NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS:
Moody's: "Aa2"
Fitch: "AA+"
S&P: "AA+"
See "Ratings" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2016A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2016A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2016A Bonds. See "TAX MATTERS" herein.

$105,330,000
SAN DIEGO REGIONAL BUILDING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(COUNTY OPERATIONS CENTER)
SERIES 2016A

Dated: Date of Delivery **Due**: October 15, as shown on the inside cover

The San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A (the "Series 2016A Bonds") are being issued in the aggregate principal amount of $105,330,000 pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Marks-Roos Law") and an Indenture, dated as of March 1, 2016 (the "Indenture"), by and among the San Diego Regional Building Authority (the "Authority"), the County of San Diego (the "County") and Zions Bank, a division of ZB, National Association, as trustee (the "Trustee"). The proceeds of the Series 2016A Bonds, together with moneys available therefor, will be used to (i) refund all the outstanding San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project), Series 2009A, (ii) fund a reserve account and (iii) pay certain costs of issuance incurred in connection with the Series 2016A Bonds. See "Plan of Refunding" herein.

Principal of and interest on the Series 2016A Bonds are payable from Base Rental Payments (herein defined) to be made by the County pursuant to the Facility Lease, dated as of March 1, 2016 (the "Facility Lease"), by and between the Authority and the County, in consideration for the use and occupancy of the Leased Property (as defined herein) including certain real property attendant thereto and the improvements thereon or to be located thereon, as more particularly described herein. See "Security and Sources of Payment for the Series 2016A Bonds – Base Rental Payments" herein. The Series 2016A Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2016A Bonds is payable on April 15 and October 15 of each year, commencing on October 15, 2016.

The Series 2016A Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2016A Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2016A Bonds. Ownership interests in the Series 2016A Bonds may be purchased in book-entry form only. Purchasers will not receive bonds or certificates representing their interest in the Series 2016A Bonds purchased. Payments of principal of and interest on the Series 2016A Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2016A Bonds, as more fully described herein. See "The Series 2016A Bonds – General" and Appendix D – "Book-Entry System" herein.

The Series 2016A Bonds are subject to optional and extraordinary redemption as described herein. See "The Series 2016A Bonds – Redemption" herein.

The Series 2016A Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain funds and accounts pursuant to the Indenture and the Revenues (as described herein) derived from Base Rental Payments paid by the County pursuant to the Facility Lease for the use and possession of the Leased Property (herein defined) as long as the County has such use and possession of the Leased Property. All bonds issued pursuant to the Indenture are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture (other than the Excess Earnings Account), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

Neither the full faith and credit of the Authority nor the County is pledged for the payment of the interest on or principal of the Series 2016A Bonds and no tax or other source of funds other than the Revenues is pledged to pay the interest on or principal of the Series 2016A Bonds. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Series 2016A Bonds do not grant to owners or holders thereof any right to have the Authority or the State, or any political subdivision thereof, levy any taxes or appropriate funds for the payment of the principal thereof or interest thereon. The Authority has no taxing power.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2016A Bonds will be offered when, as and if executed, delivered, and received by the Underwriters, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority and the County by the County Counsel and Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York. It is anticipated that the Series 2016A Bonds in definitive form will be available for delivery to DTC in New York, New York on or about March 3, 2016.

Barclays

BofA Merrill Lynch **Fidelity Capital Markets**

Dated: February 4, 2016.

MATURITY SCHEDULE

$105,330,000
SAN DIEGO REGIONAL BUILDING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(COUNTY OPERATIONS CENTER)
SERIES 2016A

BASE CUSIP No.†: 79730E

Maturity (October 15)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2016	$2,715,000	4.000%	0.350%	EU0
2017	3,415,000	3.000	0.560	EV8
2018	3,535,000	4.000	0.710	EW6
2019	3,675,000	4.000	0.830	EX4
2020	3,850,000	5.000	0.920	EY2
2021	4,045,000	5.000	1.050	EZ9
2022	4,250,000	5.000	1.230	FA3
2023	4,470,000	5.000	1.430	FB1
2024	4,700,000	5.000	1.600	FC9
2025	4,940,000	5.000	1.750	FD7
2026	5,195,000	5.000	1.880[C]	FE5
2027	5,460,000	5.000	2.030[C]	FF2
2028	5,740,000	5.000	2.140[C]	FG0
2029	6,040,000	5.000	2.250[C]	FH8
2030	6,345,000	5.000	2.320[C]	FJ4
2031	6,670,000	5.000	2.420[C]	FK1
2032	7,015,000	5.000	2.500[C]	FM7
2033	7,370,000	5.000	2.550[C]	FN5
2034	7,750,000	5.000	2.600[C]	FL9
2035	8,150,000	5.000	2.650[C]	FP0

† CUSIP data, copyright 2016, American Bankers Association. CUSIP data herein is set forth for convenience of reference only. The Authority, the County and the Underwriters assume no responsibility for its accuracy.
C Priced to October 15, 2025 call date at par.

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APPENDICES:

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 Series 2016A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the County or the Underwriters.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2016A Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Authority, the County or the Underwriters. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the County or any other parties described herein since the date hereof. 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 hereby made to such documents on file with the Authority and the County for further information in connection therewith.

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 part of, their responsibility 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.

In connection with the offering of the Series 2016A Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of such Series 2016A 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 Underwriters may offer and sell the Series 2016A Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The County maintains a website, however, the information presented therein is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Series 2016A Bonds.

COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS

Greg Cox	First District
Dianne Jacob, Vice Chair	Second District
Dave Roberts	Third District
Ron Roberts, Chair	Fourth District
Bill Horn	Fifth District

******

Helen N. Robbins-Meyer, *Chief Administrative Officer*
Donald F. Steuer, *Assistant Chief Administrative Officer / Chief Operating Officer*
Tracy M. Sandoval, *Deputy Chief Administrative Officer / Auditor & Controller*
Dan McAllister, *Treasurer – Tax Collector*
Thomas E. Montgomery, *County Counsel*

******

SAN DIEGO REGIONAL BUILDING AUTHORITY
BOARD OF COMMISSIONERS

Ron Roberts	Chairman
Greg Cox	Member
Harry Mathis	Member

******

AUTHORITY OFFICIALS

Julia Tuer, *Secretary*
Thomas E. Montgomery, *Counsel*

******

SPECIAL SERVICES

Bond Counsel
Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Financial Advisor
Public Resources Advisory Group
Los Angeles, California

Disclosure Counsel
Hawkins Delafield & Wood LLP
Los Angeles, California

Trustee
Zions Bank,
a division of ZB, National Association
Los Angeles, California

Verification Agent
Grant Thornton LLP
Minneapolis, Minnesota

$105,330,000
SAN DIEGO REGIONAL BUILDING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(COUNTY OPERATIONS CENTER)
SERIES 2016A

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Series 2016A Bonds being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Indenture and the Facility Lease (herein defined). See Appendix C – "Summary of Principal Legal Documents – Definitions" attached hereto.

General

This Official Statement, including the cover page, the inside cover page and the Appendices attached hereto (the "Official Statement"), provides certain information concerning the issuance of $105,330,000 aggregate principal amount of San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A (the "Series 2016A Bonds"), which are being issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Marks-Roos Law") and an Indenture, dated as of March 1, 2016 (the "Indenture"), by and among the San Diego Regional Building Authority (the "Authority"), the County of San Diego (the "County") and Zions Bank, a division of ZB, National Association, as trustee (the "Trustee").

The proceeds of the Series 2016A Bonds, together with moneys available therefor, will be used to (i) refund all the outstanding San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project), Series 2009A (the "Refunded Bonds"), (ii) fund a common reserve account (the "Common Reserve Account") for the Series 2016A Bonds and any series of additional bonds issued pursuant to the Indenture (the "Additional Bonds" and, together with the Series 2016A Bonds, the "Bonds") and secured by the Common Reserve Account (collectively, the "Common Reserve Bonds") and (iii) pay certain costs of issuance incurred in connection with the Series 2016A Bonds. See "Plan of Refunding" herein.

Security and Source of Payment for the Series 2016A Bonds

The County will lease certain real property and all improvements thereon, as more particularly described herein (the "Leased Property"), to the Authority pursuant to a Site Lease, dated as of March 1, 2016 (the "Site Lease"), by and between the County and the Authority. The County will sublease the Leased Property from the Authority pursuant to a Facility Lease, dated as of March 1, 2016 (the "Facility Lease"), by and between the County and the Authority.

Under the Facility Lease, in consideration for the use and occupancy of the Leased Property, the County has agreed to make certain payments designated as Base Rental Payments (the "Base Rental Payments") and certain other payments designated as Additional Rentals with respect to the Leased Property (the "Additional Rentals"), in the amounts, at the times and in the manner set forth in the Facility

Lease. The Series 2016A Bonds represent the aggregate principal components of the Base Rental Payments under the Facility Lease. The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each fiscal year (an "Operating Budget") commencing after the date of the Facility Lease and to make all necessary appropriations for such Base Rental Payments and Additional Payments. See the table captioned "Base Rental Payments" under the heading "Security and Sources of Payment for the Series 2016A Bonds – Base Rental Payments" herein for a description of the amounts due under the Facility Lease.

