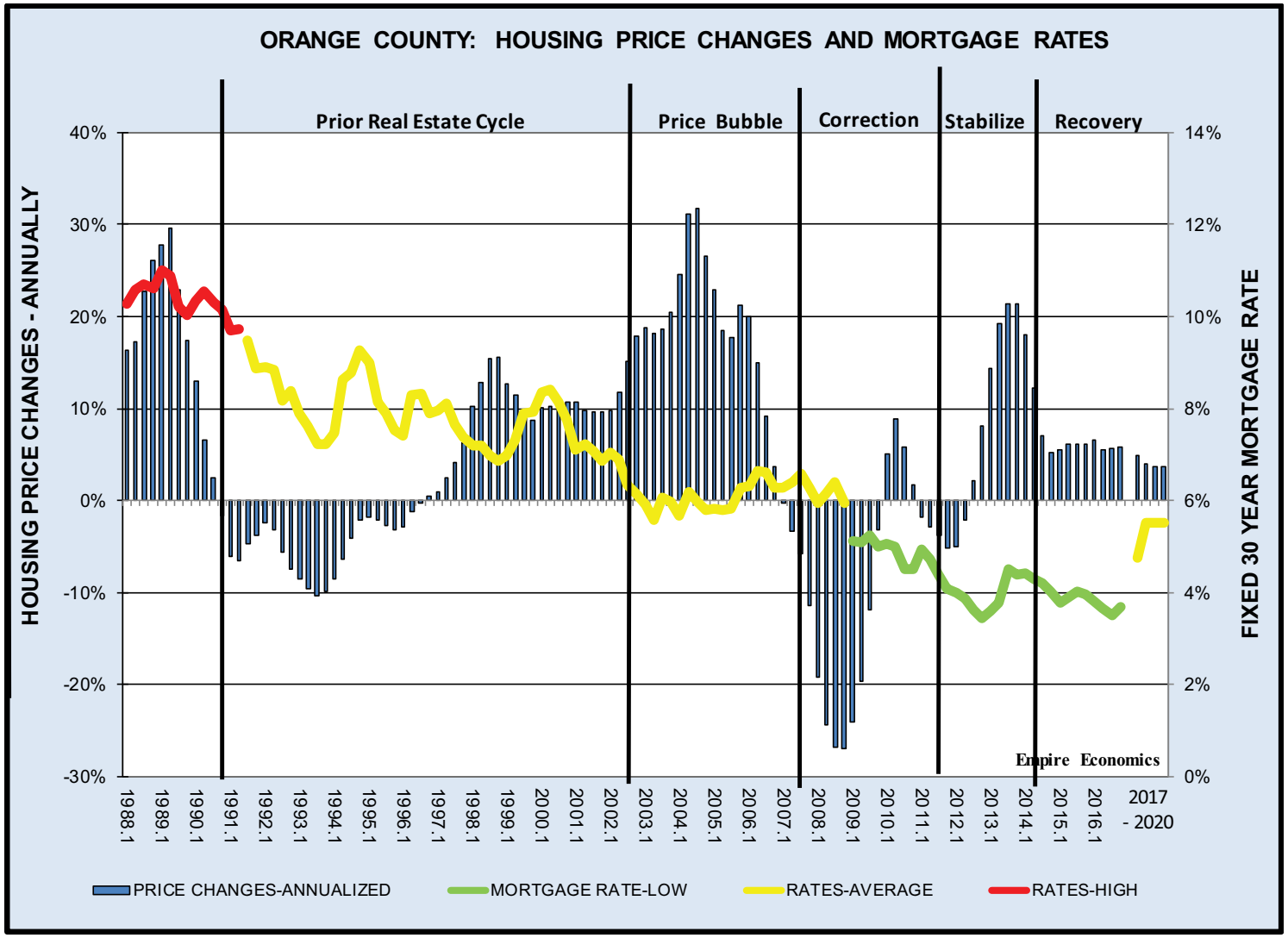
C. CRITICAL COMPONENTS OF THE FORECASTING MODEL

EMPLOYMENT IS THE **PRIMARY ECONOMIC DRIVER** OF HOUSING DEMAND AND PRICE CHANGES
EMPLOYMENT GROWTH/LOSSES **DRIVE DEMAND AND PRICE INCREASES/DECREASES**

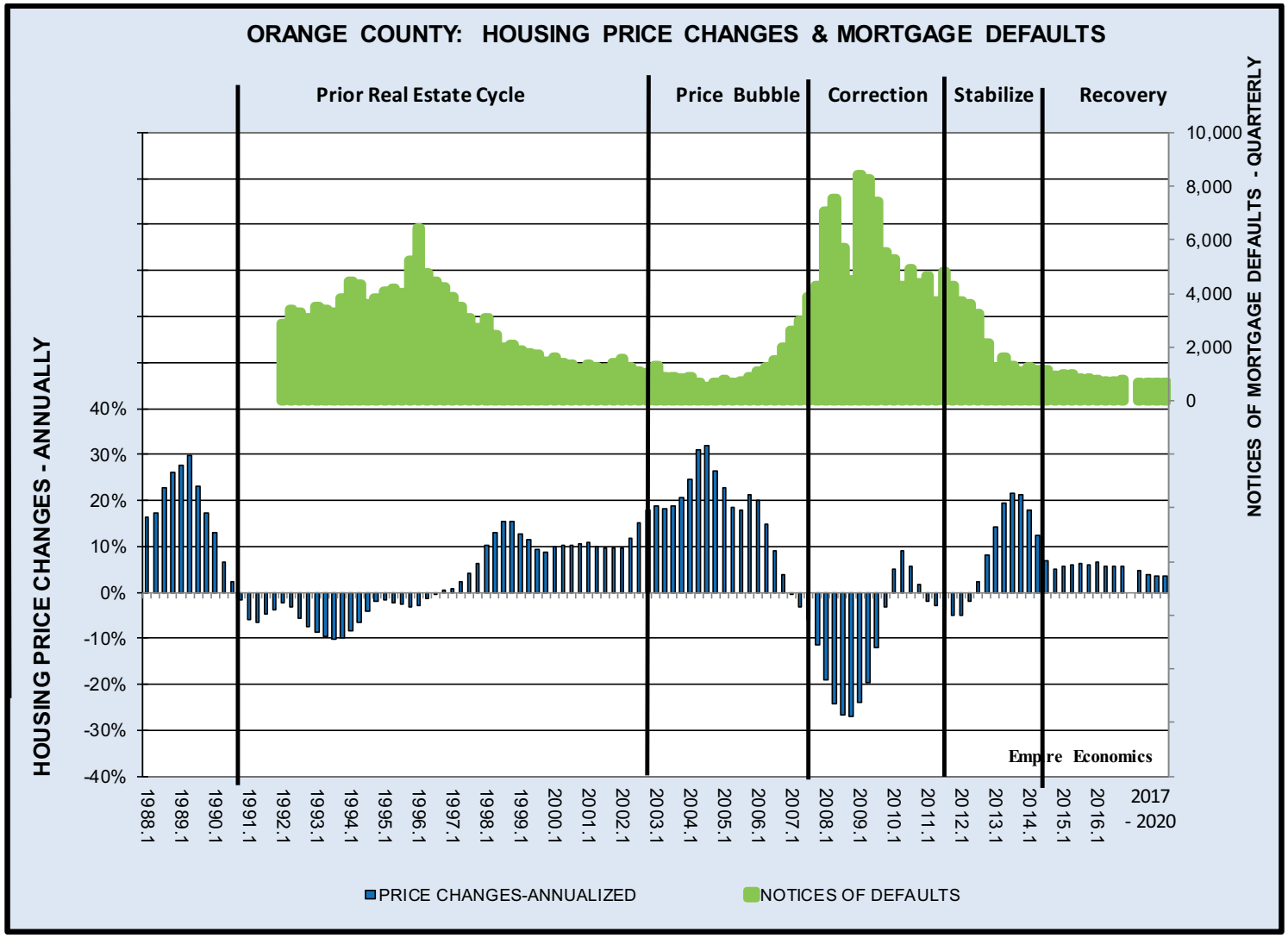


MORTGAGE RATES ARE A SECONDARY ECONOMIC DRIVER OF HOUSING PRICES:

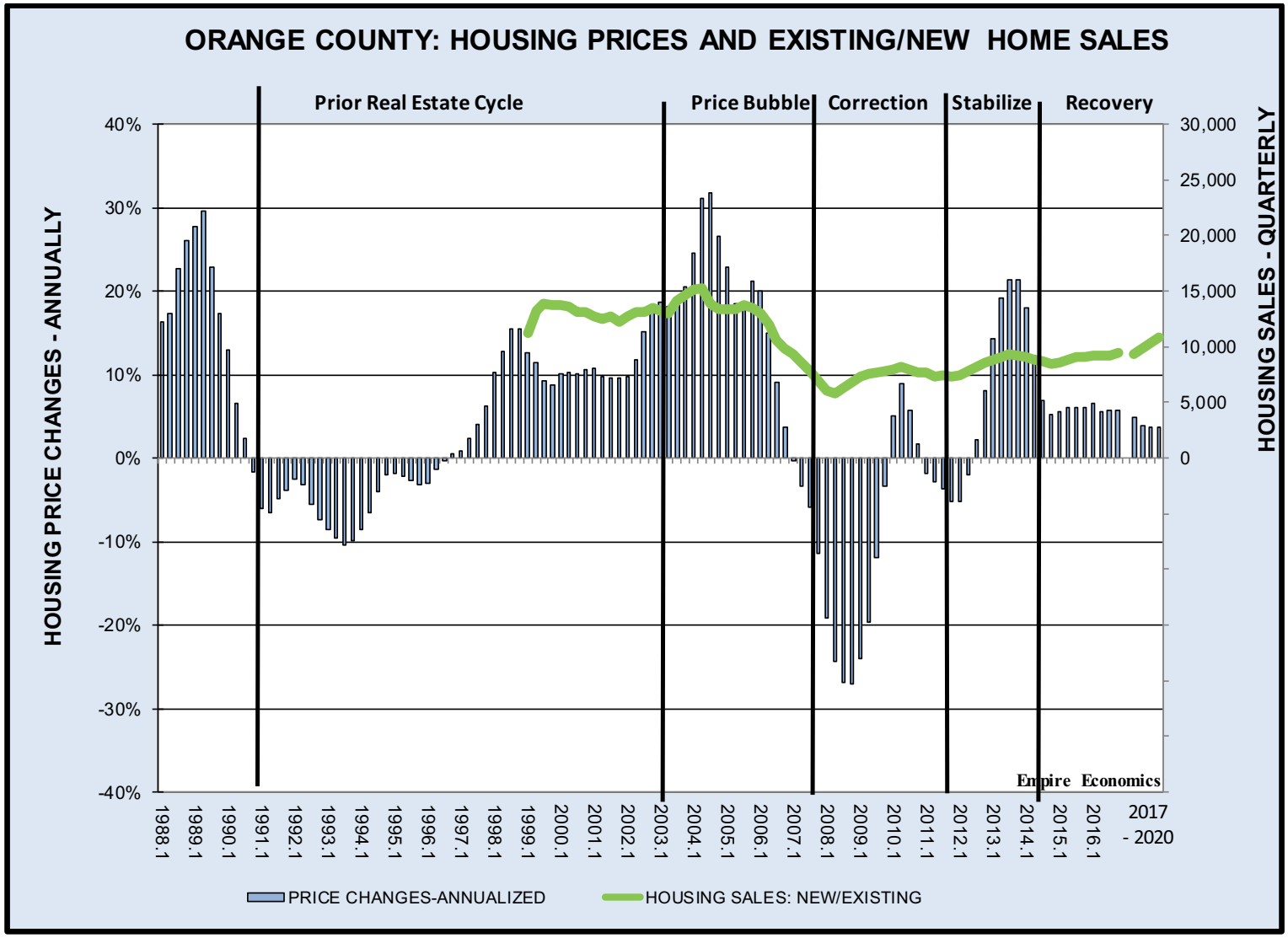
HIGH/LOW **MORTGAGE RATES HAVE A MODERATE INFLUENCE** ON HOUSING PRICES
LENDING CRITERIA ALSO PLAYS ROLE: LOOSE (2002-2006) VS. TIGHT (2010-2013)



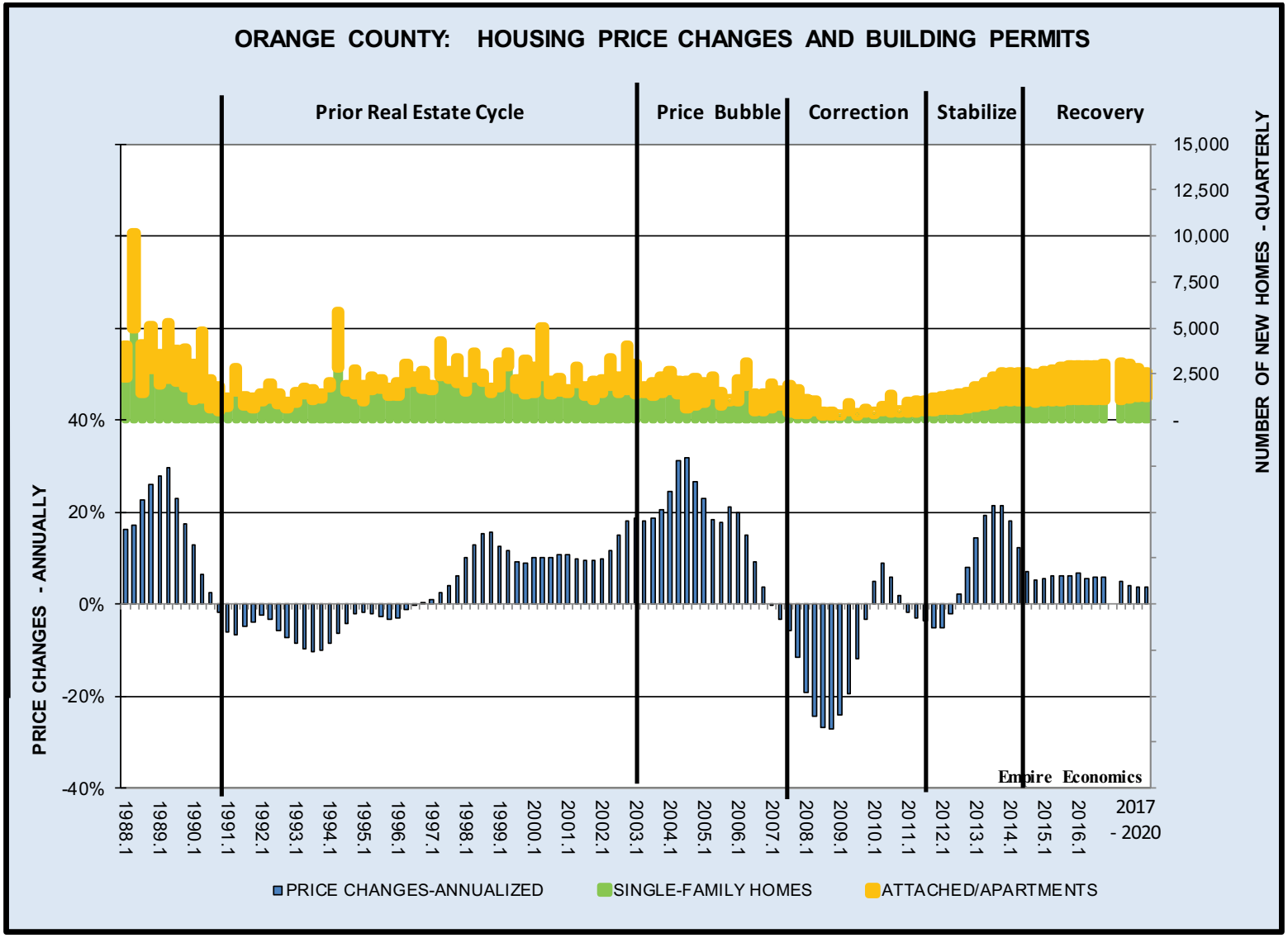
HIGH (LOW) **LEVELS OF MORTGAGE DEFAULTS** CONTRIBUTE TO PRICE DECLINES (STABILITY) DUE TO EXCESS SUPPLY AND PRICE DISCOUNTS



SALES OF EXISTING AND NEW HOMES ARE DRIVEN
PRIMARILY BY EMPLOYMENT GROWTH BUT ALSO MORTGAGE RATES



NEW RESIDENTIAL DEVELOPMENT ACTIVITY IS DRIVEN BY EMPLOYMENT GROWTH AND HOUSING PRICE INCREASES



D. EXTRAORDINARY FACTORS REDUCING THE DEMAND FOR FOR-SALE HOMES

MILLENNIALS' (18-34) PREFERENCES AND FINANCES → HIGHER-DENSITY / URBANIZED HOUSING

CULTURAL PREFERENCES

- Proximity to Community and Urban Activities
- Proximity to Office - Minimize Commuting Time
- Resort-like Amenity Packages: Concierge Service, Gym, Swimming Pool
- Convenience: No Yard Work, Maintenance or Repairs
- Waiting Longer to Get Married and Starting a Family

FINANCIAL FACTORS

- Significant Student Debt: Adversely Impacts Down Payment and Mortgage Qualification
- Renting Provides More Job Flexibility (Change Jobs/Firms More Frequently)
- Some Even Pay Very High Rents, Rather Than Purchase a Home

PARENTS: Generation X (Ages 35-54) Impacted by the Implosion of the Housing Price Bubble

D. EXTRAORDINARY FACTORS REDUCING THE DEMAND FOR FOR-SALE HOMES (CON'T.)

OTHER FACTORS POTENTIALLY RESTRAINING THE DEMAND FOR SINGLE-FAMILY HOMES

1.	HOMEOWNERSHIP HAS DECLINED FROM 60%-2005 TO 54%-2015	→ REDUCED DEMAND FOR NEW SINGLE-FAMILY HOMES
2.	INCREASES IN SINGLE FAMILY RENTALS	→ REFLECT A TRANSFORMATION OF THE EXCESS HOUSING MARKET BUBBLE SINGLE-FAMILY OWNERSHIP TO RENTALS
3.	MODERATE FUTURE PRICE EXPECTATIONS	→ RESTRAINED BUYER CONFIDENCE
4.	SIGNIFICANT SUPPLY OF NEW APARTMENT PROJECTS IN THE PIPELINE	→ WILL CONTINUE TO PROVIDE COMPETITIVE ALTERNATIVE TO HOME OWNERSHIP

RELATIVE LEVELS OF NEW SINGLE-FAMILY HOMES AND APARTMENT UNITS FROM 2013-2016

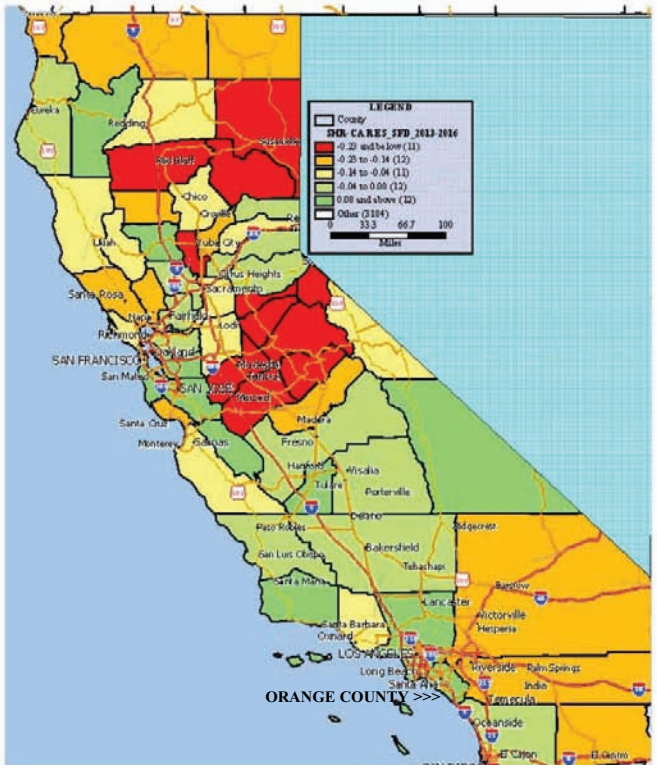
Although California's employment growth has recently been strong, Millennials' preferences and finance factors are among a set of extraordinary factors driving higher levels of apartments in urban areas and much lower levels of single family homes in the inland areas throughout California. During 2013-2016, the County of Orange had relatively high levels of BOTH new single-family homes and also new apartment units as well.