Pursuant to an Assignment Agreement, dated as of March 1, 2016 (the "Assignment Agreement"), by and between the Trustee and the Authority, the Authority will assign to the Trustee, for the benefit of the Owners of the Series 2016A Bonds all of its right, title and interest in and to the Facility Lease, including the right to receive Base Rental Payments under the Facility Lease. See Appendix C – "Summary of Principal Legal Documents – Facility Lease" and "– Indenture" attached hereto.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2016A BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The County's obligation to pay Base Rental Payments is subject to abatement. However, during periods of abatement, any moneys in the Revenue Fund or in the Common Reserve Account and amounts received in respect of rental interruption insurance are available for payments in respect of the Series 2016A Bonds. See "Security and Sources of Payment for the Series 2016A Bonds – Base Rental Payments" and "– Abatement" herein.

The Series 2016A Bonds

The Series 2016A Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2016A Bonds is payable on April 15 and October 15 of each year, commencing on October 15, 2016 (each an "Interest Payment Date"). See "The Series 2016A Bonds" herein and Appendix C – "Summary of Principal Legal Documents" attached hereto.

The Series 2016A Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2016A Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2016A Bonds. Ownership interests in the Series 2016A Bonds may be purchased in book-entry form only. Purchasers will not receive bonds or certificates representing their interest in the Series 2016A Bonds purchased. Payments of principal of and interest on the Series 2016A Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2016A Bonds, as more fully described herein. See "The Series 2016A Bonds – General" and Appendix D – "Book-Entry System" herein.

The Series 2016A Bonds are subject to optional and extraordinary redemption as described herein. See "The Series 2016A Bonds – Redemption" herein.

The Series 2016A Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain funds and accounts pursuant to the Indenture and the Revenues. All Bonds issued pursuant to the Indenture (the "Bonds") are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture (other than the Excess Earnings Account), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

Neither the full faith and credit of the Authority nor the County is pledged for the payment of the interest on or principal of the Series 2016A Bonds and no tax or other source of funds other than the Revenues is pledged to pay the interest on or principal of the Series 2016A Bonds. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Series 2016A Bonds do not grant to owners or holders thereof any right to have the Authority or the State, or any political subdivision thereof, levy any taxes or appropriate funds for the payment of the principal thereof or interest thereon. The Authority has no taxing power.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2016A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2016A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2016A Bonds. See "TAX MATTERS" herein.

Continuing Disclosure

The County has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (the "Repository") for purposes of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission certain annual financial information and operating data, with respect to each fiscal year of the County, commencing with Fiscal Year 2015-16, by no later than nine months after the end of the applicable fiscal year, and notice of the occurrence of certain enumerated events ("Notice Events") no later than ten (10) business days after the occurrence of such Notice Event. These covenants have been made in order to assist the Underwriters in complying with the Rule. See "Continuing Disclosure" herein and Appendix F – "Form of Continuing Disclosure Agreement" attached hereto.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Neither the Authority or the County is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

Miscellaneous

The Series 2016A Bonds will be offered when, as and if issued, and received by the Underwriters, subject to the approval as to their legality by Bond Counsel and certain other conditions.

The description herein of the Indenture, the Facility Lease, the Site Lease and the Assignment Agreement and any other agreements relating to the Series 2016A Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2016A Bonds are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See Appendix C – "Summary of Principal Legal Documents" attached hereto. Copies of the documents are on file and available for inspection at the Corporate Trust Office of the Trustee at Zions Bank, a division of ZB, National Association, 550 South Hope Street, Suite 2650, Los Angeles, California 90071.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

PLAN OF REFUNDING

The proceeds of the Series 2016A Bonds, together with moneys available therefor, will be used to (i) refund all the outstanding Refunded Bonds, (ii) fund the Common Reserve Account and (iii) pay certain costs of issuance incurred in connection with the Series 2016A Bonds.

The following table sets forth the Refunded Bonds to be defeased and refunded with proceeds of the Series 2016A Bonds.

Maturity (February 1)	Principal Amount	Redemption Date	Redemption Price(1)	CUSIP†
2017	$3,710,000	Non-Callable	N/A	79730EDV9
2018	680,000	Non-Callable	N/A	79730EDW7
2018	3,180,000	Non-Callable	N/A	79730EDX5
2019	400,000	Non-Callable	N/A	79730EDY3
2019	3,615,000	Non-Callable	N/A	79730EDZ0
2020	2,960,000	February 1, 2019	100%	79730EEA4
2020	1,215,000	February 1, 2019	100	79730EEB2
2021	4,375,000	February 1, 2019	100	79730EEC0
2022	480,000	February 1, 2019	100	79730EED8
2022	4,090,000	February 1, 2019	100	79730EEE6
2023	510,000	February 1, 2019	100	79730EEF3
2023	4,285,000	February 1, 2019	100	79730EEG1
2024	5,035,000	February 1, 2019	100	79730EEH9
2025	465,000	February 1, 2019	100	79730EEJ5
2025	4,820,000	February 1, 2019	100	79730EEK2
2026	5,550,000	February 1, 2019	100	79730EEL0
2027	3,425,000	February 1, 2019	100	79730EEM8
2027	2,420,000	February 1, 2019	100	79730EEN6
2028	365,000	February 1, 2019	100	79730EEP1
2028	5,780,000	February 1, 2019	100	79730EEQ9
2029	6,480,000	February 1, 2019	100	79730EER7
2030	6,840,000	February 1, 2019	100	79730EES5
2036†	49,535,000	February 1, 2019	100	79730EET3

† Term Bond.
(1) Expressed as a percentage of the principal amount.
(2) CUSIP data, copyright 2016, American Bankers Association. CUSIP data herein is set forth for convenience of reference only. The Authority, the County and the Underwriters assume no responsibility for its accuracy.

To effect the refunding of the Refunded Bonds, the County intends to deposit into an escrow fund (the "Escrow Fund") to be held by Zions Bank, a division of ZB, National Association (the "Escrow Agent"), proceeds of the Series 2016A Bonds and certain available monies on deposit under the indenture pursuant to which the Refunded Bonds were issued. These amounts will be deposited pursuant to an escrow agreement, dated the date of issuance of the Series 2016A Bonds (the "Escrow Agreement"), by and between the County and the Escrow Agent, on the Closing Date to defease the Refunded Bonds. Amounts deposited with the Escrow Agent, together with interest thereon, will be applied to pay principal of and interest on the Refunded Bonds through February 1, 2019 and to redeem the balance of the Refunded Bonds on February 1, 2019. See "Verification of Mathematical Computations" herein.

THE LEASED PROPERTY

Pursuant to the Facility Lease, the County will sublease from the Authority the Leased Property. The Leased Property consists of approximately 35.5 acres of real property and the improvements thereon, being the County Operations Center (the "County Operations Center"). The County Operations Center is located in the Kearny Mesa community of San Diego County, which is north of downtown San Diego. Renovations and improvements to the County Operations Center to consolidate and streamline County operations began in 2007 and all currently active and approved improvement projects are expected to be substantially complete in 2018. The County Operations Center is currently occupied by over 20 County departments and provides permitting, voting, library and public safety services to County residents.

The County Operations Center, as improved to date, is a modern, efficient campus with four office buildings, a medical examiner facility, a registrar of voters facility, chambers and common area with food services, and a parking structure. Future approved improvements include a crime lab and a fleet facility. The County Operations Center is designed to meet Leadership in Energy and Environmental Design Green Building gold and platinum certification standards and provide continuity of operations in power emergencies.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2016A Bonds, together with other moneys available therefor, are expected to be applied approximately as follows:

Sources:	
Principal Amount of Series 2016A Bonds	$105,330,000.00
Original Issue Premium	22,162,836.45
Release from Refunded Bonds Reserve Fund and other funds	12,480,621.03
Total Sources	$139,973,457.48
Uses:	
Defease Refunded Bonds	$135,013,876.95
Common Reserve Account	4,178,000.00
Cost of Issuance[(1)]	781,580.53
Total Uses	$139,973,457.48

(1) Includes underwriters' discount, rating agencies fees, financial advisor fees, title insurance fees, legal fees, trustee fees, and printing costs and certain miscellaneous expenses.

THE SERIES 2016A BONDS

The following is a summary of certain provisions of the Series 2016A Bonds. Reference is made to the Series 2016A Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See Appendix C – "Summary of Principal Legal Documents" attached hereto.

General

The Series 2016A Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2016A Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Series 2016A Bonds. Ownership interests in the Series 2016A Bonds may be purchased in book-entry form only. Purchasers will not receive bonds or certificates representing their interest in the Series 2016A Bonds purchased. Payments of principal of and interest on the Series 2016A Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2016A Bonds, as more fully described herein. See "The Series 2016A Bonds – General" and Appendix D – "Book-Entry System" herein.

The Series 2016A Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2016A Bonds is payable on April 15 and October 15 of each year, commencing on October 15, 2016 and will be computed on the basis of a 360 day year comprised of twelve 30-day months. See Appendix C – "Summary of Principal Legal Documents" attached hereto.

Except as otherwise provided under DTC procedures, the interest on the Series 2016A Bonds will be payable on each Interest Payment Date by check sent by first class mail by the Trustee to the respective Owners of the Series 2016A Bonds as of the Record Date for such Interest Payment Date at their addresses shown on the books required to be kept by the Trustee pursuant to the Indenture. Payments of defaulted interest on any Series 2016A Bond will be paid by check to the Owner as of a special record date to be fixed by the Trustee, notice of which special record date will be given to the Owner of the Series 2016A Bond not less than ten days prior thereto. The principal and premium, if any, of the Series 2016A Bonds will be payable upon presentation and surrender thereof on maturity or on redemption prior thereto at the Principal Corporate Trust Office of the Trustee. As defined in the Indenture, the term "Record Date" means the close of business on the 1st day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

Redemption

Optional Redemption. The Series 2016A Bonds maturing on or after October 15, 2026 are subject to optional redemption prior to maturity on or after October 15, 2025 at the option of the County, in whole, or in part, on any date, at a redemption price equal to the principal amount of the Series 2016A Bonds to be redeemed, plus accrued but unpaid interest to the redemption date.