Thematic Map Color Codes for California Counties

Green = Relatively Strong Yellow = Average Red – Relatively Weak

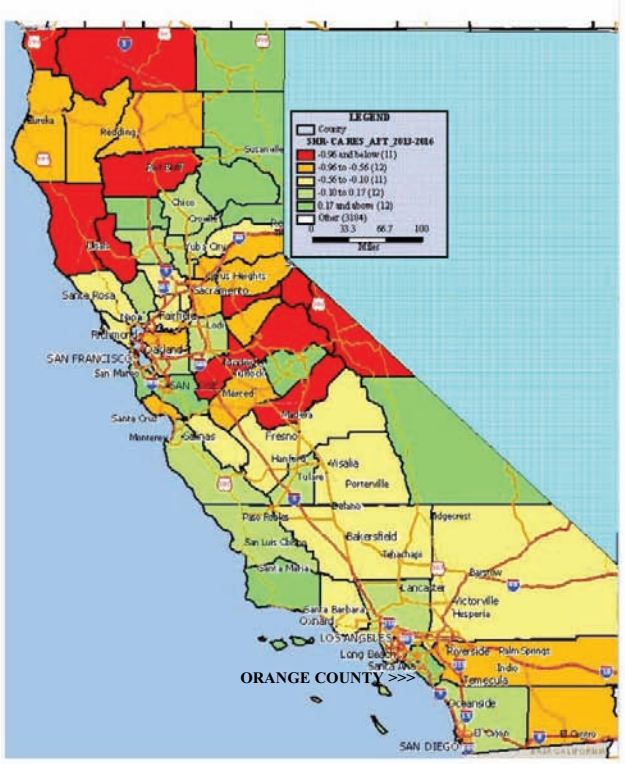
RELATIVE LEVELS OF NEW SINGLE-FAMILY HOMES 2013-2016

THE SUBURBAN/RURAL AREAS THAT HAD DEPRESSED LEVELS OF ACTIVITY DURING 2008-2012 CONTINUED TO BE DEPRESSED DURING 2013-2016



RELATIVE LEVELS OF NEW APARTMENT UNITS 2013-2016

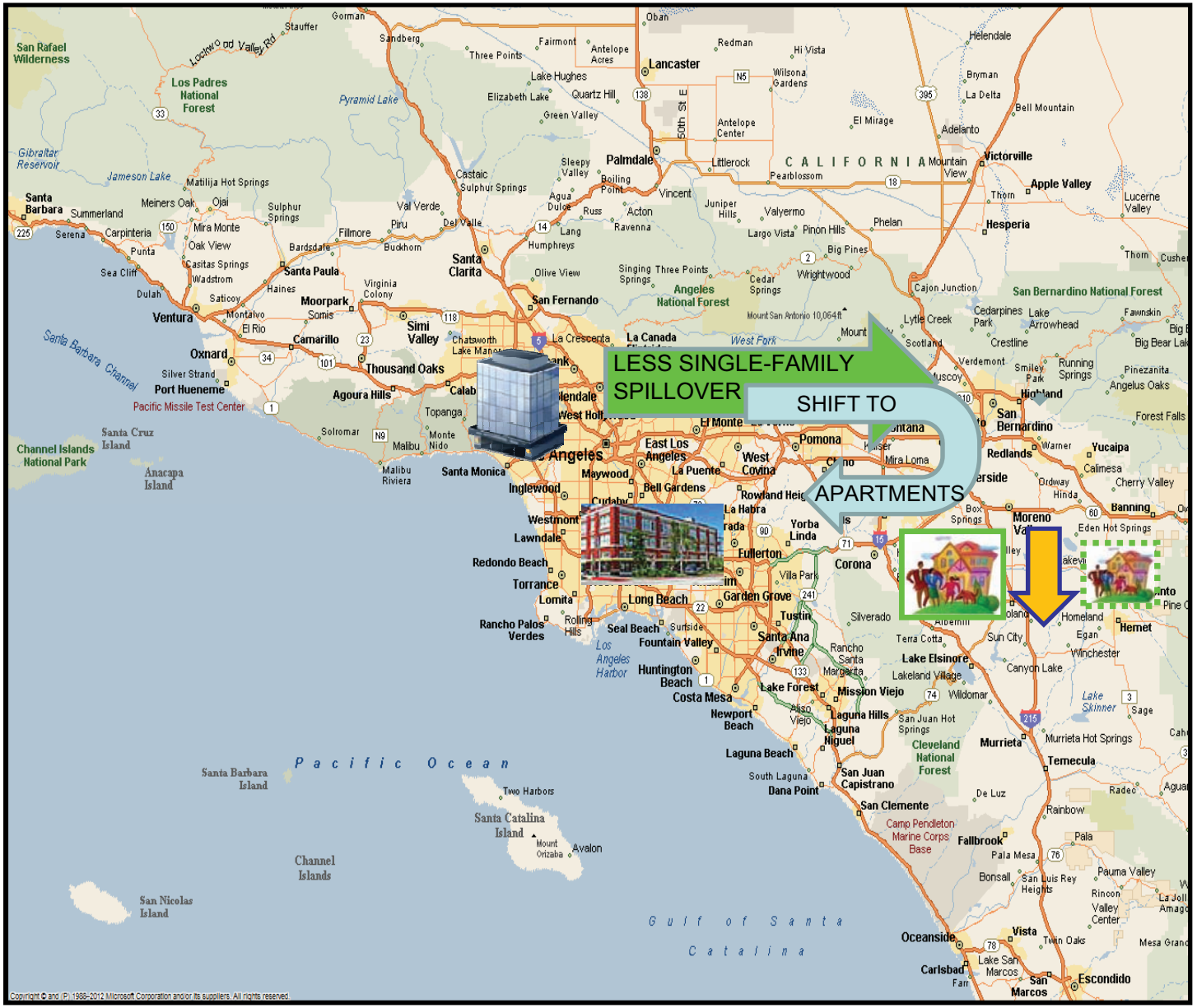
THE URBAN AREAS HAVE HAD VERY HIGH LEVELS OF NEW APARTMENT UNITS DURING 2013-2016, DUE TO MILLENNIALS PREFERRING TO RESIDE IN URBANIZED AREAS, PRIMARILY IN THE SAN FRANCISCO AND LOS ANGELES COASTAL REGIONS



EMPLOYMENT *TYPICALLY* GENERATES SPILLOVER TO SUBURBAN AND RURAL INLAND AREAS

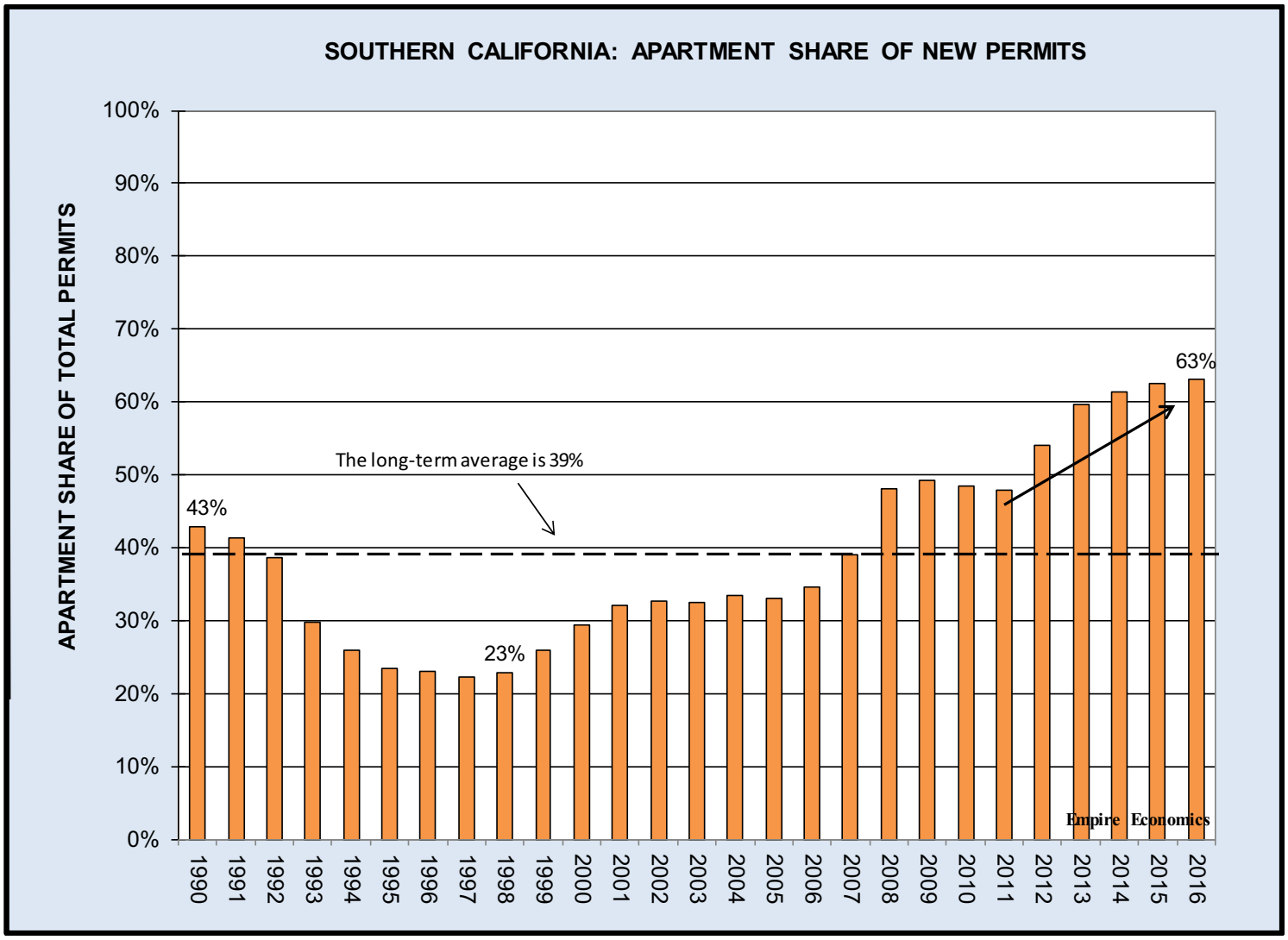


ALTHOUGH EMPLOYMENT GROWTH IS STRONG, EXTRAORDINARY SPECIAL FACTORS ARE CAUSING MAJOR MARKET SHIFTS



COMBINED IMPACT OF FAVORABLE AND CONSTRAINING FACTORS - HIGHER SHARE OF APARTMENTS

MILLENNIALS ARE RAISING THE SHARE OF APARTMENTS TO VERY HIGH LEVELS

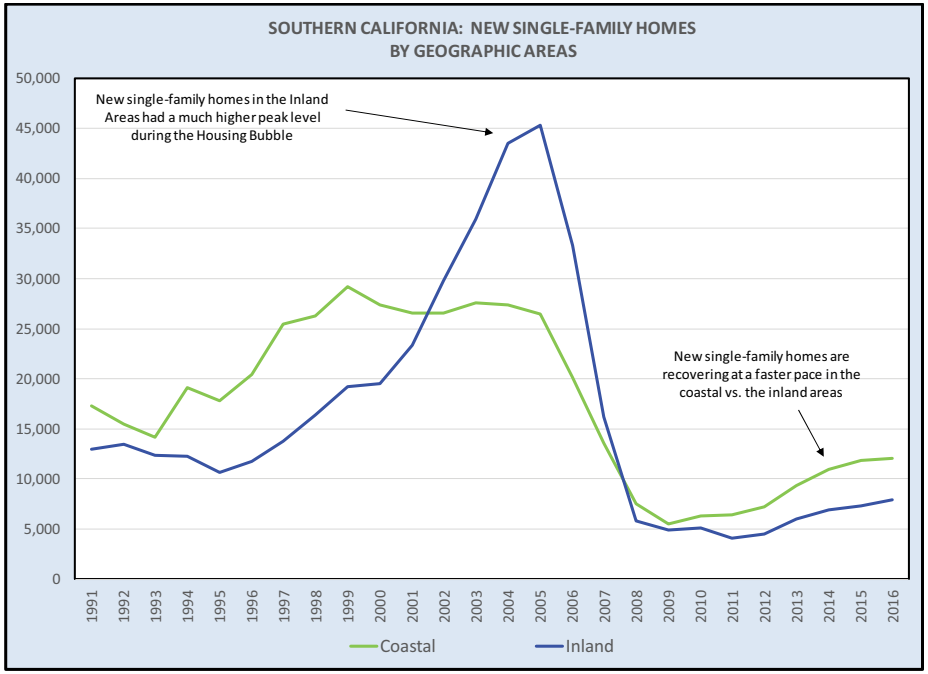


SOUTHERN CALIFORNIA – TYPES OF NEW HOUSING PRODUCTS BY GEOGRAPHIC AREAS

NEW FOR-SALE HOMES

NEW FOR-SALE HOME ACTIVITY RECOVERY:

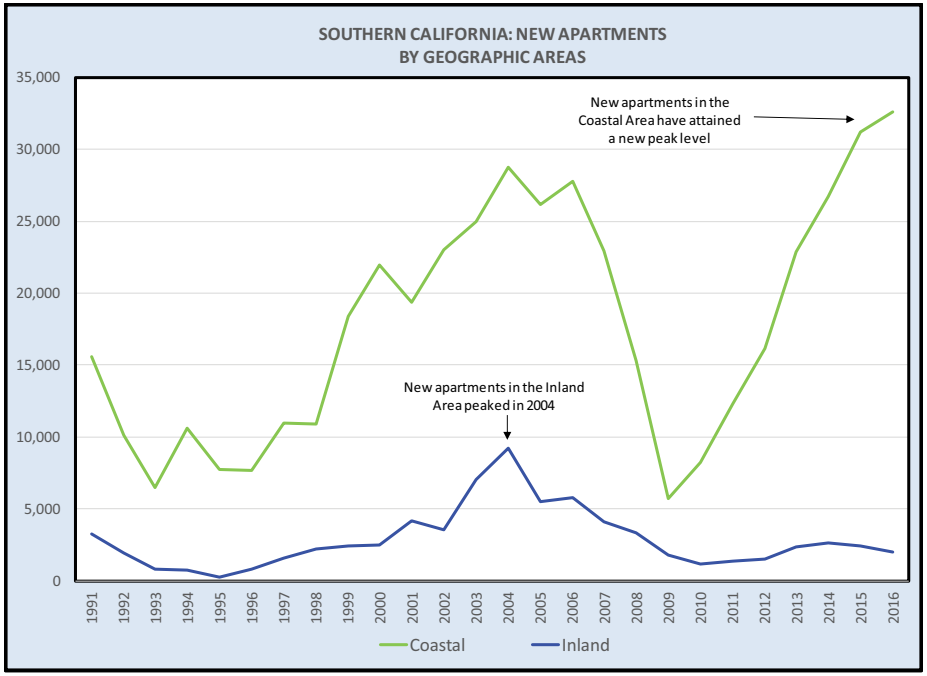
* MODERATE PACE IN THE URBANIZED AREAS
* BUT AT A SLOW PACE IN THE INLAND AREAS

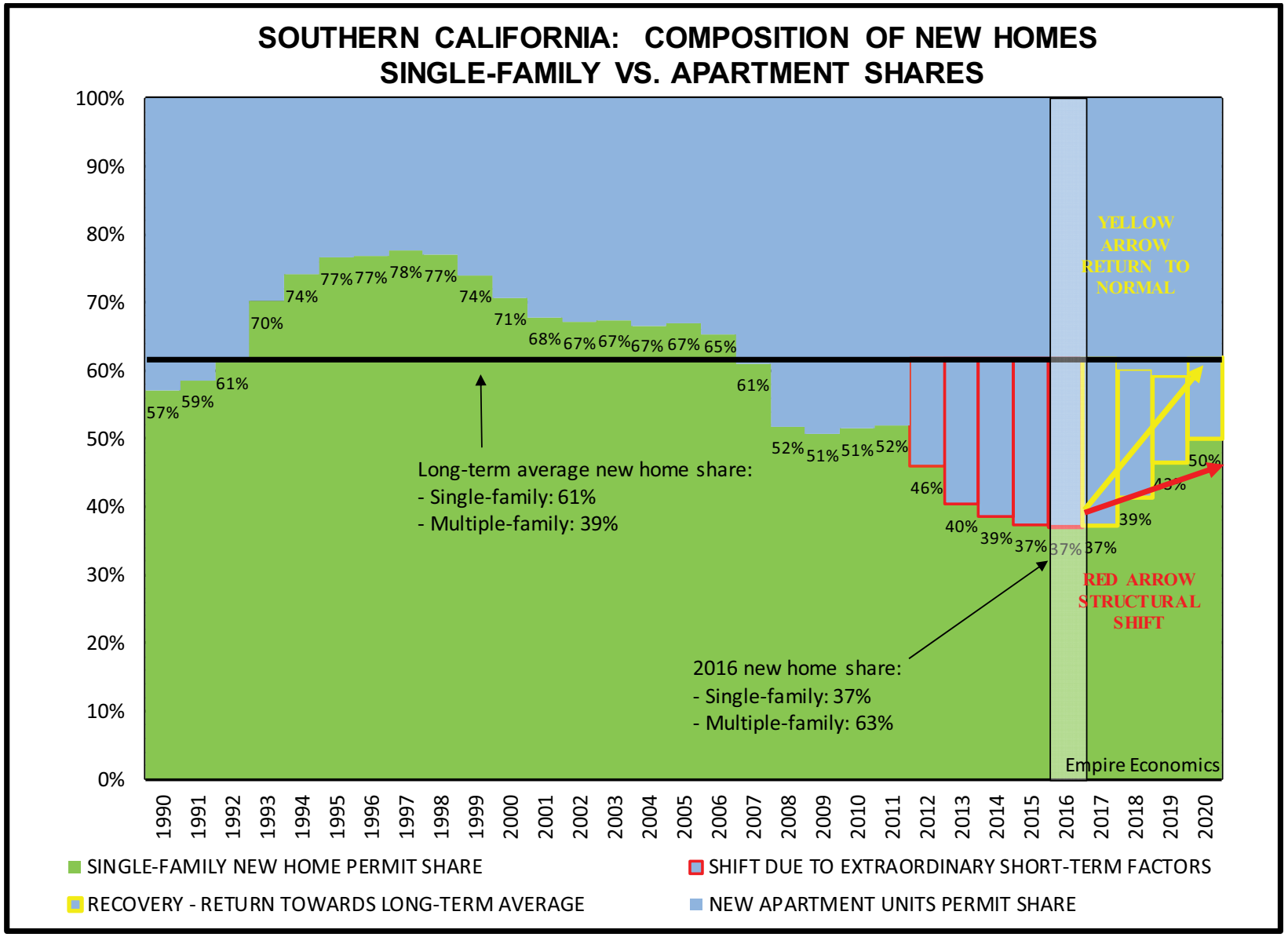


APARTMENT RENTALS

NEW APARTMENT ACTIVITY RECOVERY:

* STRONG PACE IN THE URBANIZED AREAS,
* BUT MINIMAL LEVELS IN THE INLAND AREAS




SOUTHERN CALIFORNIA: COMPOSITION OF NEW HOMES
SINGLE-FAMILY VS. APARTMENT SHARES
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
57% 59% 61% 70% 74% 77% 77% 78% 77% 74% 71% 68% 67% 67% 67% 67% 65% 61% 52% 51% 51% 52% 46% 40% 39% 37% 37% 37% 39% 43% 50%
Long-term average new home share:
- Single-family: 61%
- Multiple-family: 39%
YELLOW ARROW RETURN TO NORMAL
RED ARROW STRUCTURAL SHIFT
2016 new home share:
- Single-family: 37%
- Multiple-family: 63%
Empire Economics
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020
SINGLE-FAMILY NEW HOME PERMIT SHARE
SHIFT DUE TO EXTRAORDINARY SHORT-TERM FACTORS
RECOVERY - RETURN TOWARDS LONG-TERM AVERAGE
NEW APARTMENT UNITS PERMIT SHARE

E. CONCLUSIONS ON RECENT/FUTURE HOUSING MARKET CONDITIONS

The recent trends/patterns in Orange County's economy and housing market, along with Empire's forecast for economic growth and housing demand based upon its Designated Economic and Real Estate Scenario, are now discussed.

Price Appreciation: Starting in 2002, housing prices began to appreciate as mortgage rates declined. Then during 2004 to 2006 the rate of appreciation accelerated due to the pervasive use of non-conventional (creative) financing structures. During this time period, these financing structures and related financing factors, rather than employment growth, were the primary driving forces underlying the extraordinary rate of housing price appreciation for California and also for Orange County.

Price Declines – Negative Equity: During 2007 to 2009, housing prices decreased significantly, pushing a substantial proportion of homeowners who purchased their homes during the price bubble into a position of negative equity, especially those that had high loan to value ratios. The enormous number of homeowners under duress caused an over-supply of homes which, in turn, severely depressed new development activity.

Foundation for Recovery: Since 2009, and continuing through 2012, housing prices were relatively stable, and this enabled the housing market to go through a consolidation phase:

- Some homeowners with negative equity went through the foreclosure and short sales process.
- These homes, in turn, were purchased by new bona-fide homeowners as well as investors that benefited from lower prices. Although mortgage rates were very favorable, mortgage lending criteria were tighter for households and many investors were cash buyers.

Market Recovery During 2013: The housing market experienced a strong level of demand from home purchasers as well as investors who were attracted by the oversold market conditions, and their demand resulted in housing price increases of some 20% for Southern California, including Orange County.

Normal Market Conditions During 2014+: Employment, the traditional driver of housing price appreciation, is expected to continue to increase, and this will enable the housing market to return to its "historical" rate of price appreciation. However, unlike other recoveries, this recovery is expected to be only moderate, rather than robust, due to the following macroeconomic conditions:

- Reducing the Federal Deficit through higher tax rates, reduced deductions and lower spending.
- Federal Reserve Board re-balancing its accounts by selling recently purchased securities.

Economic Strength of the County of Orange: The County of Orange is regarded as having favorable prospects, considering its recent growth rates as well as the size and diversity of its employment-economic base, along with its relatively low unemployment rate. These economic factors along with its future employment growth, will generate a strong level of demand for housing thereby providing support for the residential projects in CFD No. 2017-1. The potential impact of millennials choosing to reside in apartments due to cultural factors as well as financial challenges, is expected to have only a moderate impact on the demand for for-sale housing in Orange County, since it is a coastal/urbanized area.

SECTION III

OVERVIEW OF DEVELOPMENT TRENDS/PATTERNS AND SOCIOECONOMIC FACTORS

This section discusses the employment and residential development trends/patterns in the general vicinity of CFD No. 2017-1 as well as the County of Orange, and also the socioeconomic factors that households consider when purchasing a home, such as personal safety as well as educational quality.

A. DEVELOPMENT TRENDS/PATTERNS IN THE MARKET AREA (SOUTH ORANGE COUNTY)

From a geographical regional perspective, the marketing potential of the active/forthcoming products in CFD No. 2017-1 involves an analysis of the existing/active/forthcoming Planned Communities, Retail Centers and Business Parks, in conjunction with the transportation system in south Orange County.

South Orange County includes the southern portion of Orange County that is generally southerly of Route 55, spanning from the Newport-Tustin-Irvine at the northern portion, Aliso Viejo in the central area and to San Clemente at the southern portion.

Business Parks generate employment through their industrial-office development while Planned Communities generate residential development which, in turn, generates a demand for Retail Centers; additionally, the flow of traffic between them is facilitated by the freeways and transportation corridors between them.

- **Primary Employment Center and Business Parks**

The currently established major employment center in south Orange County is the City of Irvine. For example, the City of Irvine has a robust economic base that has created about 90,000 net new jobs since 2003. There are also some secondary employment centers, such as Newport Beach, Aliso Viejo and Foothill Ranch, among others.

- **Commuting Patterns: Employment Centers to Residential Areas**

The employment growth in the primary as well as the secondary employment centers, in turn, generates a substantial demand for housing in CFD No. 2017-1 Market Area. Some of the households employed in the City of Irvine, due to its high housing prices, will seek moderately priced housing in other areas. Their commuting patterns are based upon the available transportation corridors, including the Interstate 5 freeway that links the City of Irvine to CFD No. 2017-1.

Therefore, CFD No. 2017-1 is situated in the south portion of Orange County, and it offers more moderately priced housing opportunities for households that are employed in the Irvine-Tustin-Newport Beach and Aliso Viejo employment centers.

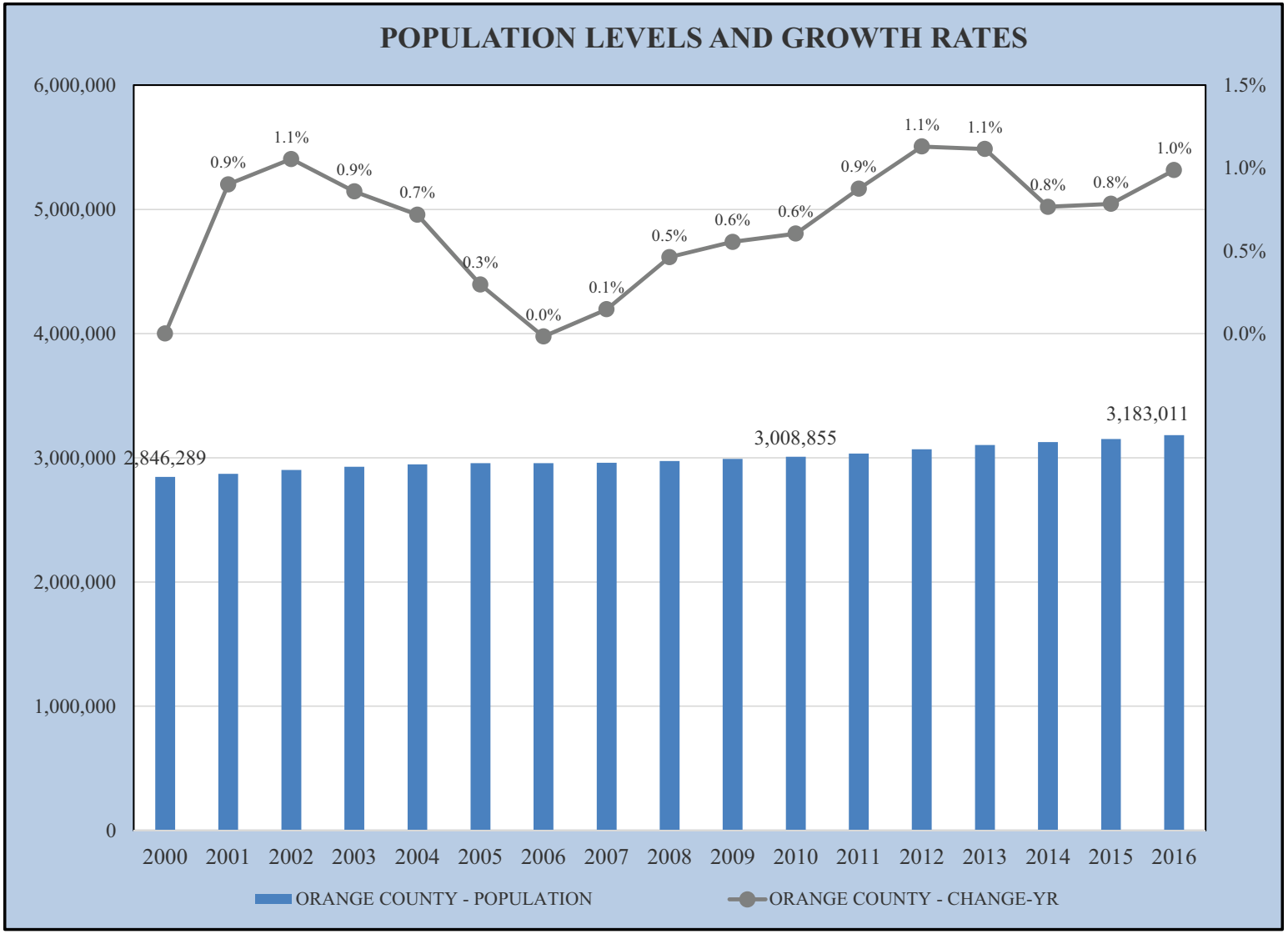
For additional information on the regional development patterns, please refer to the following exhibit.

ECONOMIC BASES IN SOUTH ORANGE COUNTY THAT GENERATE A DEMAND FOR HOUSING FOR CFD NO. 2017-1

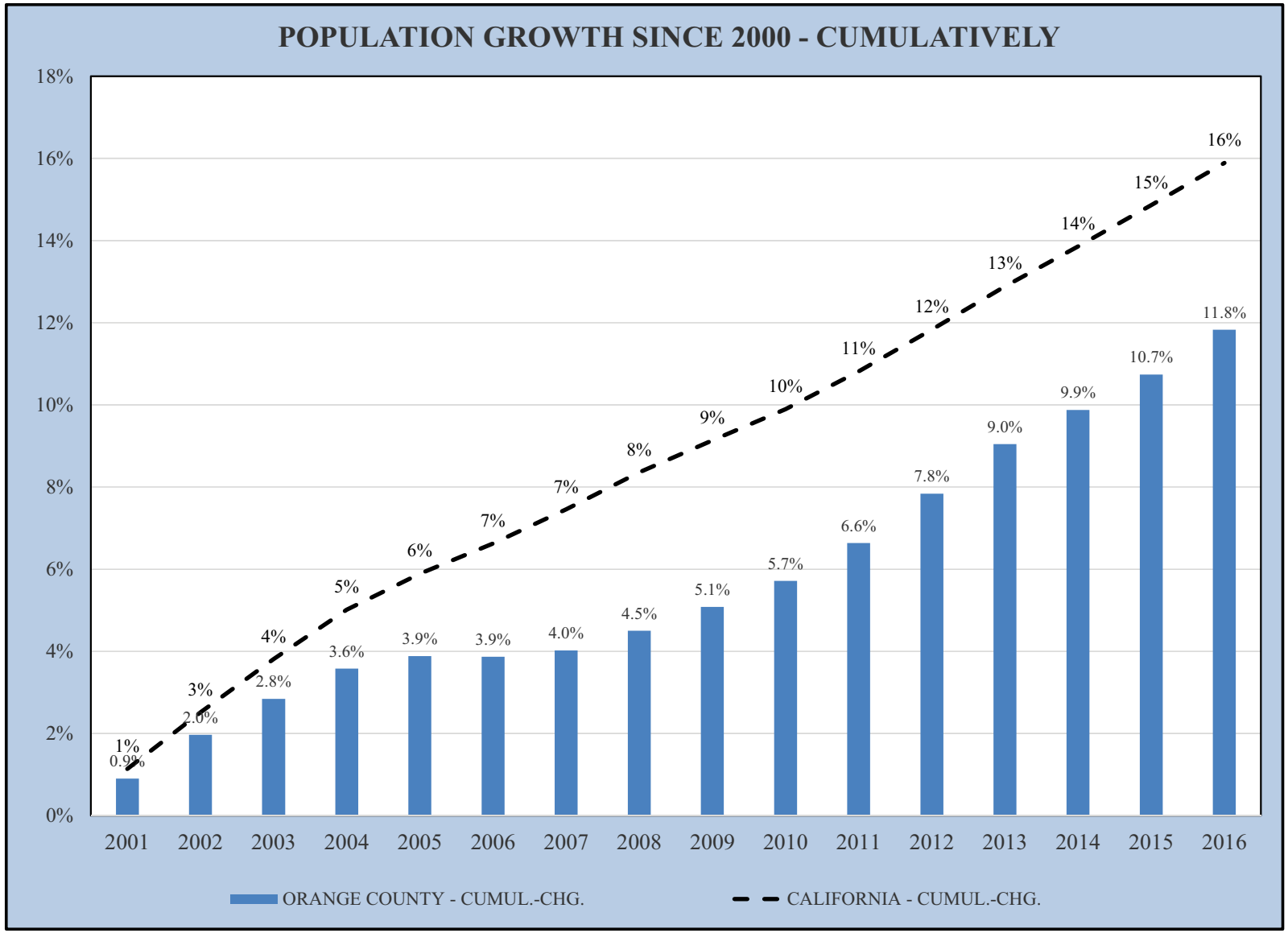


ORANGE COUNTY POPULATION TRENDS

Orange County has a population of about 3.2 million people, and has recently grown at a rate of about 1% per year.



During 2000 to 2016, California's population has grown by 16%, while Orange County population has increased by about 12%.