Extraordinary Redemption. The Series 2016A Bonds are subject to redemption on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the County, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a redemption price equal to the principal amount of the Series 2016A Bonds plus accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption. Notice of redemption shall be mailed by first class mail by the Trustee, on behalf and at the expense of the County, not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. The Trustee shall also provide such additional notice of redemption of Bonds at the time and as may be required by the MSRB. Each notice of redemption shall state the date of such notice, the Bonds to be prepaid, the Series and date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be prepaid, the distinctive certificate numbers of the Bonds of such maturity to be prepaid and, in the case of Bonds to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that such redemption may be rescinded by the County and that, unless such redemption is so rescinded, and provided that on said date funds are available for payment in full of the Bonds then called for redemption, on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be prepaid in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

While the Series 2016A Bonds are subject to the Book-Entry System, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations, and the Trustee will not be required to give any such notice of redemption to any other person or entity. DTC and the DTC Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Series 2016A Bonds to be redeemed. Any failure at DTC to notify any DTC Participant, or any failure of a DTC Participant to notify the beneficial owner of any Series 2016A Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption described below under "Effect of Redemption."

Failure by the Trustee to give notice as described herein to any one or more of the information services or securities depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

The County shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Partial Redemption of Bonds. Upon surrender of any Series 2016A Bond redeemed in part only, the Trustee shall execute and deliver to the Owner thereof a new Bond or Bonds representing the unpaid principal amount of the Series 2016A Bond surrendered.

Effect of Redemption. If notice of redemption has been duly given as described herein and moneys for the payment of the redemption price of the Series 2016A Bonds to be redeemed are held by the Trustee, then on the redemption date designated in such notice the Series 2016A Bonds so called for redemption shall become payable at the redemption price specified in such notice; and from and after the date so designated interest on the Series 2016A Bonds so called for redemption shall cease to accrue, such Series 2016A Bonds shall cease to be entitled to any benefit or security under the Indenture and the Owners of such Series 2016A Bonds shall have no rights in respect thereof except to receive payment of the redemption price represented thereby. The Trustee shall, upon surrender for payment of any of the Series 2016A Bonds to be redeemed, pay such Series 2016A Bonds at the redemption price thereof.

No Acceleration

There is no remedy of acceleration in payments under the Facility Lease, which provides that, upon the occurrence of an Event of Default under the Facility Lease, the Authority or its assignee must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property; THIS SHALL BE THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE OR OTHERWISE. In such event, the County will remain liable and will keep or perform all covenants and conditions required under the Facility Lease to be kept or performed by the County, pay the rent to the end of the term of the Facility Lease and pay said rent and/or rent deficiency punctually at the same time and in the same manner as required under the Facility Lease for the payment of rent thereunder (without acceleration).

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS

Pledge of Revenues

Pursuant to the Indenture, the Authority will irrevocably pledge and transfer to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established pursuant to the Indenture (other than the Excess Earnings Account), which will be used for the punctual payment of the interest and principal of the Bonds and the Revenues will not be used for any other purpose while any of the Bonds remain Outstanding. Such pledge will constitute a first and exclusive lien on the funds established under the Indenture.

All Revenues will be paid directly by the County to the Trustee, and if received by the Authority at any time will be deposited by the Authority, as the case may be, with the Trustee within one Business Day after the receipt thereof. All Revenues, the proceeds of rental interruption insurance and liquidated damages, if any, will be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein will be held in trust by the Trustee.

The Series 2016A Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain funds and accounts pursuant to the Indenture and the Revenues (as described herein) derived from Base Rental Payments paid by the County pursuant to the Facility Lease for the use and possession of the Leased Property as long as the County has such use and possession of the Leased Property. All Bonds issued pursuant to the Indenture are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture (other than the Excess Earnings Account), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

Base Rental Payments

General. Under the Facility Lease, in consideration for the use and occupancy of the Leased Property, the County has agreed to make Base Rental Payments and Additional Rentals with respect to the Leased Property, in the amounts, at the times and in the manner set forth in the Facility Lease. The Series 2016A Bonds represent the aggregate principal components of the Base Rental Payments under the Facility Lease. The County is required under the Facility Lease to make Base Rental Payments subject to the provisions of thereof related to abatement. The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its Operating Budget and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA, OR ANY OF ITS

POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Facility Lease or the Indenture, the County shall not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Series 2016A Bonds or the disbursement of the Revenues by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

The Trustee, pursuant to the Indenture, will receive Base Rental Payments for the benefit of the Owners. Except as expressly provided in the Indenture, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Authority of the other agreements and covenants required to be performed by them, respectively contained in the Facility Lease, the Site Lease or the Indenture. Additional Payments payable by the County under the Facility Lease include, among others, amounts sufficient to pay certain taxes and assessments and insurance premiums, and certain administrative costs.

The lease payments under the Facility Lease are absolutely net to the Authority so that the Facility Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease.

The Facility Lease provides that the agreements and covenants on the part of the County contained therein shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained required under the Indenture to be carried out and performed by the County.

Base Rental Payments Schedule. The Facility Lease requires that all Base Rental Payments due in any Fiscal Year shall be due and payable in one sum on July 5 of each year or the first business day thereafter if any such July 5 is not a business day (the “Prepayment Amount”), commencing on July 5, 2016. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

A table of annual debt service payments for the Series 2016A Bonds is set forth below.

BASE RENTAL PAYMENTS

Payment Date (Fiscal Year Ending)[1]	Series 2016A Bonds		
	Principal	Interest	Base Rental Payments[1]
2017	$2,715,000.00	$5,639,527.50	$8,354,527.50
2018	3,415,000.00	4,939,125.00	8,354,125.00
2019	3,535,000.00	4,817,200.00	8,352,200.00
2020	3,675,000.00	4,673,000.00	8,348,000.00
2021	3,850,000.00	4,503,250.00	8,353,250.00
2022	4,045,000.00	4,305,875.00	8,350,875.00
2023	4,250,000.00	4,098,500.00	8,348,500.00
2024	4,470,000.00	3,880,500.00	8,350,500.00
2025	4,700,000.00	3,651,250.00	8,351,250.00
2026	4,940,000.00	3,410,250.00	8,350,250.00
2027	5,195,000.00	3,156,875.00	8,351,875.00
2028	5,460,000.00	2,890,500.00	8,350,500.00
2029	5,740,000.00	2,610,500.00	8,350,500.00
2030	6,040,000.00	2,316,000.00	8,356,000.00
2031	6,345,000.00	2,006,375.00	8,351,375.00
2032	6,670,000.00	1,681,000.00	8,351,000.00
2033	7,015,000.00	1,338,875.00	8,353,875.00
2034	7,370,000.00	979,250.00	8,349,250.00
2035	7,750,000.00	601,250.00	8,351,250.00
2036	8,150,000.00	203,750.00	8,353,750.00

(1) Amounts reflect the aggregate amount of scheduled Base Rental Payments under the Facility Lease on October 15 of any calendar year and the April 15 of the immediately following calendar year.

Reserve Fund

The Indenture provides for the establishment of a Reserve Fund which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. Within the Reserve Fund, the Trustee shall establish and maintain a separate account designated the “Common Reserve Account” and may establish and maintain one or more additional Reserve Accounts, each of which may secure one or more Series of Bonds pursuant hereto and to the Supplemental Indenture authorizing the issuance thereof. Upon the issuance of the Series 2016A Bonds, the Trustee shall deposit in the Common Reserve Account the amount required to be deposited therein. In connection with the issuance of Additional Bonds, there shall additionally be deposited in the Common Reserve Account or any other Reserve Account established and/or maintained for such Additional Bonds, as applicable, the amount required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued. Moneys in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purposes of set forth in the Indenture.

The Reserve Fund must be funded in the amount of the “Reserve Fund Requirement”, which means (a) with respect to Common Reserve Bonds an amount equal to the lesser of (i) 50% of the Maximum Annual Debt Service attributable to the Outstanding Common Reserve Bonds or (ii) 125% of

Average Annual Debt Service attributable to the Outstanding Common Reserve Bonds; provided however, that the Reserve Fund Requirement when issuing a new Series of Common Reserve Bonds shall be the lesser of (i) or (ii) above, but limited to the addition to the Reserve Fund of no more than 10% of the proceeds from the sale of such Series of Bonds and (b) with respect to any Series of Additional Bonds that are not Common Reserve Bonds, such amount, if any, as shall be specified in the Supplemental Indenture authorizing the issuance of such Series of Additional Bonds; and (c) provided however, that the Reserve Fund Requirement shall in no event exceed an amount permitted by the Code. "Maximum Annual Debt Service" means an amount equal to the largest Annual Debt Service for all future Fiscal Years beginning in the Fiscal Year in which the calculation is made. "Average Annual Debt Service" means an amount equal to the average of the Annual Debt Service for all Fiscal Years, including the Fiscal Year in which the calculation is made. "Annual Debt Service" means, for any Fiscal Year, the sum of (1) the interest payable on all Outstanding Bonds in such Fiscal Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Fiscal Year, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid in such Fiscal Year (together with the redemption premiums, if any, thereon). "Fiscal Year" means the fiscal year of the County, which is the period from July 1 to and including the following June 30.