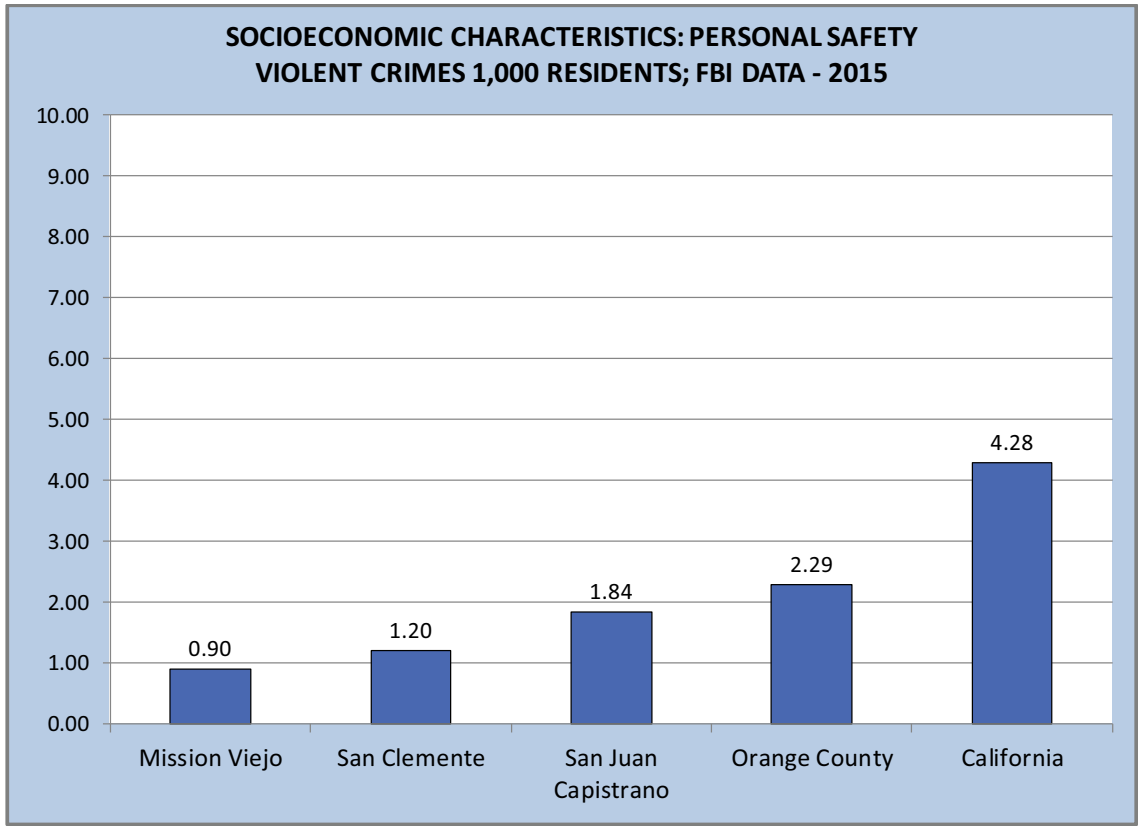


B. SOCIOECONOMIC CHARACTERISTICS: CRIME LEVELS AND THE QUALITY OF SCHOOLS

When households consider the purchase of a home, the primary factors are the location of the residence relative to their place of employment and also the prices that they can afford. Furthermore, secondary socioeconomic factors that are significant include the neighborhood safety as well as the educational quality of the schools; accordingly, these are now discussed.

Crime Levels and Safety in the County of Orange

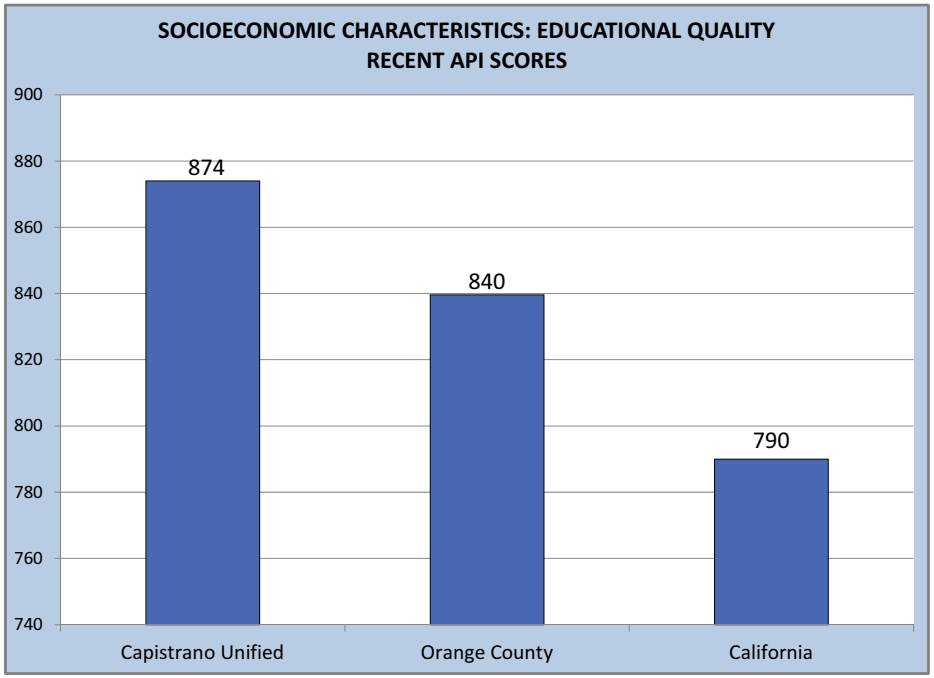
To gauge the safety of the cities in the vicinity of CFD No. 2017-1, information on crime levels was obtained utilizing the most recent data available (the 2015 calendar year) from the Federal Bureau of Investigation (FBI) Index, with a focus on "Violent Crimes." Accordingly, the County of Orange had a violent crime rate of 2.29, below that of California, which amounted to 4.28. Furthermore, the cities in the vicinity of CFD No. 2017-1 all had lower crime rates than the County of Orange, and these ranged from 0.90 for Mission Viejo to 1.84 for San Juan Capistrano.



Quality of Schools and Education

To gauge the quality of schools in the vicinity of CFD No. 2017-1, information was compiled on educational achievement for Capistrano Unified School District utilizing the Academic Performance Index Scores (API), published by the California Department of Education; the most recent report available. Accordingly, the Capistrano Unified School District has an API of 874, higher than the overall average for Orange County of 840 and also higher than for California of 790 as a whole.

Additionally, in the Spring 2017 California School Dashboard report, Capistrano Unified School District earned the highest performance level – Blue – given for graduation rate for grades 9-12 with a graduation rate of over 97%.



Conclusions

From a socioeconomic perspective, the cities in the vicinity of CFD No. 2017-1 have a significantly lower crime rate and the school district has a higher educational achievement level and also a very high graduation rate as compared to Orange County and California; accordingly, these positive socioeconomic factors support the demand for the active/forthcoming homes in CFD No. 2017-1.

SECTION IV

COMPETITIVE MARKET ANALYSIS OF THE RESIDENTIAL PROJECTS IN THE CFD NO. 2017-1 MARKET AREA

The purpose of this section is to perform an analysis of the product types, prices, living areas and special taxes for the active/forthcoming homes in CFD No. 2017-1 as compared to other comparable projects in various Planned Communities in the Competitive Market Area (south Orange County), in order to evaluate their competitiveness in the marketplace.

A. IDENTIFICATION OF NEWLY DEVELOPING PLANNED COMMUNITIES WITH MARKET COMPARABLE PROJECTS

Market surveys were performed to identify the newly developing Planned Communities in the Competitive Market Area (CMA) and then information was compiled on the characteristics of their projects.

Identification of currently active comparable projects offering **"attached as well as single-family detached"** homes.

- ✓ Projects that are situated in Planned Communities (PCs).
- ✓ Projects that have similar market segments (age-qualified and all-ages), products types (attached and detached) and sizes of living areas to the active/forthcoming projects in CFD No. 2017-1.

Compilation of information on the projects:

- ✓ Market Segments: All-Ages and Age-Qualified
- ✓ Product Types: Detached and Attached
- ✓ Number of homes planned as well as homes sold and escrows closed
- ✓ Current base prices
- ✓ Living Areas
- ✓ Special Taxes/Assessments

Based upon Empire's market surveys, there are two major Planned Community Areas (PCs) that have currently active projects with attached as well as detached housing products that are located in the CMA; these are as follows:

- ✓ CFD 2015-1, the first phase of Villages of Esencia, developed by Rancho Mission Viejo and located south of CFD 2017-1
- ✓ CFD 2016-1, the second phase of Villages of Esencia, also developed by Rancho Mission Viejo and located just south of CFD 2017-1
- ✓ CFD 2017-1, the third phase of Villages of Esencia, also developed by Rancho Mission Viejo.

Please refer to the map on the following page for locations of these Planned Community Areas.

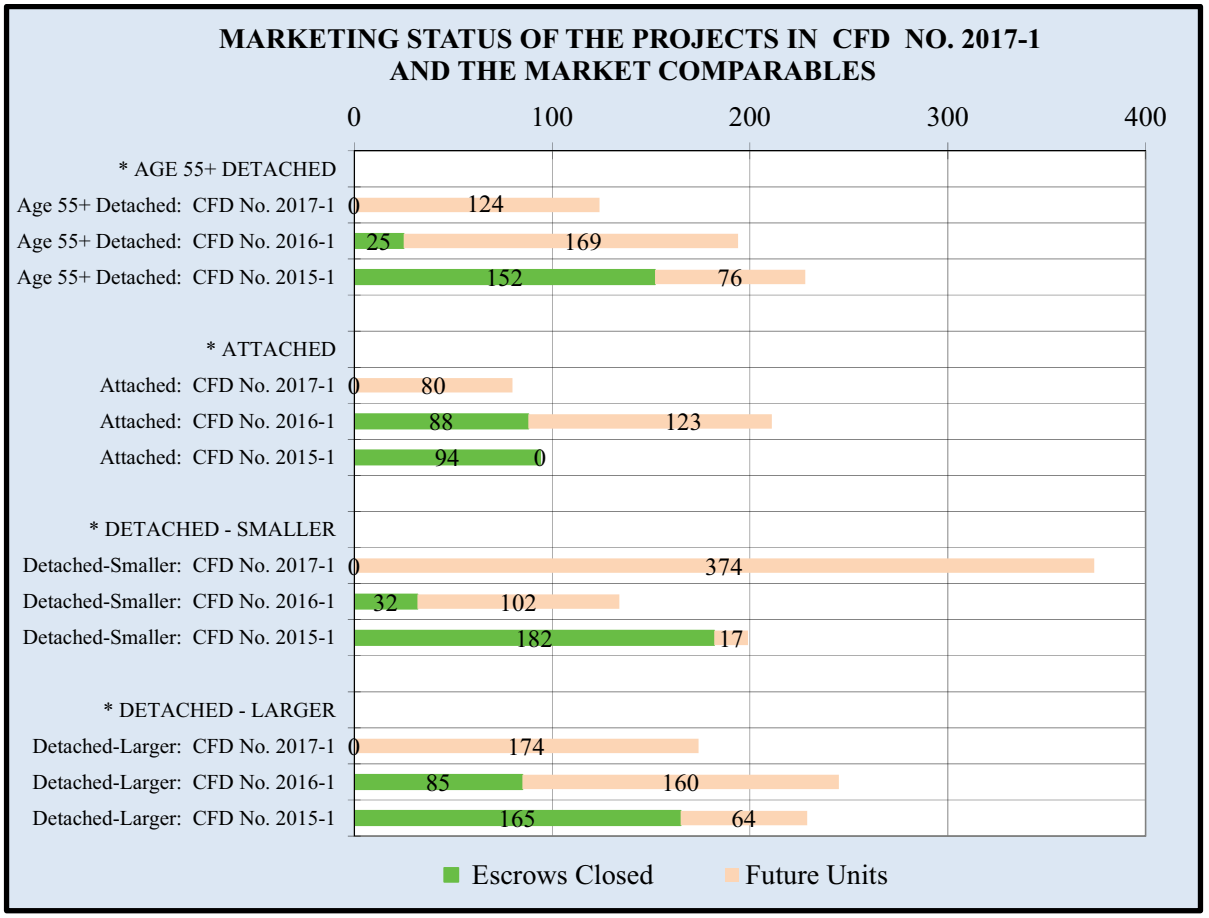
CFD NO. 2017-1 COMPETITIVE MARKET ANALYSIS
COMPARABLE PLANNED COMMUNITIES



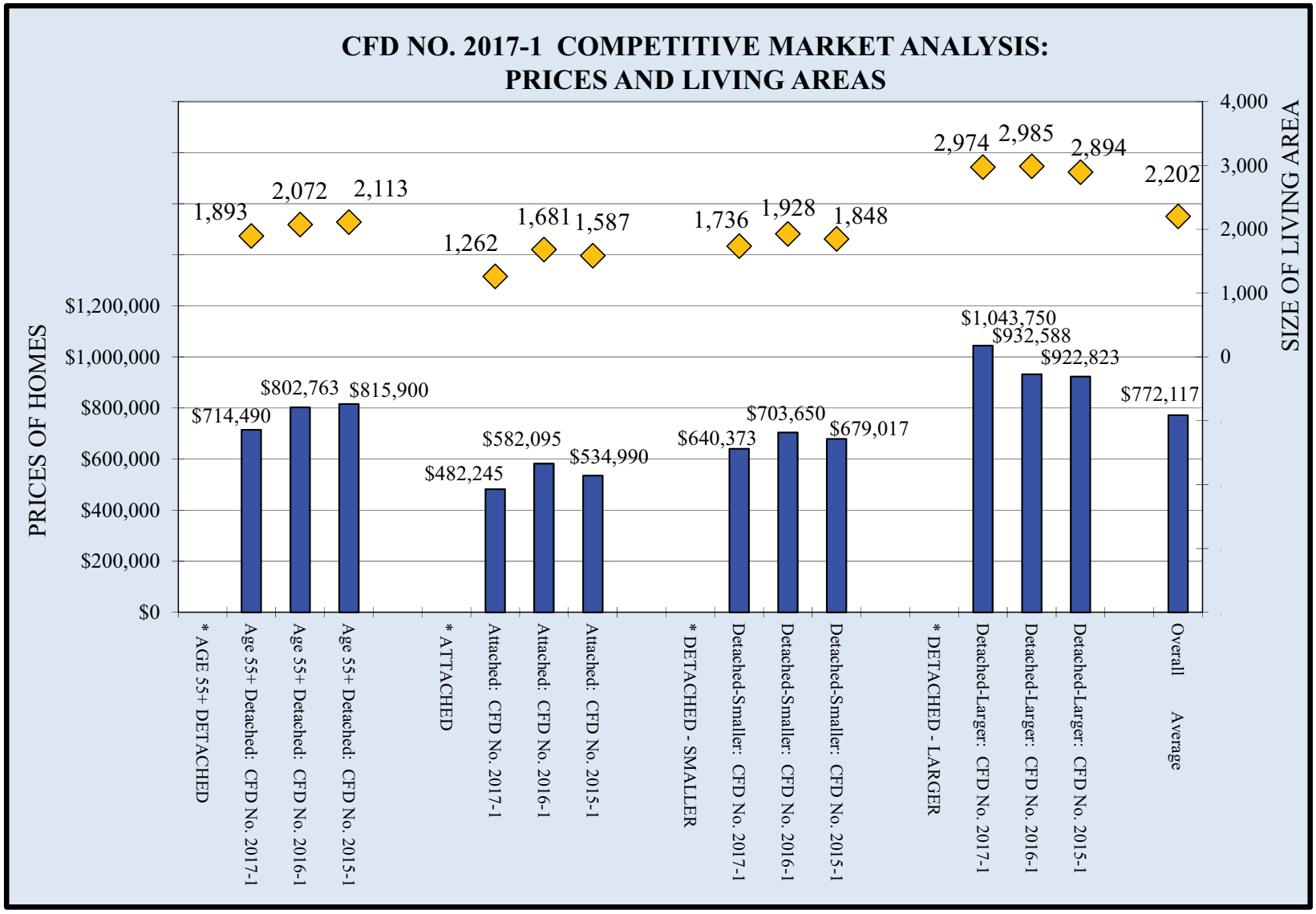
B. COMPETITIVE MARKET ANALYSIS FOR THE ACTIVE/FORTHCOMING FOR-SALE PROJECTS IN THE CFD NO. 2017-1 MARKET AREA

A Competitive Market Analysis of the projects in CFD No. 2017-1 is now performed, by comparing their expected characteristics to the currently active comparable projects in the Competitive Market Area (CMA), projects in CFD No. 2015-1 and CFD No. 2016-1.