At the option of the County, one or more Reserve Fund Credit Facilities may be substituted for the funds held by the Trustee in any Reserve Account such that the amount available to be drawn under such Reserve Fund Credit Facilities together with funds remaining in such Reserve Account satisfies the Reserve Fund Requirement. "Reserve Fund Credit Facility" means a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in a Reserve Account in lieu of or in partial substitution for cash or securities on deposit therein.

The County will initially fund the Common Reserve Account with proceeds of the Series 2016A Bonds in the amount of $4,178,000. See Appendix C – "Summary of Principal Legal Documents – Indenture – Reserve Fund" attached hereto.

Insurance

The Facility Lease provides that the County will secure and maintain, or cause to be secured and maintained, at all times with insurers of recognized responsibility, insurance against the risks and in the amounts set forth in the Facility Lease. Such insurance includes "all risk" insurance against loss or damage to the Leased Property, which must be maintained at any time in an amount per occurrence (the "Per Occurrence Amount") at least equal to the lesser of (1) the cumulative replacement value of the Leased Property, and, in the case of a policy covering more than the Leased Property, as permitted by the Facility Lease any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued or (2) the aggregate amount of the principal component of all then-remaining Base Rental Payments payable under the Facility Lease. This insurance may include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). The County may obtain such "all risk" coverage as a joint insured with one or more other public agencies located within or outside of the County which may be limited in an amount per occurrence in the aggregate for insureds in amount at least equal to the Per Occurrence Amount and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000. The County anticipates that it will secure and maintain "all risk" insurance covering the Leased Property through an insurance policy described in the immediately preceding sentence. As a consequence, the Leased Property will not be covered through a stand-alone insurance policy and will rather be covered through an insurance policy that covers multiple properties owned by varying public agencies throughout the State. If there occurs one or more losses or damages to the Leased Property covered by that insurance policy in a fiscal year that exceeds the annual cumulative limit provided therein and there were also to occur a loss or damage to the Leased Property in the same fiscal year, then the County and the Trustee may be unable to make a claim under such insurance policy for such loss or damage and there may not otherwise be any other insurance covering such loss or damage to the Leased Property.

The County will also obtain rental interruption insurance with respect to the Leased Property in an amount sufficient at all times to pay the total rent payable under the Facility Lease for a period of not less than two years' of Base Rental Payments for the Leased Property.

The Facility Lease provides that the amount of coverage required may be reduced to a lesser amount if an insurance consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. The County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

For additional information regarding the County's risk management programs, see Appendix A - "County of San Diego Financial, Economic and Demographic Information – County Financial Information - Risk Management" and "– Insurance Coverage Respecting Lease Obligations and Long-Term Loans" and Appendix C - "Summary of Principal Legal Documents - Facility Lease - Maintenance; Taxes; Insurance and Other Charges - Insurance" attached hereto.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Common Reserve Account, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. Any abatement of rental payments shall not be considered an Event of Default under the Facility Lease. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, pursuant to the Facility Lease, the County will apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Substitution

The County may amend the Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for then-existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the real property description of the Leased Property set forth in the Facility Lease and the Site Lease upon compliance with those conditions set forth in the Facility Lease. After a substitution or removal, the part of the Leased Property for which the substitution or removal has been effected shall be released from the leasehold under the Facility Lease and the Site Lease. See Appendix C – "Summary of Principal Legal Documents – Facility Lease – The Leased Property – Substitution or Removal of Leased Property" attached hereto.

Additional Bonds

In addition to the Series 2016A Bonds, the Authority, at the request of the County, may from time to time issue Additional Bonds pursuant to a Supplemental Indenture without the consent of the Owners of the Series 2016A Bonds, payable from the Revenues on a parity with the Series 2016A Bonds, the proceeds of which Additional Bonds may be used for any lawful purpose by the County, as provided in the Supplemental Indenture, but only subject to the certain specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds, including, amendment of the Facility Lease so that the Base Rental Payments payable by the County thereunder in each Fiscal Year shall be at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due provided, however, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease. The Indenture also requires in connection with the issuance of Additional Bonds the delivery of a certificate as to the annual fair rental value of the Leased Property, which certificate may assume the timely construction and completion of any additional project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee, all as set forth in the Indenture. See Appendix C – "Summary of Principal Legal Documents – Indenture – Issuance of Bonds; Application of Proceeds – Conditions for the Issuance of Additional Bonds" attached hereto.

THE AUTHORITY

The Authority was organized by the County and the San Diego Metropolitan Transit System Board (the "MTS") pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State. The Authority was established for the purpose, among others, of providing for the financing of public capital improvements for its members. The Authority has all powers conferred upon joint exercise of powers authorities by the laws of the State of California and the joint exercise of powers authorities agreement pursuant to which it was formed. Except as provided by the Indenture, the Authority has no liability to the Owners of the Series 2016A Bonds and has pledged none of its moneys, funds or assets as Revenues or otherwise toward the Base Rental Payments or Additional Rentals under the Facility Lease, or toward the payment of any amount due in connection with the Series 2016A Bonds.

The Authority is a separate legal entity from the County. It is governed by a three-member Board of Commissioners (the "Board of Commissioners") consisting of two appointees of the Board of Supervisors of the County and one appointee of the MTS. The Authority has no employees. All staff work, including that of Counsel, is performed by employees of the County. The members of the Authority's Board of Commissioners are Ron Roberts (Chairman), Greg Cox (Member) and Harry Mathis (Member).

The Authority has not entered into any material financing arrangements with respect to the Series 2016A Bonds other than those referred to in this Official Statement. Further information concerning the Authority may be obtained from the San Diego Regional Building Authority at 1600 Pacific Highway, Room 166, San Diego, California 92101.

RISK FACTORS

The following factors, along with all other information in this Official Statement, including, without limitation, Appendix A, should be considered by potential investors in evaluating the Series 2016A Bonds.

Not a Pledge of Taxes

The obligation of the County to pay the Base Rental Payments or Additional Rentals does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments or Additional Rentals does not constitute a debt or indebtedness of the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Facility Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Facility Lease to pay Base Rental Payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Facility Lease that, for as long as the Leased Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Base Rental Payments. The County is currently liable on other obligations payable from general revenues.

Additional Obligations of the County

The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments may be decreased. The County is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Base Rental Payments.

The Base Rental Payments and other payments due under the Facility Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a fiscal year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental Payments, based on the perceived needs of the County. The same result could occur if, because of California Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues.

Default; Remedies Upon Default; No Right of Relet

Upon the occurrence of an Event of Default under the Facility Lease, the Trustee must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property; THIS IS THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE OR OTHERWISE IN THE EVENT OF A DEFAULT UNDER THE FACILITY LEASE. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the County and, to pay the rent to the end of the term of the Facility Lease and further agrees to pay such rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Facility Lease for the payment of rent thereunder (without acceleration). The Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Base Rental Payments were due and against funds needed to serve the public welfare and interest.

Limitations on Remedies

The rights of the Owners of the Series 2016A Bonds are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Series 2016A Bonds, and the obligations incurred by the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Series 2016A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the County, there are no involuntary petitions in bankruptcy. If the County were to file a petition under Chapter 9 of the Bankruptcy Code, the owners of the Series 2016A Bonds could be prohibited from taking certain steps to enforce their rights under the Indenture. In a decision dated March 8, 1995, the United States Bankruptcy Court for the Central District of California ruled that a pledge granted by Orange County pursuant to a resolution adopted by that county in connection with the issuance of tax and revenue anticipation notes ("TRANs") was not effective with respect to general revenues accruing to the County after the filing of a petition in bankruptcy. The resolution obligated Orange County to set aside a specified amount of revenues in certain months in order to secure the payment of its TRANs. On July 12, 1995, the United States District Court for the Central District of California reversed the order of the Bankruptcy Court and held that the obligation created under the resolution adopted by Orange County is a statutory lien which survived the filing of Orange County's bankruptcy petition.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the state statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The County may invest, and direct the Trustee to invest, amounts held in the Reserve Fund, the Revenue Fund and the Administrative Expense Fund in the Treasury Pool, which amounts are pledged to repay the Series 2016A Bonds. In the event of a petition for the adjustment of County debts under Chapter 9 of the Bankruptcy Code, a court might hold that the Owners of the Series 2016A Bonds do not have a valid and/or prior lien on the Base Rental Payments where such amounts are deposited in the Treasury Pool and may not provide the Owners of the Series 2016A Bonds with a priority interest in such amounts. In that circumstance, unless the Owners could "trace" the funds that have been deposited in the Treasury Pool, the owners would be unsecured (rather than secured) creditors of the County. There can be no assurance that the Owners could successfully so "trace" the pledged taxes and other revenues.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Common Reserve Account, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2016A Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. Any abatement of rental payments shall not be considered an Event of Default under the Facility Lease. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

Seismic Events; Force Majeure

The Property is located within a seismically active area, and damage from an earthquake could be substantial. There is no builders risk insurance for losses relating to earthquakes during the continuance of renovations and improvements to the County Operations Center or otherwise. Further, the County is not obligated under the Facility Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Property and no assurance can be made that the County will procure and maintain, or cause to be procured and maintained, such insurance. There can be no assurance that earthquake insurance on the Leased Property, if any, can be renewed or will be maintained by the County in the future, or will be available for payments in respect of the Series 2016A Bonds or debt service on the Series 2016A Bonds. If there is no earthquake insurance on the Leased Property and if the Leased Property is damaged in an earthquake, the Base Rental Payments would be subject to abatement. See "Risk Factors – Abatement" herein.