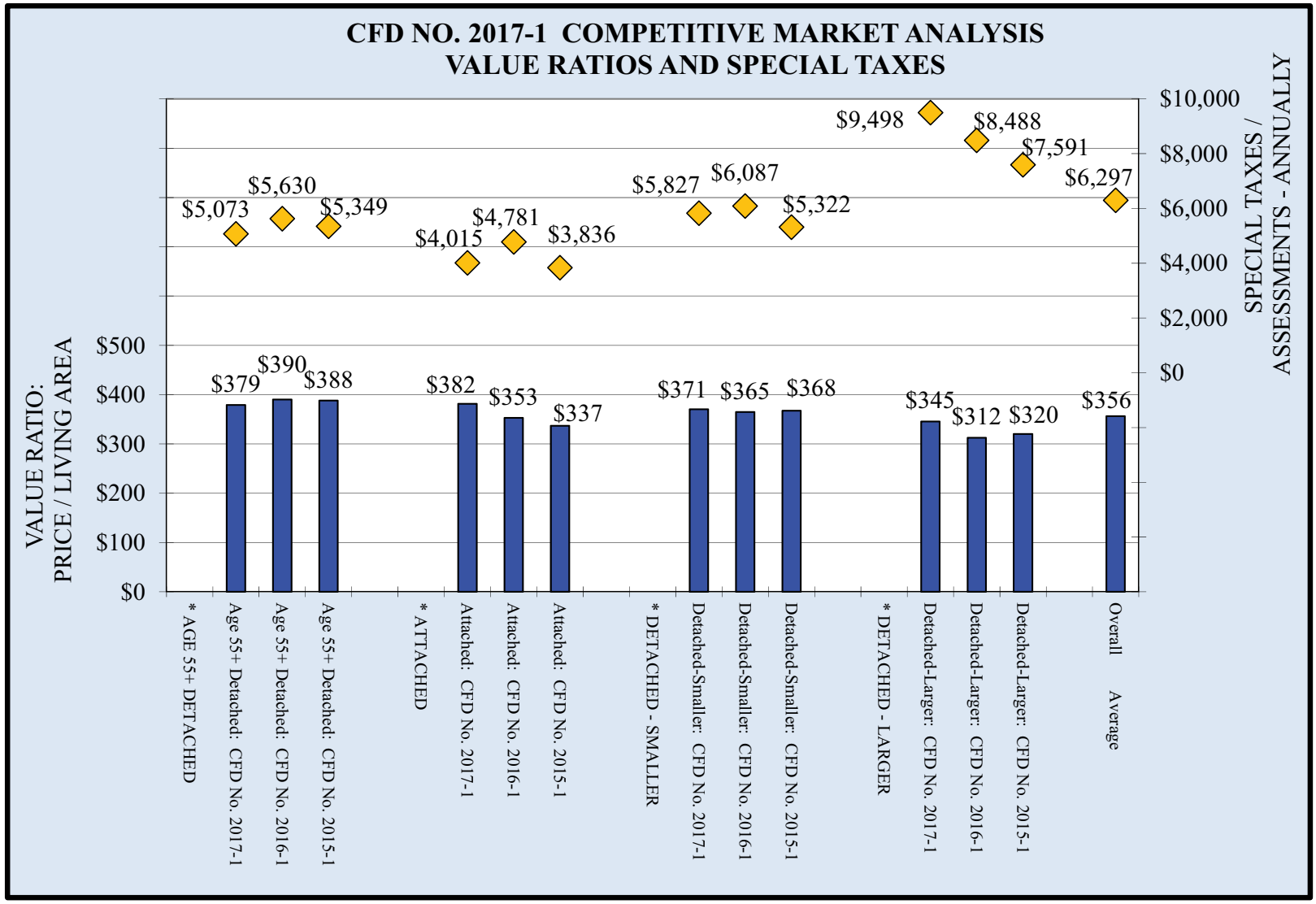
There are a total of 31 active/near-term projects in the CMA, including 9 in CFD No. 2017-1, and these were categorized by the four market segments: age-qualified 55+ detached, all ages attached, all ages smaller detached, and all ages larger detached. These projects have a total of 2,286 homes of which 823 (36%) have closed escrows, and so here are another 1,463 (64%) for future escrow closings; their development status by market segments are as follows:



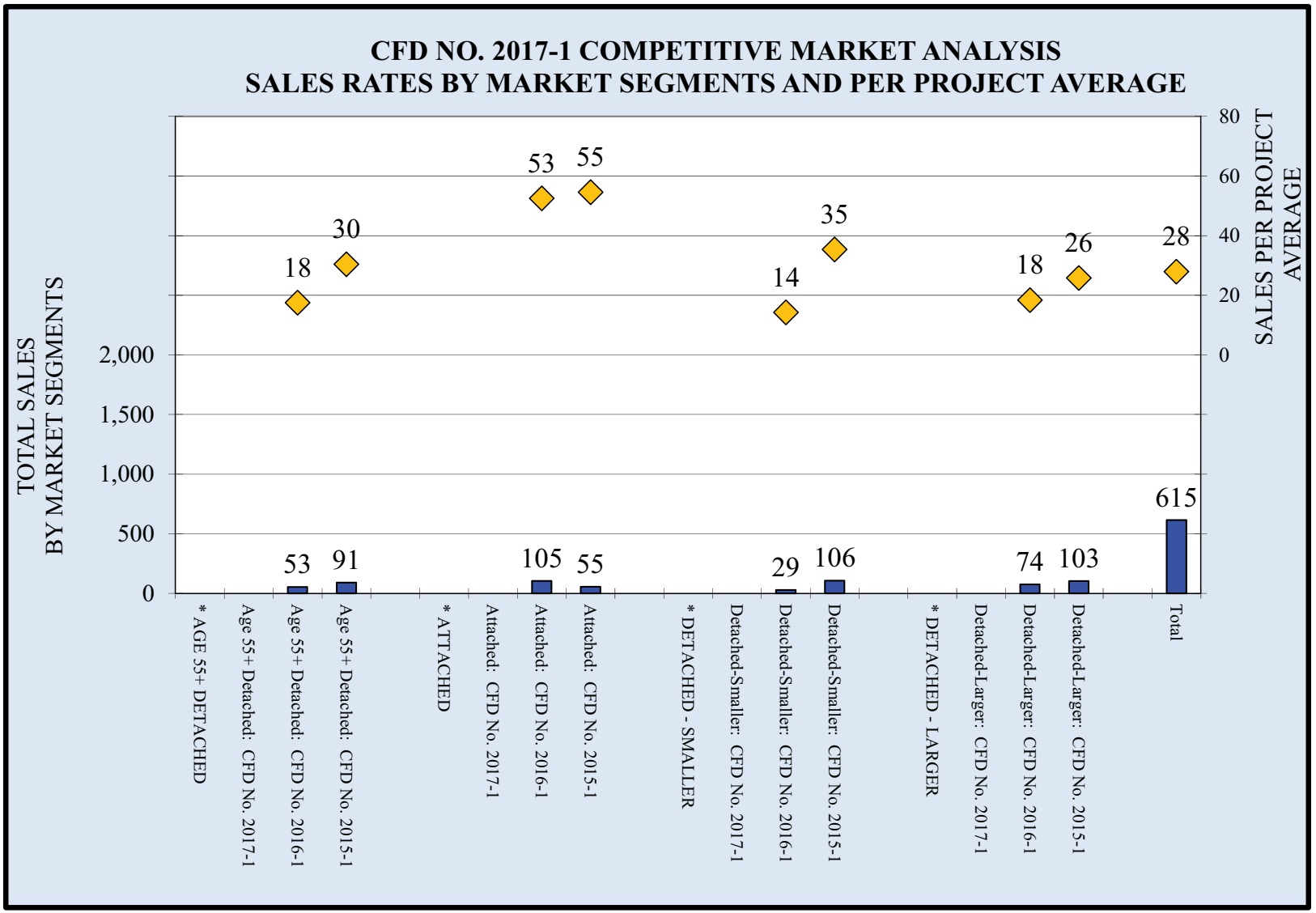
For the active/forthcoming projects in CFD No. 2017-1 as well as the currently active projects in CFD No. 2015-1 and CFD No. 2016-1, their prices amount to about $772,117, on the average, and their living areas amount to 2,202 sq.ft., on the average; their pricing and living area characteristics by the various market segments are as follows:



For all of the projects as a whole, their value ratio (price/living area) amounts to $356/sq.ft., and their Special Taxes amount to $6,297 per year, or 0.81% of their housing prices, on the average; their value ratios and special taxes by the various market segments are on the following graph.



For all of the active comparable projects in the relevant PCs (excluding the CFD No. 2017-1 projects), their overall sales rate amounts to 615 homes per year, or some 28 homes per year per project, on the average; their sales by the various market segments are as follows:



The culmination of the Competitive Market Analysis involves a statistical comparison of the currently active comparable projects, CFD 2015-1 as well as CFD 2016-1, to the active/forthcoming projects in CFD No. 2017-1, using their total housing prices (base price plus Special Tax liens and excluding options/upgrades) and their sizes of living area; this is performed for the following:

- ✓ 1. Attached Product: All Ages: Prices tends to be similar..
- ✓ 2. Detached Products: Age Qualified 55+: Prices tend to be higher since these are often single-story.
- ✓ 3. Detached Products: All Ages: This encompasses all of the non age-qualified detached homes.

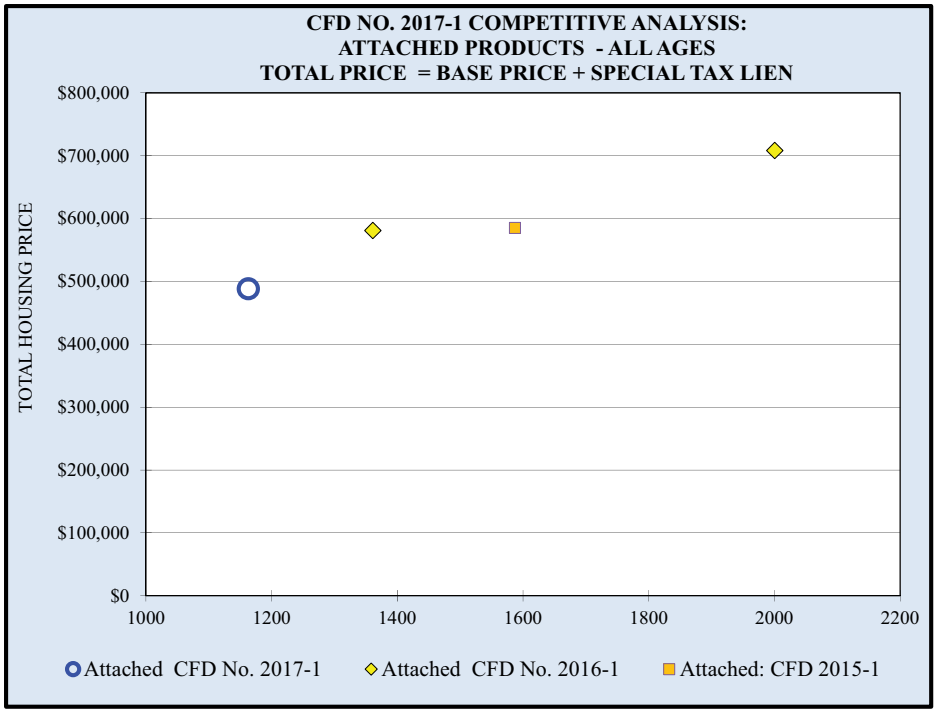
The projects in CFD No. 2017-1 are represented by Blue circles, and Blue line on the graph represents the best fit for these projects.
The other symbols on the graph represent the currently active projects in the comparable PCs:
Yellow- diamond shape for CFD 2016-1 Orange-square shape for CFD 2015-1

The "Total Housing Price" represents the base price of the home, excluding options/upgrades, and the amounts of the special tax lien.
Note: The lender takes into consideration total housing costs in qualifying prospective homeowners for a mortgage loan.

1. Attached Housing Products: All Ages

There is only one project in CFD No. 2017-1, which is represented by the blue circle. The project has both a lower square footage and lower total housing price than the market comparables, and so it is regarded as being competitive in the marketplace.

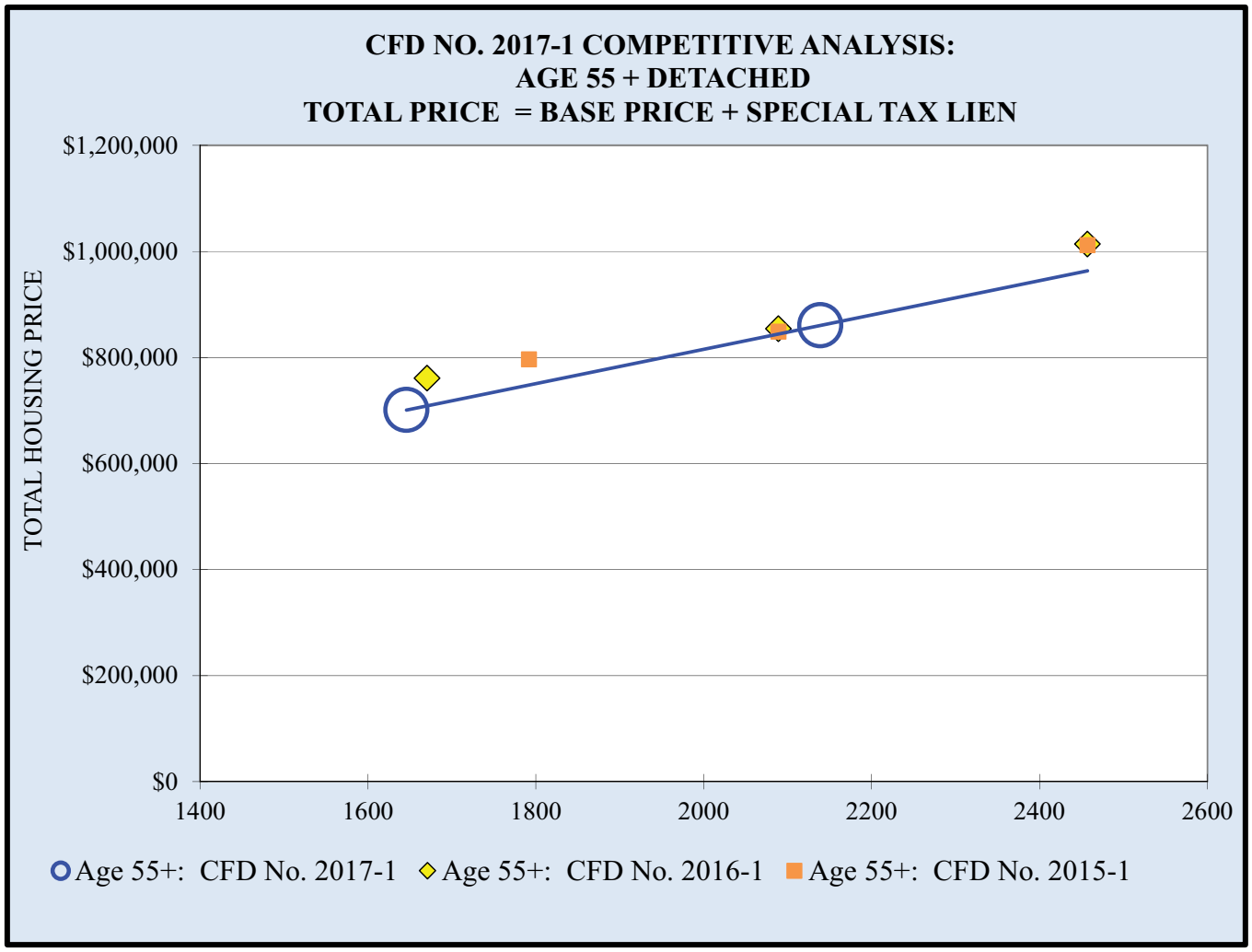
✓ CFD 2017-1 project has a lower total housing price as compared to CFD No. 2015-1 and CFD No. 2016-1 projects, and also lower living areas.



2. Age-Qualified Detached Housing Products:

The projects in CFD No. 2017-1 have a blue trendline which shows that their total housing prices are generally similar/slightly lower than the market comparable projects in CFD 2015-1 and CFD 2016-1, and so they are regarded as being competitive in the marketplace.

✓ CFD 2017-1 projects generally have similar total housing prices as compared to the projects in CFD No. 2015-1 and CFD No. 2016-1



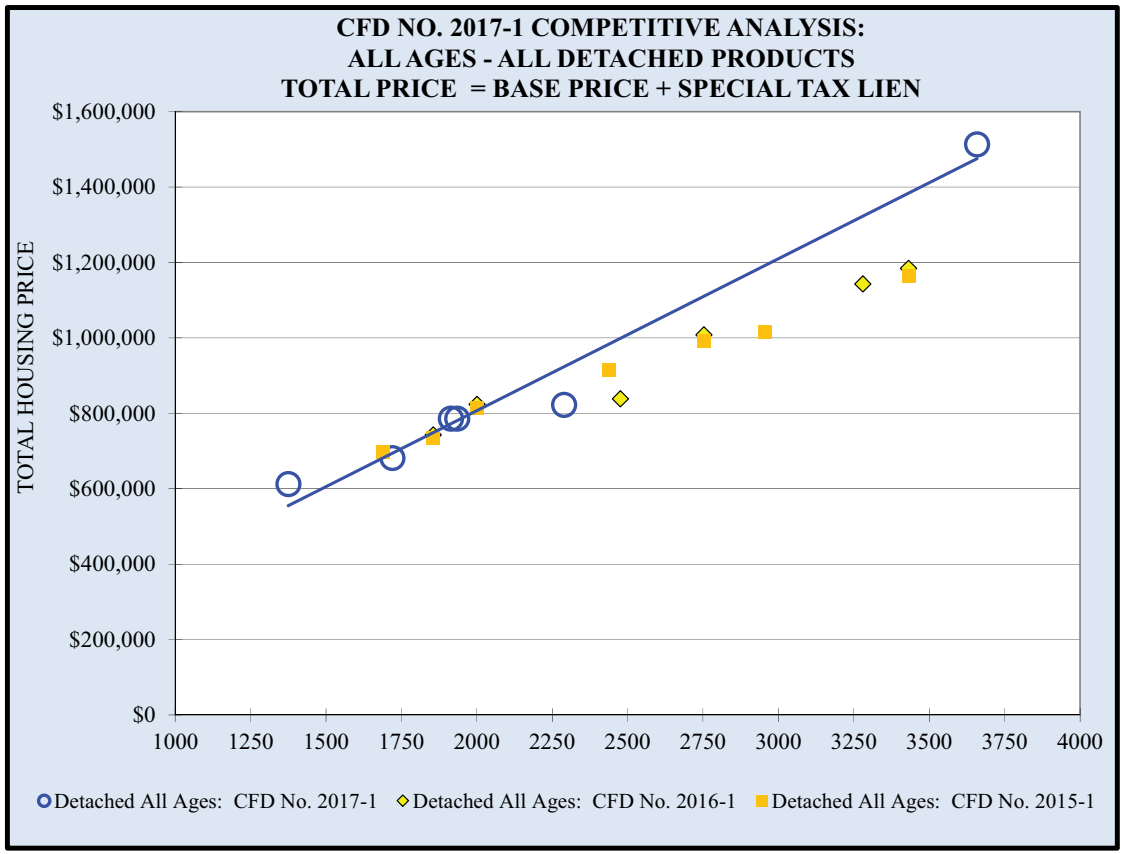
3. Detached Housing Products: All Ages and All Sizes of Living Areas

The projects in CFD No. 2017-1 have a blue trendline which shows that their total housing prices are as follows:

- ✓ CFD 2017-1 projects with homes that have smaller/moderate sizes of living areas generally have similar/slightly higher total housing prices as compared to comparable projects in CFD No. 2015-1 and CFD No. 2016-1.

- ✓ The CFD 2017-1 project with homes that have very large square footages, MR-30 by The New Home Company, has a total housing price and living area that are much higher than the current market comparables. Specifically, this can be primarily attributed to the additional amenities that this project offers relative to the market comparables.

  The market for large homes that are highly amenitized is regarded is an emerging market in Esencia, since this type of project has not yet established itself in the marketplace - such projects are currently located in Irvine and Newport Beach.



CHARACTERISTICS OF THE PROJECTS IN CFD NO. 2017-1
AND ALSO THE PROJECTS IN THE COMPARABLE PCs BY MARKET SEGMENTS

Project Locations	Planned Community	Project	Builder	Product Type	Project Size and Sales				Housing Prices			Builder Incentives	Size of Living Area			Value Ratio	Special Taxes (Base Rate for CFD = 1.09%)	
					Total	Escrows Closed	Future	Sales Rate/Yr.	Lower	Average	Upper		Lower	Average	Upper		Tax Amount/ Year	Ratio: Tax / Price
Age Qualified (55+) - Detached																		
CFD No. 2017-1	Village of Esencia	AQ-14	Pulte/Del Webb	Detached	62	0	62	N/A	$594,990	$641,490	$687,990	$0	1,279	1,646	2,013	$390	$4,555	0.71%
CFD No. 2017-1	Village of Esencia	AQ-15	Pulte/Del Webb	Detached	62	0	62	N/A	$739,990	$787,490	$834,990	$0	1,827	2,139	2,451	$368	$5,592	0.71%
CFD No. 2016-1	Village of Esencia	Arista	Pulte Group	Detached	71	15	56	29	$659,990	$697,490	$734,990	$0	1,466	1,671	1,875	$418	$4,848	0.70%
CFD No. 2016-1	Village of Esencia	Cortesa	Shea Homes	Detached	72	10	62	20	$740,900	$783,400	$825,900	$3,000	1,816	2,089	2,362	$375	$5,424	0.69%
CFD No. 2016-1	Village of Esencia	Alondra	Shea Homes	Detached	51	0	51	5	$914,900	$927,400	$939,900	$3,000	2,325	2,457	2,589	$377	$6,618	0.71%
CFD No. 2015-1	Village of Esencia	Avocet	Cal Atlantic Homes	Detached	95	55	40	32	$655,900	$736,900	$817,900	$0	1,473	1,792	2,110	$411	$4,577	0.62%
CFD No. 2015-1	Village of Esencia	Cortesa	Shea Homes	Detached	63	53	10	31	$740,900	$783,400	$825,900	$3,000	1,816	2,089	2,362	$375	$5,013	0.64%
CFD No. 2015-1	Village of Esencia	Alondra	Shea Homes	Detached	70	44	26	28	$914,900	$927,400	$939,900	$3,000	2,325	2,457	2,589	$377	$6,459	0.70%
All Ages - Attached																		
CFD No. 2017-1	Village of Esencia	MR-2	New Home Co.	Attached	80	0	80	N/A	$343,000	$436,500	$530,000	$0	707	1,163	1,619	$375	$3,972	0.91%
CFD No. 2016-1	Village of Esencia	Sage	Meritage Homes	Attached	125	65	60	69	$407,990	$527,990	$647,990	$0	931	1,361	1,791	$388	$4,059	0.77%
CFD No. 2016-1	Village of Esencia	Veranda	MBK Homes	Attached	86	23	63	36	$574,700	$636,200	$697,700	$0	1,681	2,001	2,320	$318	$5,504	0.87%
CFD No. 2015-1	Village of Esencia	Aurora	William Lyon Homes	Attached	94	94	0	55	$479,990	$534,990	$589,990	$0	1,384	1,587	1,790	$337	$3,836	0.72%

CHARACTERISTICS OF THE PROJECTS IN CFD NO. 2017-1
AND ALSO THE PROJECTS IN THE COMPARABLE PCs BY MARKET SEGMENTS

Project Locations	Planned Community	Project	Builder	Product Type	Project Size and Sales				Housing Prices			Builder Incentives	Size of Living Area			Value Ratio	Special Taxes (Base Rate for CFD = 1.09%)	
					Total	Escrows Closed	Future	Sales Rate/Yr.	Lower	Average	Upper		Lower	Average	Upper		Tax Amount/ Year	Ratio: Tax / Price
All Ages - Detached - Smaller																		
CFD No. 2017-1	Village of Esencia	MR-4	New Home Co.	Detach-Smaller	72	0	72	N/A	$520,000	$547,500	$575,000	$0	1,223	1,375	1,527	$398	$4,982	0.91%
CFD No. 2017-1	Village of Esencia	MR-5	Meritage	Detach-Smaller	118	0	118	N/A	$564,990	$608,990	$652,990	$0	1,479	1,721	1,962	$354	$5,542	0.91%
CFD No. 2017-1	Village of Esencia	MR-12	CalAtlantic Homes	Detach-Smaller	105	0	105	N/A	$669,500	$702,500	$735,500	$0	1,677	1,914	2,151	$367	$6,393	0.91%
CFD No. 2017-1	Village of Esencia	AH-13	CalAtlantic Homes	Detach-Smaller	79	0	79	N/A	$669,500	$702,500	$735,500	$0	1,701	1,935	2,169	$363	$6,393	0.91%
CFD No. 2016-1	Village of Esencia	Aria	TRI Pointe Home	Detach-Smaller	64	4	60	3	$625,900	$666,900	$707,900	$0	1,763	1,856	1,948	$359	$5,792	0.87%
CFD No. 2016-1	Village of Esencia	Citron	Cal Atlantic Homes	Detach-Smaller	70	28	42	26	$700,900	$740,400	$779,900	$5,000	1,797	2,001	2,205	$370	$6,383	0.86%
CFD No. 2015-1	Village of Esencia	Trellis	Warmington	Detach-Smaller	62	62	0	37	$589,900	$629,750	$669,600	$0	1,512	1,688	1,863	$373	$5,144	0.82%
CFD No. 2015-1	Village of Esencia	Aria	TRI Pointe Homes	Detach-Smaller	87	78	9	44	$625,900	$666,900	$707,900	$0	1,763	1,856	1,948	$359	$5,222	0.78%
CFD No. 2015-1	Village of Esencia	Citron	Cal Atlantic Homes	Detach-Smaller	50	42	8	25	$700,900	$740,400	$779,900	$5,000	1,797	2,001	2,205	$370	$5,599	0.76%
All Ages - Detached - Larger																		
CFD No. 2017-1	Village of Esencia	AH-14	Lyon Homes	Detach - Larger	118	0	118	N/A	$690,000	$735,000	$780,000	$0	1,914	2,289	2,664	$321	$6,689	0.91%
CFD No. 2017-1	Village of Esencia	MR-30	New Home Co.	Detach - Larger	56	0	56	N/A	$1,295,000	$1,352,500	$1,410,000	$0	2,897	3,659	4,420	$370	$12,308	0.91%
CFD No. 2016-1	Village of Esencia	Heirloom	Cal Atlantic Homes	Detach - Larger	41	25	16	29	$808,900	$903,900	$998,900	$5,000	2,305	2,753	3,201	$328	$7,998	0.88%
CFD No. 2016-1	Village of Esencia	Canopy	Warmington	Detach - Larger	97	42	55	32	$680,000	$745,000	$810,000	$0	2,153	2,476	2,799	$301	$7,144	0.96%
CFD No. 2016-1	Village of Esencia	Briosa	William Lyon	Detach - Larger	50	18	32	14	$975,900	$1,025,450	$1,075,000	$0	3,069	3,280	3,491	$313	$8,993	0.88%
CFD No. 2016-1	Village of Esencia	Aubergine	TRI Point Homes	Detach - Larger	57	0	57	0	$983,000	$1,056,000	$1,129,000	$0	3,097	3,431	3,765	$308	$9,819	0.93%
CFD No. 2015-1	Village of Esencia	Heirloom	Cal Atlantic Homes	Detach - Larger	45	35	10	21	$808,900	$903,900	$998,900	$5,000	2,305	2,753	3,201	$328	$6,660	0.74%
CFD No. 2015-1	Village of Esencia	Ventana	Shea Homes	Detach - Larger	60	50	10	31	$784,900	$824,900	$864,900	$0	2,207	2,438	2,669	$338	$6,919	0.84%
CFD No. 2015-1	Village of Esencia	Cirrus	Meritage Homes	Detach - Larger	58	42	16	25	$849,990	$912,490	$974,990	$0	2,698	2,955	3,211	$309	$7,965	0.87%
CFD No. 2015-1	Village of Esencia	Aubergine	TRI Pointe Homes	Detach - Larger	66	38	28	26	$983,000	$1,050,000	$1,117,000	$0	3,097	3,431	3,765	$306	$8,822	0.84%

CHARACTERISTICS OF THE PROJECTS IN CFD NO. 2017-1
AND ALSO THE PROJECTS IN THE COMPARABLE PCs BY MARKET SEGMENTS

Project Locations	Planned Community	Project	Builder	Product Type	Project Size and Sales				Housing Prices			Builder Incentives	Size of Living Area			Value Ratio	Special Taxes (Base Rate for CFD = 1.09%)	
					Total	Escrows Closed	Future	Sales Rate/Yr.	Lower	Average	Upper		Lower	Average	Upper		Tax Amount/ Year	Ratio: Tax / Price
Statistical Summary																		
* AGE 55+ DETACHED																		
Age 55+ Detached: CFD No. 2017-1				2	124	0	124	0	$667,490	$714,490	$761,490	$0	1,553	1,893	2,232	$379	$5,073	0.71%
Age 55+ Detached: CFD No. 2016-1				3	194	25	169	53	$771,930	$802,763	$833,597	$2,000	1,869	2,072	2,275	$390	$5,630	0.70%
Age 55+ Detached: CFD No. 2015-1				3	228	152	76	91	$770,567	$815,900	$861,233	$2,000	1,871	2,113	2,354	$388	$5,349	0.65%
* ALL AGES - ATTACHED																		
Attached: CFD No. 2017-1				1	80	0	80	0	375,495	$482,245	$588,995	$0	819	1,262	1,705	$382	$4,015	0.84%
Attached: CFD No. 2016-1				2	211	88	123	105	$491,345	$582,095	$672,845	$0	1,306	1,681	2,056	$353	$4,781	0.82%
Attached: CFD No. 2015-1				1	94	94	0	55	$479,990	$534,990	$589,990	$0	1,384	1,587	1,790	$337	$3,836	0.72%
* ALL AGES - DETACHED - SMALLER																		
Detached-Smaller: CFD No. 2017-1				4	374	0	374	0	$605,998	$640,373	$674,748	$0	1,520	1,736	1,952	$371	$5,827	0.91%
Detached-Smaller: CFD No. 2016-1				2	134	32	102	29	$663,400	$703,650	$743,900	$2,500	1,780	1,928	2,077	$365	$6,087	0.87%
Detached-Smaller: CFD No. 2015-1				3	199	182	17	106	$638,900	$679,017	$719,133	$1,667	1,691	1,848	2,005	$368	$5,322	0.79%
* ALL AGES - DETACHED - LARGER																		
Detached-Larger: CFD No. 2017-1				2	174	0	174	0	$992,500	$1,043,750	$1,095,000	$0	2,406	2,974	3,542	$345	$9,498	0.91%
Detached-Larger: CFD No. 2016-1				4	245	85	160	74	$861,950	$932,588	$1,003,225	$1,250	2,656	2,985	3,314	$312	$8,488	0.91%
Detached-Larger: CFD No. 2015-1				4	229	165	64	103	$856,698	$922,823	$988,948	$1,250	2,577	2,894	3,212	$320	$7,591	0.82%
Totals/Averages				31	2,286	823	1,463	615	$719,201	$772,117	$825,033	$1,032	1,919	2,202	2,485	$356	$6,297	0.81%

SECTION V
ESTIMATED ABSORPTION SCHEDULES FOR PROJECTS IN CFD NO. 2017-1

The purpose of this section is to estimate the absorption schedules for the active/forthcoming residential projects in CFD No. 2017-1 (Village of Esencia), based upon a consideration of the recent/expected economic and housing market demand/supply conditions.

A. METHODOLOGY UNDERLYING THE ABSORPTION FORECASTS

Empire Economics estimated the expected absorption schedules for the residential projects in CFD No. 2017-1 through a comprehensive analysis of the following factors:

- The expected market demand for homes in the CFD Market Area is based upon recent/forecasted economic and real estate factors according to the Most Probable Economic Scenario.
- Consideration is given to the potential for higher mortgage rates during the foreseeable future; however, this is somewhat counter-balanced by the strong rates of employment growth.
- The competitive market analysis of the projects in CFD No. 2017-1 with currently active comparable projects, based upon their prices, sizes of living areas and special taxes, revealed that the projects in CFD No. 2017-1 are generally competitive in the marketplace.
- The estimated absorption schedule for each of the for-sale projects takes into consideration their Grand Opening market entry during October 2017 to early 2018 and their anticipated schedule for escrow closings or move-ins, as a safeguard, starting in early 2018.
- Empire's estimated absorption schedules considers the time required for the comparable projects that are currently active in CFD No. 2016-1 and CFD No. 2015-1 to market their products simultaneously with the active/forthcoming projects in CFD No. 2017-1 entering the marketplace. As a safeguard, the absorption schedules for the active/forthcoming projects in CFD No. 2017-1 take into consideration the time required for them to establish themselves in the marketplace.
- A comparison of the prior market study forecasts and the actual escrow closings for Esencia as of September 30, 2017 reveals the following:
  - ✓ For CFD No. 2015-1, the actual number of escrows closed of 672 is somewhat below the absorption forecast for 810 closings.
  - ✓ For CFD No. 2016-1, the actual number of escrows closed of 195 is slightly below the absorption forecast for 200 closings.
  - ✓ By comparison, for CFD No. 2017-1, all of the projects will have their own model complexes; none are continuation projects.

B. SAFEGUARDS UNDERLYING THE ABSORPTION FORECASTS

Empire's absorption schedules, based upon numerous market absorption studies for CFDs over the past thirty years, reflect various conservative safeguards, in order to provide more accurate/reliable forecasts, and these include the following:

- **Potential Economic/Financial/Tax Reform Risk Factors:**
  - ✓ As the economy gains momentum, interest rates are likely to rise; two potential scenarios are as follows:
    - If there is a gradual upward trend in mortgage rates over time with employment growth, these factors counter-balance each other.
    - On the other hand, if there is a "sudden spike" in interest/mortgage rates, then such higher rates would be a potential risk factor.
  - ✓ There are currently various tax reform plans that are under consideration by the President and Congress; some: aspects that may affect housing are as follows:

    With regards to the mortgage interest rate deduction, the current proposals appear to extend the continuation of this deduction, but may limit the deduction to mortgage loans of up to $500,000.

    With regards to state and local property taxes (ad valorem as well as special taxes/assessments), these plans appear to have the potential for eliminating these as an itemized deduction, but may allow for the deduction of property taxes up to $10,000.

    Since these tax reform plans are in their early stages, it is difficult to quantify their impacts upon the housing market. While the potential elimination of the property tax and/or mortgage interest deductions would adversely impact housing, these impacts may be counterbalanced to some degree by the proposals for potentially lower tax rates as well as the higher standard deductions.

- **Potential CFD Development Risk Factors:**
  - ✓ Market-Entry – Allow time for dealing with unforeseen delays due to completing infrastructure and securing final entitlements.
  - ✓ Construction of Homes: Allow time for the construction of homes, especially the first phase.
  - ✓ The absorption schedules set forth by Empire Economics take into consideration the anticipated construction/building permit schedules of the various builders, in order to ensure that the estimated absorption by Empire Economics does not exceed the actual supply of the product that is available.

- **Project-Related Marketing Risk Factors:**
  - ✓ Total tax burdens of 1.80% or more are regarded as being relatively high tax burdens for seniors, and as such may adversely impact the marketing of the homes. Additionally, some of the homeowners that purchase homes may eventually have concerns about the relatively high tax levels, especially since seniors tend to rely on their Social Security and pensions, the amounts of which tend to be "fixed".

- **Housing Prices: Builder Current Expectations versus Market Comparables:**
  - ✓ The builders of the active/forthcoming projects/plans in CFD No. 2017-1 recently provided their price point estimates. Based upon Empire's analysis of their current price estimates, they appear to be generally similar/slightly below the prices of the currently active market comparable projects, with the primary exception being the project in MR-30 by the New Home Company. However, the various builders may further revise their prices once they enter the marketplace, as each of them adjusts to the actual market conditions.

➢ **Potential Market Supply Risk Factors:**

The three residential phases of Esencia have had staggered openings with CFD No. 2015-1 opening in September 2015, CFD No. 2016-1 opening in September 2016, and CFD No. 2017-1 which have Grand Opening starting in October 2017 through early 2018; their marketing status is as follows:

Esencia, as a whole, is expected to have 2,470 for-sale homes. As of September 30, 2017, 1,093 of these have been sold and 867 have closed escrow.

(Note: The approximate time between the sale of a home and the closing of its escrow is typically six months.)

The number of remaining homes to be sold in CFD No. 2015-1 and CFD No. 2016-1 amounts to 761 homes:

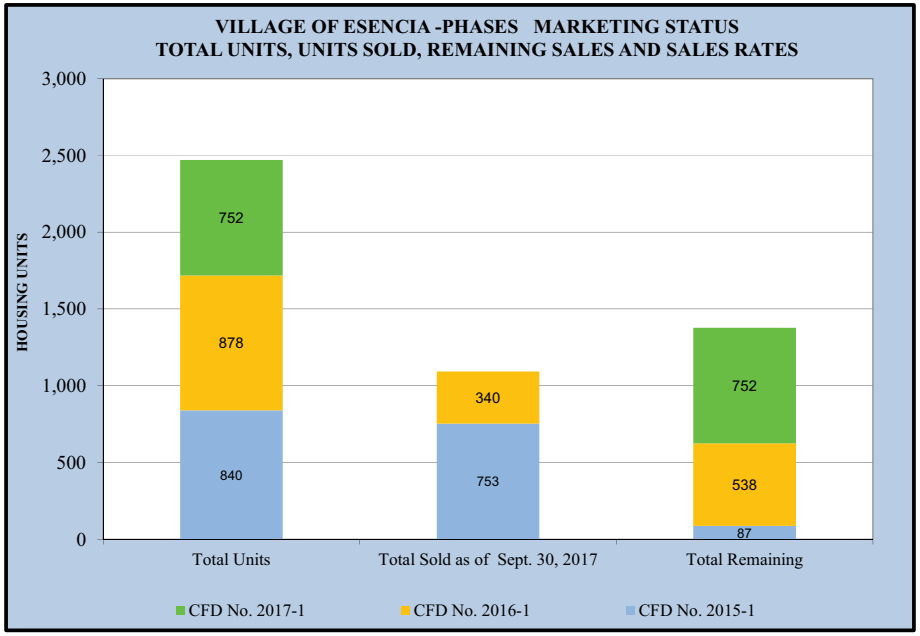
CFD No. 2015-1: remaining sales of 87 homes.