Operation of the County Operations Center may also be at risk from other events of force majeure, such as damaging storms, floods, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. The County cannot predict what force majeure events may occur in the future. For additional information regarding the County's risk management programs, see Appendix A – "County of San Diego Financial, Economic and Demographic Information – County Financial Information – Risk Management" and Appendix C – "Summary of Principal Legal Documents – Facility Lease – Maintenance; Taxes; Insurance and Other Charges – Insurance" attached hereto.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2016A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2016A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2016A Bonds is less than the amount to be paid at maturity of such Series 2016A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2016A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2016A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2016A Bonds is the first price at which a substantial amount of such maturity of the Series 2016A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2016A Bonds accrues daily over the term to maturity of such Series 2016A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2016A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2016A Bonds. Beneficial Owners of the Series 2016A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2016A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2016A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2016A Bonds is sold to the public.

Series 2016A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Series 2016A Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Series 2016A Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Series 2016A Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Series 2016A Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2016A Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2016A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2016A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2016A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2016A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2016A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2016A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2016A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2016A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2016A Bonds. Prospective purchasers of the Series 2016A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2016A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2016A Bonds ends with the issuance of the Series 2016A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Series 2016A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2016A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2016A Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

The validity of the Series 2016A Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix E hereto. Certain legal matters will be passed upon for the Authority and the County by the County Counsel and Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York.

FINANCIAL STATEMENTS

The general purpose financial statements of the County, which are included in Appendix B to this Official Statement, have been audited by Vavrinek, Trine, Day & Co., LLP ("Vavrinek"), certified public accountants and management consultants, as stated in their report appearing in Appendix B. Vavrinek has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek with respect to any event subsequent to its report dated November 18, 2015.

LITIGATION

No litigation is pending or, to the best knowledge of the County, threatened against the County or the Authority concerning the validity of the Series 2016A Bonds. The County is not aware of any litigation pending or threatened questioning the political existence of the County or the Authority or contesting the County's ability to cause the issuance of the Series 2016A Bonds or pay the Base Rental Payments pursuant to the Facility Lease. There are a number of lawsuits and claims pending against the County. Other than as described in this section and in Appendix A, the County does not believe that any of these proceedings could have a material adverse impact upon the financial condition of the County.

RATINGS

Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P"), Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings of "AA+", "Aa2" and "AA+", respectively, to the Series 2016A Bonds. Such ratings reflect only the views of such organizations and explanations of the significance of such ratings may be obtained only from the organizations at: Standard and Poor's Ratings Services, 55 Water Street, New York, New York 10041; Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; and Fitch Ratings, One State Street Plaza, New York, New York 10004. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2016A Bonds.

UNDERWRITING

The Series 2016A Bonds are being purchased by the underwriters set forth on the cover page of this Official Statement (the "Underwriters"). Pursuant to the Purchase Contract for the Series 2016A Bonds, the Underwriters have agreed, subject to certain conditions, to purchase the Series 2016A Bonds at a price of $127,210,073.32 (representing the principal amount of the Series 2016A Bonds, plus an original premium of $22,162,836.45, less underwriters' discount of $282,763.13). The Purchase Contract for the Series 2016A Bonds provides that the Underwriters will purchase all of the Series 2016A Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2016A Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters.

FINANCIAL ADVISOR

Public Resources Advisory Group, Los Angeles, California served as Financial Advisor to the County in connection with the issuance of the Series 2016A Bonds. Public Resources Advisory Group is an independent financial advisory firm and is not engaged in the business of underwriting municipal bonds or other securities. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2016A Bonds, Grant Thornton LLP, a firm of independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts held under the Escrow Agreement, including cash, and the interest thereon, to pay principal of and interest on the Refunded Bonds through February 1, 2019 and to redeem the balance of the Refunded Bonds on February 1, 2019 at a redemption price equal to 100% of the principal amount of such Refunded Bonds thereby plus accrued interest thereon to the date fixed for redemption.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement (the "Disclosure Agreement") with Digital Assurance Certification, L.L.C., the County has agreed to provide, or cause to be provided, with respect to each fiscal year of the County, commencing with Fiscal Year 2015-16, by no later than nine months after the end of the respective fiscal year, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system ("EMMA") the audited financial statements, if available, or unaudited financial statements, and certain annual financial information and operating data with respect to the County for the most current fiscal year available. In addition, the County has agreed to provide, or cause to be provided, to through EMMA notice of the occurrence of any of the Notice Events enumerated in paragraph (b)(5)(i)(C) of the Rule. These covenants have been made for the benefit of the holders of the Bonds and in order to assist the Underwriters in complying with the Rule. See Appendix F – "Form of Continuing Disclosure Agreement" attached hereto.

The County notes the following with respect to its continuing disclosure filings within the last five years. In connection with the continuing disclosure agreement for the Redevelopment Agency of the County of San Diego's Gillespie Field Project Revenue Refunding Bonds, Series 2005A, the audited financial statements and annual report for Fiscal Year 2011-12 was filed 10 days late. In connection with the County's continuing disclosure covenants for the 2002 Pension Obligation Bonds, the 2004A Pension Obligation Bonds and the 2004C Pension Obligation Bonds (collectively, the "Pension Obligation Bonds"), the County did not submit a notice of a rating change in May 2013 when S&P upgraded National Public Finance Guarantee Corp. from "BBB" to "A." This rating change did not affect the ratings on the Pension Obligation Bonds, which are set forth in the comprehensive annual financial reports of the County included as part of each annual report.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement among the Authority, the County and the purchasers or owners of any of the Series 2016A Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs in the County or the Authority since the date hereof.

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

SAN DIEGO REGIONAL BUILDING AUTHORITY

By: /s/ Ron Roberts
Chairman

COUNTY OF SAN DIEGO

By: /s/ Tracy M. Sandoval
Deputy Chief Administrative Officer /
Auditor and Controller

APPENDIX A

COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

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APPENDIX A
COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

THE COUNTY

General

The County of San Diego (the "County") is the southernmost major metropolitan area in the State of California (the "State"). The County covers 4,261 square miles, extending 75 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the geographic size of the State of Connecticut. The County's Fiscal Year 2015-16 Adopted Operational Plan (the "Fiscal Year 2015-16 Adopted Budget") is approximately $5.41 billion, of which $4.12 billion relates to the County's General Fund budget.

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. The County is governed by a five-member Board of Supervisors (the "Board of Supervisors") elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer (the "CAO") and the County Counsel. The CAO appoints the Deputy Chief Administrative Officer/Auditor and Controller, all other Deputy Chief Administrative Officers and all heads of departments, except as otherwise noted. Other elected officials include the Assessor/Recorder/County Clerk, the District Attorney, the Sheriff and the Treasurer-Tax Collector.

Many of the County's functions are required under County ordinances or by State or federal mandate. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, which may, under some conditions, limit the County's ability to control its budget. However, under designated State and federal programs, eligible costs are subject to reimbursement according to specific guidelines.

The County is the delivery system for federal, State and local programs. The County provides a wide range of services to its residents including: (i) regional services such as district attorney, public defender, probation, medical examiner, jails, elections, public health, welfare, mental health, aging and child welfare; (ii) basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated areas, and law enforcement and libraries by contract to incorporated cities; and (iii) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County.

County of San Diego Employees

General. Table 1 below sets forth the number of County employees for Fiscal Years 2006-07 through 2015-16:

TABLE 1
TOTAL COUNTY EMPLOYEES[1]

Year	Total Employees
2006-07	16,471
2007-08	16,484
2008-09	16,176
2009-10	15,522
2010-11	15,067
2011-12	15,174
2012-13	15,609
2013-14	16,328
2014-15	16,544
2015-16[2]	16,720

Source: County of San Diego Department of Human Resources.
(1) Excludes temporary employees of the County. Data as of June 30 of the indicated year.
(2) Data as of December 31, 2015.

County employees are represented by nine unions representing 25 bargaining units. The unions represent approximately 88% of the County's employees and include the Deputy Sheriffs' Association of San Diego County (the "Deputy Sheriffs' Association"); Deputy District Attorneys Association; Service Employees International Union ("SEIU"), Local 221, San Diego Probation Officers' Association; District Attorney Investigators Association; San Diego County Deputy County Counsels Association; Public Defender Association of San Diego County; San Diego County Supervising Probation Officers' Association, and The Association of San Diego County Employees (ASCDE). The remaining County employees are unrepresented. The County has labor agreements with the SEIU and the ASDCE effective through June 22, 2017, and all other unions effective through June 21, 2018. The terms of any expiring agreement will continue to be applied until a new agreement is finalized.

Agreements with all unions included reductions to the County's portion of the employee paid retirement offset, flexible benefit increases, and two lump sum salary payments (one in July 2013 and one in July 2014) equivalent to 2% of base pay for all represented bargaining units with the exception of those represented by the District Attorney Investigator Association, the Deputy Sheriffs' Association and SEIU. In addition, bargaining units represented by the SEIU and the Association of San Diego County Employees received a 2% base salary increase in 2015 and will receive a 2% base salary increase in 2016; bargaining units represented by the County Counsels Association, the Probation Officers' Association, the Supervising Probation Officers' Association, the Public Defender Association, the District Attorney Investigators Association and the Deputy District Attorneys Association will receive a 2% base salary increase in 2015 and will receive a 2% base salary increases in 2016 and 2017. The agreement with the Deputy Sheriffs' Association includes reductions to the County's portion of the employee paid offset, a base salary increase of 8% over the term of the contract, flexible benefit increases and a one-time monetary payment of $750.

Retirement Amendments. The County's existing retirement system has been modified in connection with collective bargaining agreements entered into by the County, as described under the caption "San Diego County Employees Retirement Association" herein.

The County has also negotiated amendments to the Employer Offsets (herein defined) for all represented bargaining units. Pursuant to the current bargaining agreements, the Employer Offsets were reduced or eliminated beginning December 27, 2013, based on the applicable bargaining unit. The Employer Offset rates for the District Attorney Investigators Association was completely eliminated in 2013. The Employer Offset rates for the Deputy County Counsels Association, Deputy District Attorney Association and the Public Defender's Association will be eliminated in exchange for a 2% wage increase, which will be a County-neutral amount, on June 9, 2017. The Employer Offsets for bargaining units represented by the SEIU, Local 221 and those represented by The Association of San Diego County Employees, the Probation Officers' Association and the Supervising Probation Officers' Association were reduced on December 27, 2013 depending on bargaining unit and will be eliminated in exchange for a County-neutral amount that will be determined on June 9, 2017. The Employer Offset rate for the Deputy Sheriffs' Association was reduced by two-thirds in exchange for a 3.6% salary increase on June 27, 2014 and will be eliminated in exchange for a County-neutral amount that remains to be determined, which will be effective June 2018. The rate of Employer Offsets, as in effect after the aforementioned reductions, will remain in effect unless modified pursuant to subsequent collective bargaining agreements.

COUNTY FINANCIAL INFORMATION

The following is a summary of certain financial information with respect to the County, including the County's property tax collections, General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance, Adopted and Amended General Fund Budgets for Fiscal Years 2013-14 and 2014-15, the Fiscal Year 2015-16 Adopted Budget, pension plan, risk management program, pending litigation and outstanding indebtedness.

Assessed Valuations

The assessed valuation of property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported in compliance with the requirements of Proposition 13. Generally, property can only be reappraised to market value upon a change in ownership or completion of new construction. Pursuant to Article XIIIA of the State Constitution, the assessed value of property that has not incurred a change of ownership or new construction shall be adjusted annually to reflect inflation at a rate not to exceed 2% per year as shown in the California consumer price index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, Article XIIIA of the State Constitution allows the assessed value to be reduced temporarily to reflect the lower market value. For the definition of full cash value and more information on property tax limitations and adjustments, see "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations – Article XIIIA" herein.

The County Assessor determines and enrolls a value for each parcel of taxable real property in the County every year in accordance with Proposition 13. Annually, property owners may appeal the assessed value of their property. Additionally, under the provisions of Proposition 8, property owners may apply for a temporary reduction in the assessed value when the market value of the real property, as of January 1 of the applicable tax year, falls below its assessed value. Once reduced, the County Assessor must annually review the value of the property until the factored Proposition 13 value is fully restored (adjusted with the annual consumer price index, not to exceed 2%). For Fiscal Year 2014-15, the County Assessor received 7,210 appeals, including appeals relating to real property, business personal property, boats and airplanes. Through December 31, 2015 of Fiscal Year 2015-16, the County Assessor has received 4,086 appeals, including appeals relating to real property, business personal property, boats and airplanes which reflects a 43% decline in appeals for the year to date. Table 2 below sets forth the number of appeals received by the County Assessor and the number of affected parcels since Fiscal Year 2005-06. See "Economic and Demographic Information – Foreclosures; Notices of Loan Default" herein.

TABLE 2
ASSESSMENT APPEALS
Fiscal Years 2005-06 through 2015-16

Fiscal Year	Appeals[1]	Parcels
2005-06	2,486	2,752
2006-07	3,334	3,601
2007-08	13,150	15,872
2008-09	42,624	47,865
2009-10	21,772	26,635
2010-11	15,748	19,589
2011-12	19,215	27,916
2012-13	14,627	16,376
2013-14	7,119	8,776
2014-15	7,210	9,264
2015-16[2]	4,086	4,919

Source: County of San Diego Assessor/Recorder/County Clerk.
(1) Appeal may relate to the reassessment for one or more parcels.
(2) Data as of December 31, 2015.

Ad Valorem Property Taxation

Table 3 below sets forth the assessed valuation of property within the County subject to taxation for Fiscal Years 2006-07 through 2015-16:

TABLE 3
ASSESSED VALUATION OF PROPERTY
SUBJECT TO AD VALOREM TAXATION
Fiscal Years 2006-07 through 2015-16
(In Thousands)

Fiscal Year	Land	Improvements	Personal Property	Gross Assessed Valuation	Exemption[(1)]	Net Assessed Valuation for Tax Purposes[(2)]
2006-07	$158,460,301	$192,889,631	$13,201,802	$364,551,734	$ 8,553,542	$355,998,192
2007-08	176,074,513	208,732,483	13,916,210	398,723,206	9,427,705	389,295,500
2008-09	184,573,765	217,641,565	14,496,587	416,711,917	10,336,971	406,374,945
2009-10	177,035,056	215,309,621	15,194,665	407,539,342	11,244,820	396,294,522
2010-11	173,642,233	214,286,031	14,639,554	402,567,818	11,790,769	390,777,049
2011-12	174,658,242	216,383,122	14,483,422	405,524,786	12,537,490	392,987,296
2012-13	173,840,948	217,588,947	14,693,957	406,123,852	13,165,008	392,958,844
2013-14	179,943,404	224,701,971	15,195,049	419,840,424	13,856,802	405,983,622
2014-15	192,003,349	236,234,389	15,347,042	443,584,780	14,344,037	429,240,743
2015-16	203,701,281	249,298,560	15,491,395	468,491,236	15,175,726	453,315,510

Source: County of San Diego Auditor and Controller.
(1) Exemption figures include veterans, church, welfare, religious, college and cemetery exemptions.
(2) Net Assessed Valuation for Tax Purposes figures include local secured, unsecured manufactured home and possessory interest, state unitary and redevelopment valuation, if any.

Table 4 below sets forth the approximate tax levied against the ten largest property taxpayers in the County for Fiscal Year 2015-16. These tax payments represent approximately 4.20% of the total secured property tax levied by the County for Fiscal Year 2015-16, which amount is $5,366,152,320.

TABLE 4
TEN LARGEST TAXPAYERS
Fiscal Year 2015-16

Property Owners	Business Area	Approximate Tax[(1)]
San Diego Gas & Electric Company	Gas and Electric Utility	$110,031,204
Qualcomm Inc	Telecommunication	23,275,944
Southern California Edison Co	Electric Utility	19,246,194
Irvine Co	Real Estate	17,233,982
Kilroy Realty L P	Real Estate	13,546,696
Pacific Bell Telephone Company	Telecommunication	11,555,585
Host Hotels and Resorts	Hospitality	9,564,791
B S K Del Partners LLC	Real Estate	7,816,217
Conrad Prebys Trust	Real Estate	7,264,729
Fashion Valley Mall LLC	Retail Sales	6,044,747

Source: County of San Diego Auditor and Controller.
(1) Approximate Tax includes local secured and state unitary 1% tax, debt service tax and special assessments.

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The "secured roll" is that assessment roll containing locally assessed property secured by a statutory lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes on land and the improvements located on the land. Other property, such as business personal property, boats and aircraft, is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in *situs* assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the ten dollar cost, a thirty-three dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one-half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid for five years, the property becomes subject to the Treasurer-Tax Collector's power to sell.

Property taxes on the unsecured roll are due on the lien date being assessed (January 1). A due date, or date to pay by, is set based on the enrollment date of the bill. If not paid in full, a ten percent penalty is added to the bill on September 1, or on the first business day of the second month following the enrollment date and an additional penalty of one and one-half percent per month begins to accrue on November 1, or on the first business day of the third month after the date of enrollment. Penalties are posted based on the type of unsecured bill and the time of year it is enrolled. The taxing authority has a number of ways of collecting delinquent unsecured property taxes, which include: filing a Certificate of Tax Lien for recordation in the County Recorder's office, and/or other jurisdictions; a civil action against the taxpayer; and seizure and/or sale of assets belonging or assessed to the taxpayer.

Pursuant to State Law, the County collects property tax administrative fees from cities and special districts. State law exempts school districts from paying such fees.

Secured Tax Rolls Statistics

Table 5 below sets forth information relating to the County's secured tax roll and assessed value of property for Fiscal Years 2006-07 through 2015-16.