CFD No. 2016-1: remaining sales of 538 homes.

Note: the sales rate will increase in CFD No. 2016-1 once the homes in CFD No. 2015-1 are sold out.

Therefore, the active/forthcoming projects in CFD No. 2017-1 will face competition from the currently active projects in the other CFDs in Esencia which still have a substantial number of homes to be sold.

Accordingly, Empire takes this into consideration in arriving at its estimated absorption schedules for the active/forthcoming projects in CFD No. 2017-1.



C. ESTIMATED ABSORPTION SCHEDULES FOR THE FORTHCOMING RESIDENTIAL PROJECTS IN CFD NO. 2017-1

Empire's absorption schedules, which reflect escrow closings, for the homes in each of the four market segment, from their market-entry to their close-out are as follows**:**

Synopsis of Primary Conclusions: Overall Absorption Rates

Grand Openings: October 2017 to Early 2018

As a safeguard, absorption/escrow closings of the for-sale homes is assumed to start in early 2018, although they may be some closings in late 2017.

Expected Closing –Annually

2018: 185 homes

2019: 257 homes

2020: 199 homes

2021: 65 homes

2022: 46 homes

Expected Close-Out: Latter 2022

Synopsis of Primary Conclusions: Absorption Rates by Market Segments

- **2018:** Empire expects 185 home closings during this time period, based upon all of the for-sale projects being on the marketplace for most of the year; this appears reasonable considering that the Grand Openings are occurring during October 2017 through early 2018.

  - ✓ Ages 55+ Detached: 35 homes
    (The absorption rates for age 55+ have been modified to reflect the relatively high levels of Special Taxes for seniors.)

  - ✓ All-Ages Attached: 25 homes
  - ✓ All-Ages: Detached - Smaller: 111 homes
  - ✓ All-Ages: Detached - Larger: 14 homes

- **2019:** Empire expects 257 for-sale home closings during this time period, based upon most of the projects being on the marketplace for the entire year.

  - ✓ Ages 55+ Detached: 45 homes

  - ✓ All-Ages Attached: 40 homes
  - ✓ All-Ages: Detached - Smaller: 142 homes
  - ✓ All-Ages: Detached - Larger: 30 homes

- **2020:** Empire expects an additional 199 home closings

  - ✓ Ages 55+ Detached: 42 homes

  - ✓ All-Ages Attached: 15 homes; closed-out
  - ✓ All-Ages: Detached - Smaller: 105 homes
  - ✓ All-Ages: Detached - Larger: 37 homes

- **2021:** Empire expects an additional 65 home closings during 2021

  - ✓ Ages 55+ Detached: 2 homes; closed out

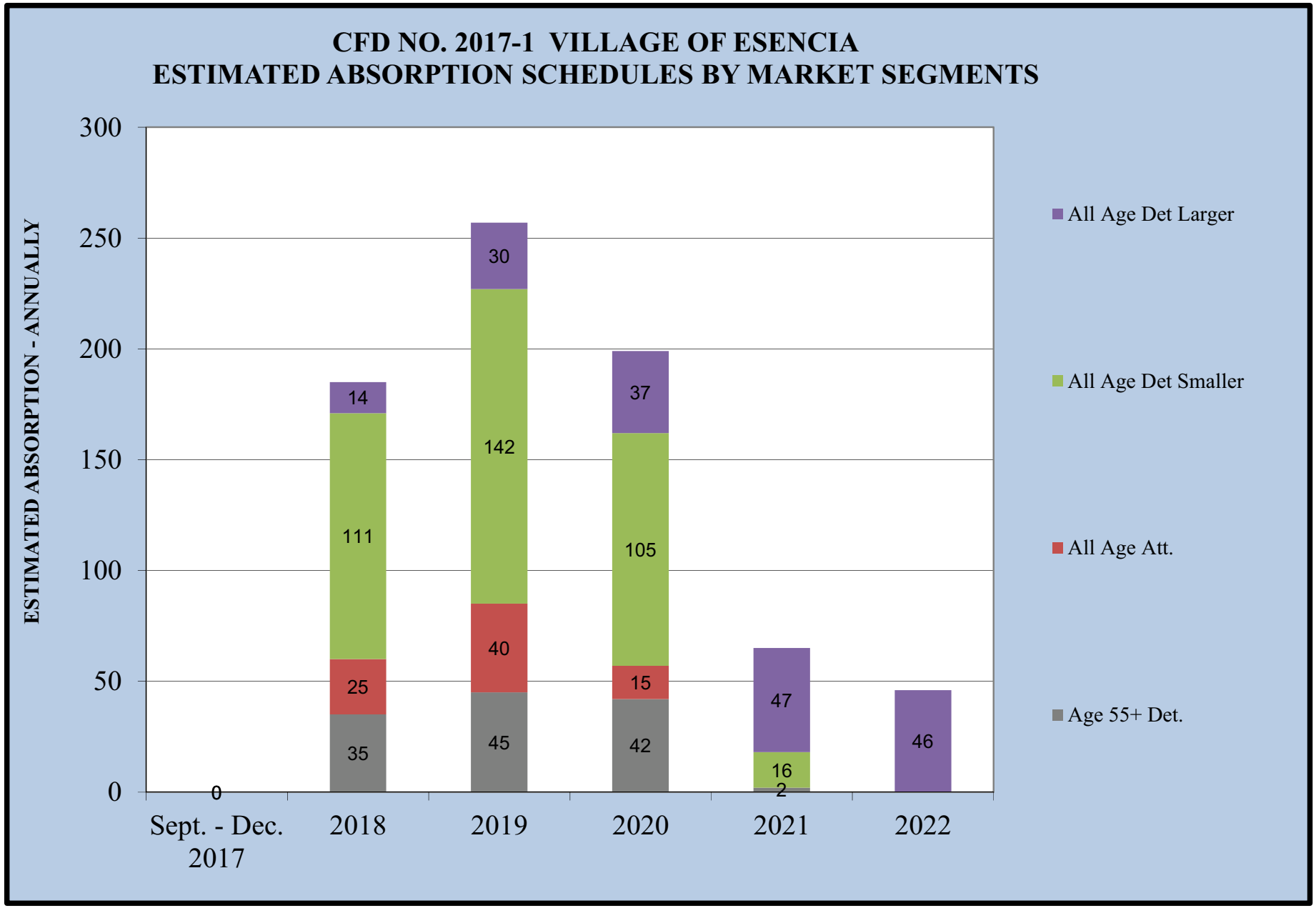
  - ✓ All-Ages: Detached - Smaller: 16 homes; closed-out
  - ✓ All-Ages: Detached - Larger: 47 homes

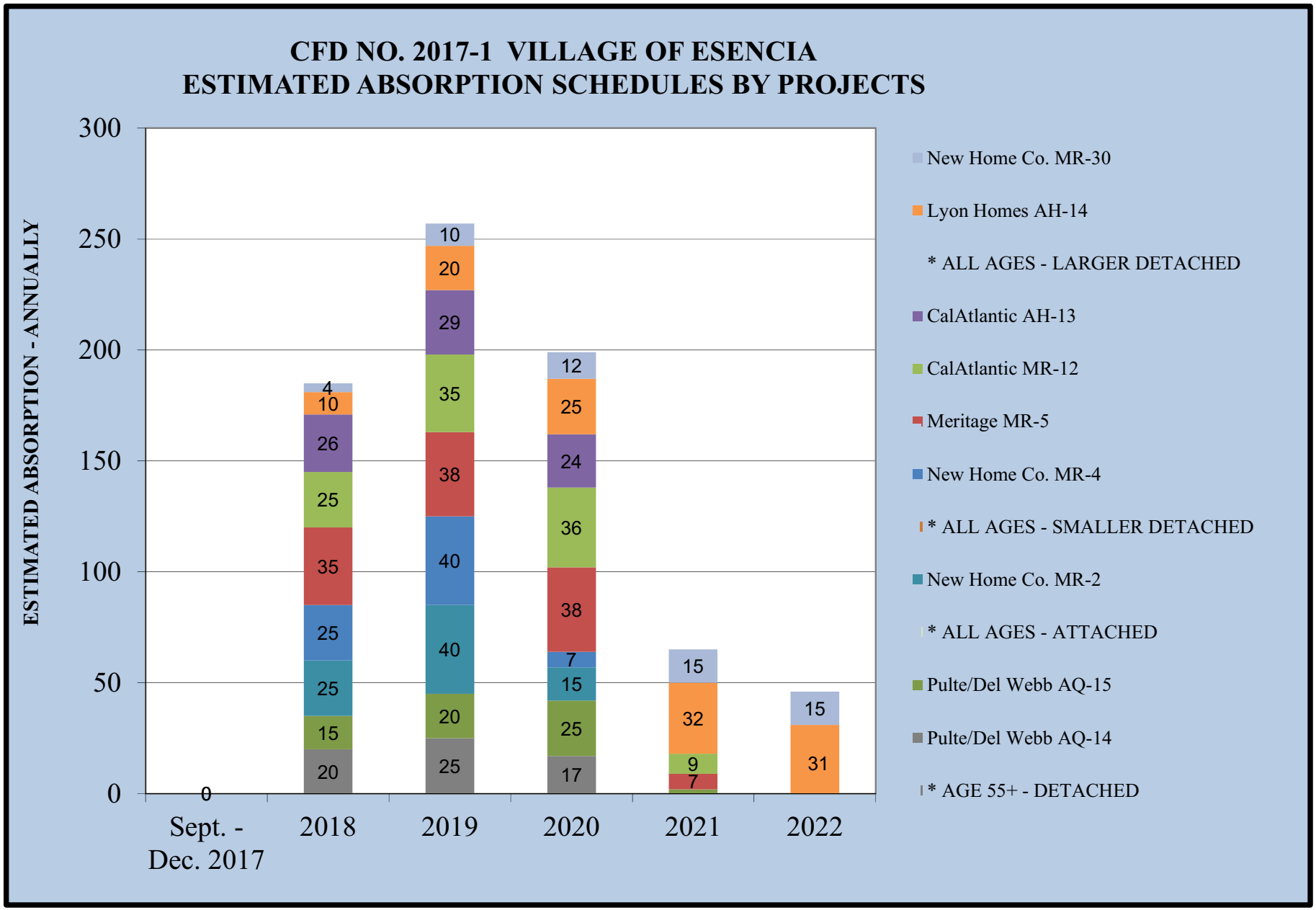
- **2022:** Empire expects the final 46 home closings during 2022

  - ✓ All-Ages: Detached - Larger: 46 homes; closed out

Finally, the estimated absorption schedules are subject to the additional Assumptions and Qualifications set-forth in the next section.

Please refer to the graphs and table on the following pages for additional information on the estimated absorption schedules.


CFD NO. 2017-1 VILLAGE OF ESENCIA
ESTIMATED ABSORPTION SCHEDULES BY MARKET SEGMENTS
ESTIMATED ABSORPTION - ANNUALLY
300
250
200
150
100
50
0
0
14
111
25
35
30
142
40
45
37
105
15
42
47
16
2
46
Sept. - Dec. 2017
2018
2019
2020
2021
2022
All Age Det Larger
All Age Det Smaller
All Age Att.
Age 55+ Det.


CFD NO. 2017-1 VILLAGE OF ESENCIA
ESTIMATED ABSORPTION SCHEDULES BY PROJECTS
ESTIMATED ABSORPTION - ANNUALLY
300
250
200
150
100
50
0
Sept. - Dec. 2017
2018
2019
2020
2021
2022
0
20
15
25
25
35
25
26
10
4
25
20
40
40
38
35
29
20
10
17
25
7
38
36
24
25
12
7
9
32
15
31
15
New Home Co. MR-30
Lyon Homes AH-14
* ALL AGES - LARGER DETACHED
CalAtlantic AH-13
CalAtlantic MR-12
Meritage MR-5
New Home Co. MR-4
* ALL AGES - SMALLER DETACHED
New Home Co. MR-2
* ALL AGES - ATTACHED
Pulte/Del Webb AQ-15
Pulte/Del Webb AQ-14
* AGE 55+ - DETACHED

ESTIMATED ABSORPTION SCHEDULES
CFD NO. 2017-1 VILLAGE OF ESENCIA

	Age Qualified (Age 55+)		All Ages							Overall	
Market Segments >	**Detached**	**Detached**	**Attached**	**Detach-Smaller**	**Detach-Smaller**	**Detach-Smaller**	**Detach-Smaller**	**Detach-Larger**	**Detach-Larger**	**Totals**	**Totals**
Planning Area >	**AQ-14**	**AQ-15**	**MR-2**	**MR-4**	**MR-5**	**MR-12**	**AH-13**	**AH-14**	**MR-30**		
Project Name>	Vida	Alma	Azure	Cobalt	Modena	Avant	Vivaz	Reverie	Topaz		
Builder >	Pulte/Del Webb	Pulte/Del Webb	New Home Co.	New Home Co.	Meritage	CalAtlantic Homes	CalAtlantic Homes	Lyon Homes	New Home Co.		
Model Complex - Expected Opening	Q4/2017	Q4/2017	Q4/2017	Q4/2017	Q4/2017	Q4/2017	Q4/2017	Q1/2018	Q1/2018		
Commence Escrow Closings	Q1/2018	Q1/2018	Q1/2018	Q1/2018	Q4/2017	Q1/2018	Q1/2018	Q2/2018	Q3/2018		
Housing Units											
Totals	62	62	80	72	118	105	79	118	56	752	
Share	8.2%	8.2%	10.6%	9.6%	15.7%	14.0%	10.5%	15.7%	7.4%	100%	
Marketing Status:											
Closed	0	0	0	0	0	0	0	0	0	0	
Future Closings	62	62	80	72	118	105	79	118	56	752	
Market Segment-Totals>	124		80	374				174			
Expected Product Mix											
Totals	**62**	**62**	**80**	**72**	**118**	**105**	**79**	**118**	**56**		**752**
Living Areas (Sq. Ft.)											
Averages	**1,623**	**2,142**	**1,330**	**1,387**	**1,667**	**1,987**	**2,022**	**2,429**	**3,544**		**1,981**
Market Segment-Averages >	1,883		1,330	1,778				2,788			
Estimated Prices - Developer											
Averages	**$662,296**	**$792,974**	**$494,750**	**$546,667**	**$598,871**	**$714,138**	**$715,677**	**$746,441**	**$1,350,982**		**$711,558**
Market Segment-Averages >	$727,635		$494,750	$645,855				$941,006			
Value Ratios : (Price / Living Area)	$408	$370	$372	$394	$359	$359	$354	$307	$381		$359
Market Segment-Averages >	$389		$372	$365				$331			
Tax Burdens - Estimated											
Ad Valorem - Percent of Price	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%		0.00%
Special Taxes $/Yr. - Avg.	$4,835	$5,789	$4,601	$5,084	$5,570	$6,641	$6,656	$6,942	$12,564		$13,915
*** Total Tax Burden %/Price**	1.80%	1.80%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%		1.96%
`	**Pulte/Del Webb AQ-14**	**Pulte/Del Webb AQ-15**	**New Home Co. MR-2**	**New Home Co. MR-4**	**Meritage MR-5**	**CalAtlantic Homes MR-12**	**CalAtlantic Homes AH-13**	**Lyon Homes AH-14**	**New Home Co. MR-30**	**Annually**	**Cumulative**
Project Name>	**Vida**	**Alma**	**Azure**	**Cobait**	**Modena**	**Avant**	**Vivaz**	**Terra**	**Topaz**		
Market Segments >	**Age Qualified (Age 55+) Detached**	**Age Qualified (Age 55+) Detached**	**All Ages Attached**	**All Ages Detach-Smaller**	**All Ages Detach-Smaller**	**All Ages Detach-Smaller**	**All Ages Detach-Smaller**	**All Ages Detach-Larger**	**All Ages Detach-Larger**		
ESTIMATED ABSORPTION											
Annual Absorption Rates											
Sept. - Dec. 2017	0	0	0	0	0	0	0	0	0	0	
2018	20	15	25	25	35	25	26	10	4	185	
2019	25	20	40	40	38	35	29	20	10	257	
2020	17	25	15	7	38	36	24	25	12	199	
2021	0	2	0	0	7	9	0	32	15	65	
2022	0	0	0	0	0	0	0	31	15	46	
Cumulative Absorption Rates											
Sept. - Dec. 2017	0	0	0	0	0	0	0	0	0		0
2018	20	15	25	25	35	25	26	10	4		185
2019	45	35	65	65	73	60	55	30	14		442
2020	62	60	80	72	111	96	79	55	26		641
2021	62	62	80	72	118	105	79	87	41		706
2022	62	62	80	72	118	105	79	118	56		752
Totals	**62**	**62**	**80**	**72**	**118**	**105**	**79**	**118**	**56**	**752**	**752**

ASSUMPTIONS AND LIMITING CONDITIONS

The Market Absorption Study is based upon various assumptions and limiting conditions; accordingly, these are as follows:

Property Boundaries

No survey or engineering analysis of CFD No. 2017-1 property has been made by the market analyst; the District Engineer's report utilized for the Bond is deemed to be reliable. The market analyst assumes the existing boundaries to be correct, that no encroachments exist and assumes no responsibility for any condition not readily observable from customary investigation and inspection of the premises, which might affect the valuation, excepting those items which were specifically mentioned in the report.

Maps and Exhibits

Maps and exhibits included in this report are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys, or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from the report.

Title to Property

No opinion as to title is rendered. Data related to ownership and legal description, obtained from governmental records related to the formation of the District that forms the basis for identifying the boundaries of CFD No. 2017-1 are considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements and restrictions except those specifically discussed in the report. The property is evaluated assuming to be under responsible ownership and competent management and available for development to highest and best use.

Earthquakes and Seismic Hazards

The property which is the subject of this market analysis is within a geographic area prone to earthquakes and seismic disturbances. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the market analyst concerning the geologic and/or seismic condition of the subject property. The market analyst assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

Soil and Geological Studies

No detailed soil studies or geological studies or reports were made available to the market analyst. Assumptions employed in this report regarding soils and geologic qualities of the subject property have been provided to the client. However, such assumptions are not conclusive and the market analyst assumes no responsibility for soils or geologic conditions discovered to be different from the conditions assumed unless otherwise stated in this report.