TABLE 5
SECURED TAX ROLL STATISTICS
Fiscal Years 2005-06 through 2014-15

Fiscal Year	Total Bills	Total Gross Assessed Value[1]	Total Tax Amount[2]	Delinquent Tax Bills	Delinquent Tax Amount[3]	Delinquent Tax Amount as Percent of Total Tax Amount
2006-07	954,808	$350,431,485,633	$3,964,281,859	54,013	$111,504,199	2.81%
2007-08	968,699	385,014,085,589	4,364,915,835	58,579	163,865,524	3.75
2008-09	976,296	402,408,931,673	4,558,064,753	49,845	165,660,374	3.63
2009-10	978,170	392,680,850,836	4,509,795,774	40,214	120,563,754	2.67
2010-11	979,128	388,209,168,091	4,474,096,680	33,228	80,367,474	1.80
2011-12	979,386	391,319,634,514	4,537,672,296	30,565	65,585,438	1.45
2012-13	981,161	391,853,256,766	4,559,744,934	25,092	48,369,874	1.06
2013-14	982,322	405,031,663,348	4,815,864,485	24,701	41,901,860	0.87
2014-15	985,078	428,108,938,032	5,070,000,884	25,661	41,142,387	0.81
2015-16[4]	986,858	452,871,779,096	5,366,152,320	26,000	53,661,000	1.00

Source: County of San Diego Auditor and Controller.

(1) Total Gross Assessed Value figures include local secured and state unitary valuation.

(2) Total Tax Amount includes local secured and state unitary 1% tax, debt service tax and special assessments.

(3) Delinquent Tax Amount represents the dollar value of tax due for delinquencies in the year shown that had not been collected as of June 30 of that year.

(4) Total Bill, Total Gross Assessed Value and Total Tax Amount figures are actual. Remaining columns are estimated.

Liens and Redemption

Properties may be redeemed under a five-year installment plan by paying current taxes plus a minimum annual payment of twenty percent of the original redemption amount, a redemption fee of thirty-three dollars, a payment plan set-up fee of sixty-three dollars, and an annual plan maintenance fee of seventy-one dollars. A delinquent taxpayer may enter into the installment plan at any time up to the June 30 occurring five years after the property becomes tax-defaulted. Redemption interest accrues at one and one half percent per month on the unpaid principal balance of the installment plan redemption amount during the period of the installment plan. The property becomes subject to sale by the County Treasurer-Tax Collector if taxes are unpaid after June 30 of the fifth year of default unless the property is on an installment plan of redemption prior to the power to sell arising.

Financial Statements

Table 6 below sets forth the audited General Fund Balance Sheet for Fiscal Years 2012-13 through 2014-15. Table 7 sets forth the audited General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2010-11 through 2014-15.

TABLE 6
COUNTY OF SAN DIEGO
GENERAL FUND BALANCE SHEET
For Fiscal Years 2012-13 through 2014-15
(In Thousands)

	Audited 2013[2]	Audited 2014[2]	Audited 2015[2]
ASSETS			
Pooled Cash and Investments	$ 1,441,132	$ 1,691,282	$ 1,929,939
Cash with Fiscal Agents	26	17	11
Investments with Fiscal Agents	2	2	2
Property Taxes Receivables, net	112,833	103,561	95,989
Receivables, net	507,780	442,871	352,561
Due from Other Funds[1]	41,603	22,020	42,746
Prepaid Items	88	84	90
Inventories	11,219	11,149	12,257
Restricted Assets – Cash with Fiscal Agents	158	150	151
Restricted Assets – Lease Receivable	4,818	4,082	3,331
TOTAL ASSETS	$ 2,119,659	$ 2,275,218	$ 2,437,077
LIABILITIES			
Accounts Payable	$ 108,434	$ 101,972	$ 100,706
Accrued Payroll	46,597	54,197	61,313
Due to Other Funds[1]	41,568	53,095	37,143
Deferred Revenues	114,826	0	0
Unearned Revenue	206,812	214,486	263,547
TOTAL LIABILITIES	$ 518,237	$ 423,750	$ 462,709
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Received in Advance		$ 8,663	$ 9,317
Deferred Housing Loans		147	0
Unavailable Revenue[3]		110,986	76,675
TOTAL DEFERRED INFLOWS OF RESOURCES		$ 119,796	$ 85,992
FUND BALANCES			
Nonspendable:			
Not in Spendable Form:			
Loans, Due From Other Funds and Prepaids	$ 1,128	$ 1,127	$ 1,122
Inventories and deposits with others	11,219	11,149	12,257
Restricted for:			
Grantors – Housing Assistance	54,902	54,875	57,681
Donations	3,265	4,453	3,844
Laws or regulations of other governments:			
Public safety activities		1	2
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders		54,251	48,583
Improvement and maintenance of recorded document systems		22,384	23,343
Defray administrative costs, other general restrictions		22,221	19,586

(Table continued on subsequent page.)

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Construction, maintenance and other costs for justice, health, and social facilities and programs	55,556	60,472	47,177
Other Purposes	181,541	77,891	69,078
Committed to:			
Realignment Health, Mental Health and Social Services	65,297	65,297	65,297
Unforeseen Catastrophic Events	55,500	55,500	55,500
Capital projects' funding	285,038	314,463	300,959
Other Purposes	58,996	56,915	57,224
Assigned to:			
Subsequent one-time expenditures[4]	132,541	168,089	198,748
Legislative and administrative services	0	0	66,526
Other Purposes	51,985	49,539	63,314
Unassigned	644,454	713,045	798,135
TOTAL FUND BALANCES	$ 1,601,422	$ 1,731,672	$ 1,888,376
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,119,659	$ 2,275,218	$ 2,437,077

Source: County of San Diego Auditor and Controller.

(1) Amounts are receivables and payables between General Fund and other County funds based on actual or estimated claims outstanding.

(2) To conform with Governmental Accounting Standards Board (GASB) Statements 33 and 34, activities from various Internal Agency Funds are included in the General Fund.

(3) Formerly classified and referred to as "Deferred Revenues".

(4) The General Fund's fund balance classification of Assigned to Subsequent One-time Expenditures represents a GASB Statement 54 recommended classification of fund balance in circumstances in which a portion of existing fund balance is included as a budgetary resource in the subsequent year's budget to eliminate a projected excess of expected expenditures over expected revenues. For the County of San Diego, this amount represents Board of Supervisors approved one-time uses of fund balance.

TABLE 7
COUNTY OF SAN DIEGO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For Fiscal Years 2010-11 through 2014-15
(In Thousands)

	Audited 2010-11	Audited 2011-12	Audited 2012-13	Audited 2013-14	Audited 2014-15
Revenues:					
Taxes	$ 894,222	$ 925,861	$ 904,358	$ 950,007	$ 997,904
Licenses, Permits and Franchise Fees	42,643	42,552	43,255	45,930	44,987
Fines, Forfeitures and Penalties	51,826	50,905	45,523	43,742	45,823
Revenue From Use of Money and Property	24,479	17,099	12,785	10,805	14,624
Aid From Other Governmental Agencies:					
State	904,749	958,169	1,057,850	1,090,275	1,123,373
Federal	818,217	831,859	816,640	790,643	792,723
Other	57,874	65,542	116,303	139,503	87,506
Charges for Current Services	320,966	336,057	336,888	349,691	355,607
Other	51,542	54,161	27,122	22,089	50,455
Total Revenues	$ 3,166,518	$ 3,282,205	$ 3,360,724	$ 3,442,685	$ 3,513,002
Expenditures:					
Current:					
General Government	$ 209,293	$ 203,179	$ 213,340	$ 223,560	$ 227,978
Public Protection	1,079,836	1,140,718	1,178,229	1,266,644	1,343,026
Public Ways and Facilities	5,543	1,300	1,441	12,517	3,462
Health and Sanitation	671,276	735,916	789,704	575,829	599,112
Public Assistance	1,055,530	1,034,961	1,039,540	1,276,786	1,212,417
Education	957	844	948	907	900
Recreation and Cultural	30,637	31,175	28,732	29,680	34,217
Capital Outlay	21,965	33,249	17,599	18,337	28,674
Debt service:					
Principal(1)	26,735	23,200	24,670	19,945	13,718
Interest	15,044	17,308	19,203	19,357	17,298
Payment to Refunded Bond Escrow Agent(2)	0	0	0	0	5,454
Total Expenditures	$ 3,116,816	$ 3,221,850	$ 3,313,406	$ 3,443,562	$ 3,486,256
Excess (Deficiency) of Revenues over (under) Expenditures	$ 49,702	$ 60,355	$ 47,318	$ (877)	$ 26,746
Other Financing Sources (Uses):					
Sale of Capital Assets	$ 414	$ 360	$ 71	$ 58,364	$ 111
Transfers In(3)	274,448	244,148	263,203	272,657	282,392
Transfers Out(4)	(151,061)	(212,578)	(196,867)	(199,824)	(153,653)
Total Other Financing Sources (Uses)	$ 123,801	$ 31,930	$ 66,407	$ 131,197	$ 128,850
Net Change in Fund Balance	$ 173,503	$ 92,285	$ 113,725	$ 130,320	$ 155,596
Fund Balances at Beginning of Year	1,220,108	1,394,380	1,487,847	1,601,422	1,731,672
Increase (Decrease) in Nonspendable Inventories	769	1,182	(150)	(70)	1,108
Fund Balances at End of Year	$ 1,394,380	$ 1,487,847	$ 1,601,422	$ 1,731,672	$ 1,888,376

Source: Comprehensive Annual Financial Reports of the County.
(Table continued on subsequent page.)

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(1) Represents various base rental payments made to the San Diego County Capital Asset Leasing Corporation ("SANCAL") and the San Diego Regional Building Authority ("SDRBA") treated as debt service payments in the General Fund as SANCAL and the SDRBA are blended component units of the County.