Presence and Impact of Hazardous Material

Unless otherwise stated in the report, the market analyst did not become aware of the presence of any hazardous material or substance during the market analyst's general inspection of the subject property. However, the market analyst is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the evaluation of the subject property. The market analyst assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material.

Structural Deficiencies of Improvements

The market analyst has not performed a thorough inspection of the subject property, and except as noted in this report has not found obvious evidence of structural deficiencies in any improvements located on the subject property. Consequently, the market analyst assumes no responsibility for hidden defects or nonconformity with specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes, unless inspections by qualified independent professions or governmental agencies were provided to the market analyst. Further, the market analyst is not a licensed engineer or architect and assumes no responsibility for structural deficiencies not apparent to the market analyst at the time of their inspection.

Environmental and Other Regulations

The property is evaluated assuming it to be in full compliance with all applicable federal, state and local environmental regulations and laws, unless otherwise stated, and that there are no lawsuits that may adversely impact the rate of development.

Required Permits and Other Governmental Authority

Unless otherwise stated, the property evaluated is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization that have been or can be obtained or renewed for any use on which the evaluation analysis contained in this report is based upon.

Designated Economic Scenario

The Market Absorption Study focuses upon the expected absorption schedule for the products in CFD No. 2017-1 according to the designated economic scenario. Specifically, this scenario represents the economic and real estate conditions for the Market Region and also the Market Area during the foreseeable future according to the most probable conditions, and this is regarded as being appropriate for the Bond Financing. However, the economic and market conditions which actually materialize on a year by year basis may differ from those presented according to the designated economic scenario, as a result of exogenous factors which are difficult to forecast/quantify. Accordingly, the designated scenario should be utilized as an economic framework for evaluating the marketing prospects of the properties within CFD No. 2017-1 rather than a "literal" representation of what is expected to occur on a year/year basis during the foreseeable future.

Provision of the Infrastructure

The Market Absorption Study assumes that the governmental agencies that supply public facilities and services, including water, provide these in a timely manner so that the proposed products/projects in CFD No. 2017-1 can respond to the expected market demand for their products. Otherwise, if the required infrastructure is not available in a timely manner, then the absorption of the products/projects could be adversely impacted.

Developer/Builders Responsiveness to Market Conditions

The Market Absorption Study assumes that the developer/builders in CFD No. 2017-1 respond to the market conditions with products that are competitively priced and have the features/amenities that are desired by the purchasers. Specifically, some of the projects in CFD No. 2017-1 have not yet entered the marketplace, and so the specific characteristics of their product types cannot be identified until they actually offer products on the marketplace. Consequently, to the extent that future products/projects have prices/features that differ from the competitive market standards, then their absorption schedule would need to be modified from those presented according to the designated economic scenario.

Financial Strength of the Projects' Developer/Builders

The Market Absorption Study assumes that the developer/builders in CFD No. 2017-1 (and also their lenders) have sufficient financial strength to adequately fund their projects, including paying their Special Taxes/Assessments, and that they have sufficient financial reserves which could be utilized to supplement their cash flow positions, in the event that adverse economic or market conditions occur.

Accuracy of Information from Others

In preparing this report, the market analyst was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed or implied, is given by the market analyst for the accuracy of such information and the market analyst assumes no responsibility for information relied upon and later found to have been inaccurate. The market analyst reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Liability of Market Analyst

The liability of Empire Economics, the market analyst responsible for this report, is limited to the client only and to the fee actually received by the market analyst. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussion. The market analyst is in no way to be responsible for any costs incurred to discover or correct any deficiencies or any type present in the property--physical, financial, and/or legal.

Testimony or Court Attendance

Testimony or attendance in court or at any other hearing is not required by reason of rendering this market analysis, unless such arrangements are made a reasonable time in advance of said hearing. Separate arrangements would need to be made concerning compensation for the market analyst's time to prepare for and attend any such hearing.

Right of Publication of Report

Possession of this report, or a copy of it, does not carry with it the right of publication except for the party to whom it is addressed. Without the written consent of the market analyst, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose which is being published in the Official Statement.

Timeliness of the Market Absorption Study

The Market Absorption Study performs a comprehensive analysis of the relevant land-use, economic, residential and commercial market conditions that are expected to influence the marketing success of the products/projects in CFD No. 2017-1. Nevertheless, the Study should be dated within six-months of the Bond Sale, or even sooner, should these land-use and/or economic market as well as real estate conditions change significantly.

APPENDIX: CREDENTIALS/QUALIFICATIONS OF EMPIRE ECONOMICS

Empire Economics is an economic and real estate consulting firm that specializes in conducting market absorption studies on behalf of public entities for residential, commercial, and industrial projects located throughout California, with an emphasis on Master Planned Communities, Business Parks and Retail Centers situated in Southern California, including Orange County, in particular.

During the past thirty years, Empire Economics has performed consulting services on behalf of numerous Issuers for approximately 500 municipal tax-exempt bond issues amounting to more than $14+ billion.

Empire Economics' experience with municipal tax-exempt issues during the past thirty years has been as follows:

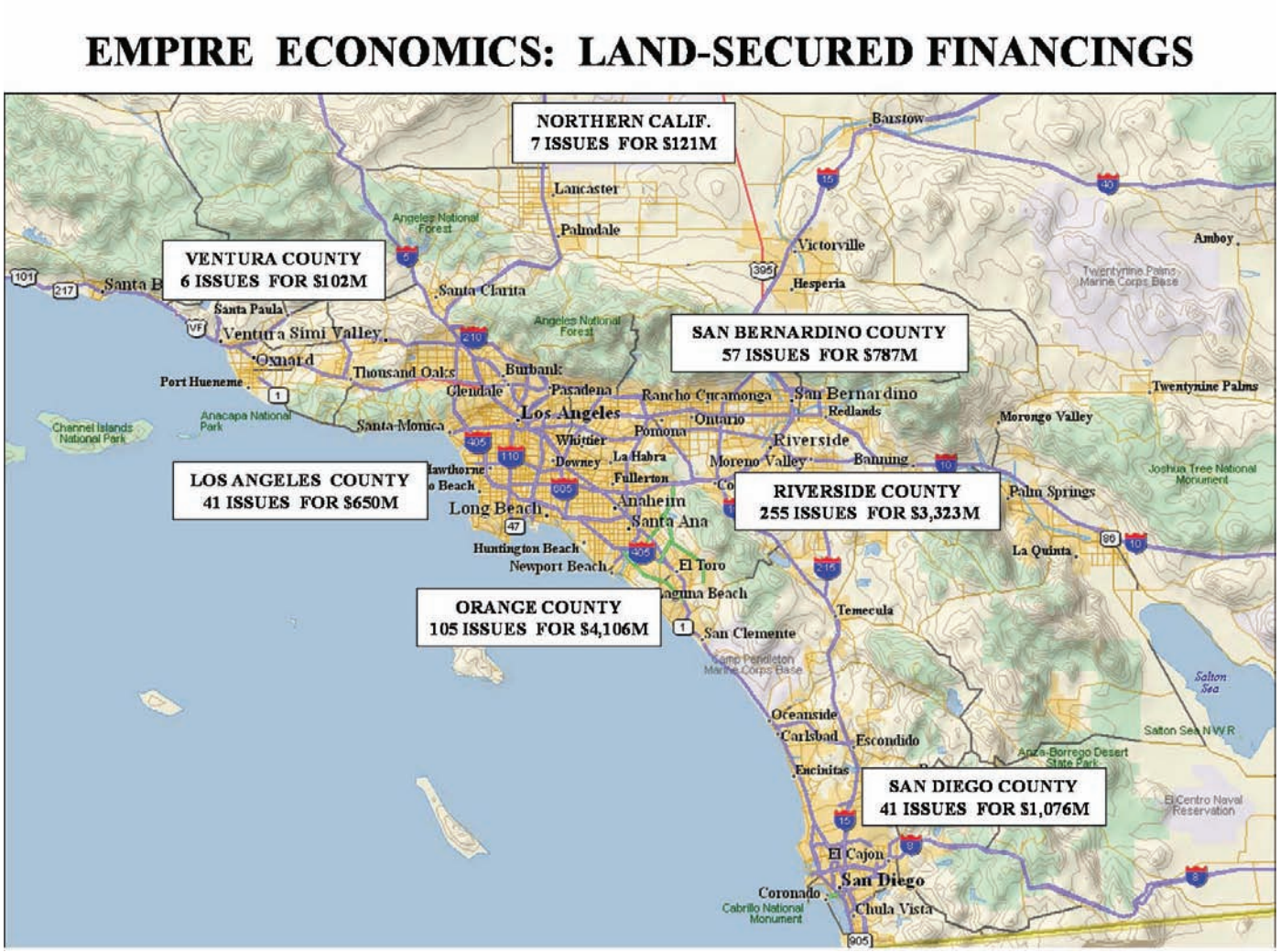
- ✓ Mello-Roos/Assessment District Financings in which bonds have been sold: Over four hundred Bond Issues amounting to more than $7.5+ billion. Empire Economics' Market Studies are typically for Planned Communities and Business Parks which have 500-2,000+ housing units and/or 50-100+ commercial-industrial acres.
- ✓ Mortgage Revenue Bond Financings: Fifty+ issues with bonds amounting to more than $1.7 billion.
- ✓ Socioeconomic Forecast/Market Studies for the $2.75 billion refundings for the San Joaquin Hills and Foothill/Eastern Transportation Corridors' Toll Roads located in Orange County; the latter was designated as the Municipal Bond Issue of the Year for 1999.
- ✓ Mello-Roos/Assessment District Financings that are presently in their formative stages: over thirty CFDs that have forthcoming Bond Issues amounting to $500+ million.

Empire Economics has taken an active role in the municipal bond industry by participating in numerous events; some examples are as follows:

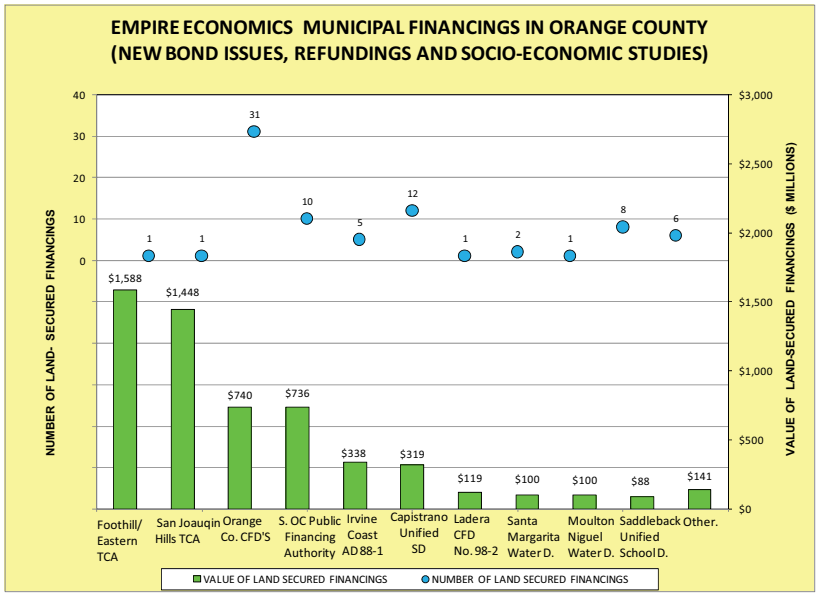
- ✓ State Treasurer, Mr. John Chiang: Council of Economic Advisors: January 2015 – Present
  Bi-annual meetings and published articles in the Treasurer's Newsletter, Intersections
- ✓ Treasurer John Chiang, Council of Economic Advisors; January-2015 - Present
- ✓ California Debt Advisory Commission: Land Secured Practices and Policies, Speaker/Panelist
- ✓ League of Cities: Most Recently in Anaheim and Monterey: Speaker/Panelist
- ✓ UCLA Municipal Bond Financing Seminars: Featured Speaker
- ✓ Municipal Bond Industry Association - Panelist
- ✓ Best Practices for Continuing Disclosure – Panelist
- ✓ Appraisal Standards for Land Secured Financing by CDIAC – Panelist/Contributor
- ✓ Rating Agency and Bond Insurer Presentations – More than 15 Trips to New York City
- ✓ Meetings with Municipal Bond Funds:
  - Mello-Roos Bond Issues – Site Tours
  - San Joaquin Hills and Foothill Eastern Corridors: Bond Buyer Seminar Presentations in New York, Boston, and Chicago to 50+ Bond Funds

Consequently, the Municipal Bond Funds and Rating Agencies are familiar with Empire Economics and also the Price Point and Market Absorption studies that it has conducted for Planned Communities, Business Parks and Retail Centers in Southern California. This is beneficial to the forthcoming Bond Issues since these Market Studies have enabled Empire Economics to establish a high degree of credibility with the municipal Bond Funds and Rating Agencies. At such events, Empire Economics focuses upon discussing emerging trends/patterns in the economy and real estate markets.

Empire Economics has participated in numerous land secured financings throughout Southern California counties; the distribution of these by counties has been as follows:



During the past thirty years, Empire Economics has completed about ninety studies for land secured municipal bond financing for various Districts located in Orange County.



Consequently, the Municipal Bond Funds are familiar with Empire Economics and also the Market Studies that it has conducted for Planned Communities, Business Parks and Retail Centers in Southern California, in general, and Orange County, in particular. This is beneficial to the forthcoming Bond Issues for the County of Orange since these Price Point and Market Absorption studies have enabled Empire Economics to establish a high degree of credibility with the municipal Bond Funds and Rating Agencies.

The following represent some of the major Planned Communities and Business Parks in Orange County for which Empire has provided Market Absorption Consulting Services:

- ✓ City of Irvine: Columbus Grove and Great Park Neighborhoods: Pavilion Park and Beacon Park
- ✓ Aliso Viejo: 18,500 homes and 600 acres of business-retail.
- ✓ Rancho Santa Margarita: 15,000 homes and 500 acres of business-retail
- ✓ Ladera Ranch: 8,100 homes and 150 acres of commercial-retail
- ✓ Talega: 4,000 homes and 75 acres of business-retail
- ✓ Newport Coast: 2,000+ luxury homes and custom lots
- ✓ Heritage Fields by Five Point Communities in easterly Irvine, with an expected 9,500 homes
- ✓ Rancho Mission Viejo 14,000 planned homes; Sendero and Esencia 2.1

APPENDIX K

RMV PA 2 DEVELOPMENT, LLC UNAUDITED FINANCIAL INFORMATION

RMV PA2 Development, LLC
Balance Sheets
(Unaudited)

ASSETS

		November 30, 2017	December 31, 2016
Cash and Cash Equivalents	Note 1	$ 131,492,462	$ 202,022,530
Accounts Receivable from Builders	Note 2	87,341,259	124,025,277
Land and Land Improvements	Note 3	118,012,221	119,137,736
Total Assets		$ 336,845,942	$ 445,185,543
LIABILITIES AND MEMBERS' EQUITY			
Accounts Payable & Accrued Liabilities	Note 4	$ 14,559,864	$ 3,180,535
Builder Sales Deferred Income		23,503,841	31,528,116
Costs to Complete		136,518,855	188,570,080
		174,582,560	223,278,731
Member's Equity			
RMV Community Development, LLC		73,259,093	140,066,293
Retained Earnings		89,004,289	81,840,519
		162,263,382	221,906,812
Total Liabilities & Members' Equity		$ 336,845,942	$ 445,185,543

Statements of Operations
For the Current Month and Year to Date Period Ended November 30, 2017
(Unaudited)

	Current Month	Year to Date
Revenue		
Land Sales	$ 0	$ 78,755,393
Profit Participation	20,423	864,363
Total Income	20,423	79,619,756
Cost of Sales		
Land Sales	0	73,634,738
Total Cost of Sales	0	73,634,738
Other Income:		
Marketing Reimbursement	407,835	3,371,198
Interest and Other Income	131,852	1,786,183
Total Other Income	539,687	5,157,381
Other Expenses:		
Marketing Expense	285,458	3,113,511
Other G&A	62,313	865,118
Total Other Expenses	347,771	3,978,629
Net Other	191,916	1,178,752
Net Income/(Loss)	$ 212,339	$ 7,163,770

RMV PA2 Development, LLC
Notes to Financial Statements
November 30, 2017
(Unaudited)

Note 1 **Cash and Cash Equivalents**

Union Bank Checking	$2,172,264
Union Bank Money Market	29,069,167
County of Orange Trust Account	207,999
Temporary Investments*	100,043,032
Total	$131,492,462

* Temporary Investments represent Commercial Paper with maturities ranging from 1 day to 71 days.

Note 2 **Accounts Receivable from Builders**

Accounts Receivable from Builders represents future contracted takedown payments for Planning Area 2.3 residential land.

Note 3 **Land and Land Improvements**

Land and Land Improvements are carried at cost which, in management's opinion, is not in excess of that which will be realized from the orderly development and disposition of the Project.

Land and Land Improvements includes direct and indirect land costs, offsite and onsite improvement costs, as well as carrying charges during such time as a portion of the Project is under active development.

Selling and marketing costs are generally expensed as incurred unless future benefit from such expenditures can be demonstrated.

The allocation of Land and Land Improvements to Cost of Sales is determined based on the relative sales value.

Land and Land Improvements at November 30, 2017 consist of:

Land	$248,614,663
Land Improvements	375,847,045
Cost of Sales	(642,968,342)
Total Inventory	($18,506,634)
Costs to Complete	136,518,855
Net Land and Land Improvements	$118,012,221

Note 4 **Accounts Payable & Accrued Liabilities**

	11/30/17	12/31/16
Accounts Payable	$14,321,066	$3,180,535
Property Taxes	238,798	0
	$14,559,864	$3,180,535

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COMMUNITY FACILITIES DISTRICT NO. 2017-1 OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA) • (IMPROVEMENT AREA NO. 1) SERIES A OF 2018 SPECIAL TAX BONDS



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