(2) In Fiscal Year 2014-15, $93.750 million of fixed interest rate certificates of participation (County of San Diego Certificates of Participation (Edgemoor and RCS Refunding) Series 2014A and Series 2014B)), were issued by the San Diego County Capital Asset Leasing Corporation to advance refund $108.205 million of outstanding County of San Diego Certificates of Participation (2005 Edgemoor Project and 1996 Regional Communications System Refunding) and County of San Diego Certificates of Participation (2006 Edgemoor Completion Project). This is the amount reported in the General Fund. The transaction is further described in Note 13 "Long-Term Debt" in the Notes to the Financial Statements of the County's Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2015.

(3) Revenues from the Public Safety Augmentation Sales Tax (Proposition 172) and the tobacco securitization proceeds are recognized in the Special Revenue funds and treated as operating transfers when moved to the General Fund to reimburse expenditures incurred.

(4) For all fiscal years presented, "Transfers Out" generally represents contributions to the Pension Obligation Bond fund; contributions to capital funds for General Fund projects; and, County contributions to the Library fund and the In-Home Supportive Services ("IHSS") Public Authority fund.

General Fund Budget

The Board of Supervisors is required by State law to adopt a balanced annual budget no later than October 2 of each year. The County General Fund finances the legally authorized activities of the County not provided for in other restricted funds. General Fund revenues are derived from such sources as taxes, licenses, permits and franchises, fines, forfeitures and penalties, use of money and property, aid from other governmental agencies, charges for current services and other revenue. General Fund expenditures and encumbrances are classified by the functions of public safety, health and human services, land use and environment, community services, finance and general government and other. Increases in the aggregate appropriations based on actual or anticipated increases in available financing can be made after the annual budget has been adopted upon approval by a four-fifths vote of the Board of Supervisors.

To ensure that the expenditures do not exceed authorized levels or available financing sources, quarterly reviews are conducted covering actual and projected receipts and expenditures. In the event of any shortfall in projected revenue, immediate steps are taken to mitigate the shortfall through the identification of alternative funding sources or freezing appropriations. Similarly, if expenditures are projected to exceed appropriations, steps are taken to freeze expenditures in other accounts within the affected department or to transfer available resources to offset the added expenditure requirement. California counties are not permitted by State law to impose fees to raise general revenue, but only to recover the costs of regulation or provision of services. The Deputy Chief Administrative Officer/Auditor and Controller is responsible for monitoring and reporting expenditures within budgeted appropriations.

County's Fiscal Year 2015-16 Adopted Budget and the Operational Plan

Adopted Operational Plan

The County annually prepares a two-year operational plan, the most recent of which was adopted by the County's Board on August 4, 2015 (the "Adopted Operational Plan"). The first year of the Adopted Operational Plan is the Fiscal Year 2015-16 Budget and the second year represents an estimate of the revenues and expenditures of the County for Fiscal Year 2016-17. The Operational Plan reflects the budgets for all funds within which the County accounts for the services it provides to its residents and property and business owners. The largest single fund is the General Fund, which accounts for the majority of the County's activities.

The County's Adopted Budget for the County General Fund for Fiscal Year 2015-16 is approximately $4.12 billion, with Total Appropriations of approximately $4.12 billion, Total Revenues of approximately $3.90 billion, and total estimated use of the Fund Balance Component Decreases and Use of Fund Balance of approximately $18.67 million and $198.75 million, respectively. See Table 8 entitled "GENERAL FUND ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2013-14, ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2014-15 AND ADOPTED AND AMENDED BUDGET AND PROJECTED RESULTS FOR FISCAL YEAR 2015-16" herein for a summary of the County's Fiscal Year 2015-16 Adopted Budget. The Adopted Operational Plan is available on the County's website at http://www.sdcounty.ca.gov/auditor/budinfo.html, but is not incorporated herein by reference.

Summary of General Fund Financing Sources

In the Adopted Operational Plan, General Fund Financing Sources total $4.12 billion for Fiscal Year 2015-16, a $253.1 million or 6.5% increase from Fiscal Year 2014-15. They are expected to decrease by $141.2 million or 3.4% in Fiscal Year 2016-17. In comparison, the Fiscal Year 2014-15 Adopted Budget was 0.3% higher than the prior year, while the previous ten fiscal years' results reflected an average annual growth rate of 3.4%. General Fund Financing Sources can be categorized as one of three types: Program Revenue, General Purpose Revenue, or Use of Fund Balance (including Fund Balance Component Decreases – formerly Reserves/Designation Decreases).

Program Revenues. Program Revenues are expected to total approximately $2.81 billion in Fiscal Year 2015-16 and $2.79 billion in Fiscal Year 2016-17. These revenues make up 68.3% of General Fund Financing Sources in Fiscal Year 2015-16, and are derived primarily from State and federal subventions and grants, and charges and fees earned from specific programs. Program Revenues are expected to increase by 5.7% over the Fiscal Year 2014-15 Adopted Budget compared to an average annual growth for the last ten years of 3.2%.

General Purpose Revenue. General Purpose Revenue, budgeted at approximately $1,086.2 million in Fiscal Year 2015-16 and $1,111.8 million in Fiscal Year 2016-17, comprise approximately 26.4% of General Fund Financing Sources. This revenue is derived from property taxes, property tax in lieu of Vehicle License Fees ("VLF"), the Teeter program, sales and use tax (and property tax in lieu of sales tax), real property transfer tax, Aid from Redevelopment Successor Agencies, and miscellaneous other sources. They may be used for any purpose that is a legal expenditure of County funds. The Board of Supervisors, therefore, has the greatest flexibility with this revenue when allocating resources to fund programs and services.

The growth in this revenue is principally affected by the local and State economies, with over 87% of General Purpose Revenue tied to activity in the real estate market. From Fiscal Year 2002-03 through Fiscal Year 2014-15, General Purpose Revenue grew by an annual average of $42.0 million. Fiscal Year 2015-16 saw an increase in budgeted General Purpose Revenue of $52.8 million.

The assessed value of real property declined in 2009 and 2010 (following the credit crisis and economic downturn that began in 2007), grew marginally in 2011, declined slightly in 2012, grew by 3.4% in 2013, and grew by 6.2% in 2014. For 2015, a 4% increase in overall assessed value of real property was assumed at the time of budget development.

Use of Fund Balance. Use of Fund Balance, including Fund Balance Component Decreases, totals approximately $217.4 million in Fiscal Year 2015-16 and $73.7 million in Fiscal Year 2016-17. It represents 5.3% of General Fund Financing Sources in Fiscal Year 2015-16. This resource is used for one-time expenses, not for the support of ongoing operations. This compares with $169.5 million in uses of fund balance in the Fiscal Year 2014-15 Adopted Budget, which equaled 4.4 % of total General Fund Financing Sources.

In the Adopted Operational Plan, a portion of the General Fund fund balance is budgeted as the funding source for various one-time or project specific purposes (funding source is General Fund Balance Assigned to Subsequent Year Expenditures). These one-time purposes include: management reserves, one-time facility maintenance and upgrades, various equipment purchases, labor costs due to negotiated one-time salary and benefit payments, one-time funding for County Administration Center Waterfront Park security, one-time funding for Pre-Arraignment Release program, Sheriff's Transfer, Assessment and Release Unit implementation, Regional Communications System Radio, Sheriff Capital Project Commitment for future capital needs, conduct a Sheriff's Health Academy, one-time funding for San Diego County Fire Authority Volunteer Firefighter Program training, Aerial Fire Suppression "Call When Needed" support, Comprehensive strategy for juvenile justice, one-time funding for short term staff increase to address increased case activities related to the petition process for Proposition 47, one-time funding for Juvenile Diversion program support in the Probation Department, Public Defender cost to terminate the Vista Lease, one-time contract services for San Diego County Fire Authority, Next Generation Regional Communications System, one-time funding for expansion of the Psychiatric Emergency Response Team (PERT) in collaboration with HHSA, improvement projects in Psychiatric Hospital, one-time funding for Cultural Broker contract to enhance child safety and family stability outcomes for children, one-time funding for Alzheimer's Projects—Supportive services for caregivers, financial & life planning, outreach and education, and home modification program, Legacy Project—intergenerational approach designed to bring about social engagement, Aging and Independence Services Veterans Summit, design, development and implementation phase of the Knowledge Integration Program ("KIP") to modernize service delivery. Planning and Development Services Community Plan updates and clean-up, Climate Action Plan update, Green Building Program and Homeowner Relief Act fee waivers, Planning and Development Services General Plan Amendment, Alpine Forest Conservation Initiative General Plan Amendment - special study, Local Coastal program, Purchase of Agriculture Conservation Easements (PACE) program recording or easement, consultant for Long-Term Funding Options for DPW Recycling/ DEH Household Hazardous waste program, pedestrian gap analysis, School Safety Enhancement—Phase II, Workforce Academy for Youth program, grants provided to community organizations, Watershed Protection Program to fund Total Maximum Daily Load for source tracking and epidemiology studies; to fund the development of the Water Quality Improvement projects necessary to comply with Stormwater Permit requirements; education and outreach; and Site Specific Objective (SSO) project to protect the Santa Margarita Watershed, temporary help for contract monitoring and other functions in various departments, and various rebudgets.

In addition to the above items, this funding supports one-time information technology projects, including digitizing records and one-time IT projects in the District Attorney's Office, San Diego Fire Authority information technology initiative and process improvement projects, SD Emergency—Spanish user interface, Public Defender eDiscovery software early refresh, HHSA Kronos Scheduler system, Electronic Health Record System for TB Control, Pre-hospital Data Collection System upgrade for compliance with federal requirements, StarLIMS essential software required to meet HIPPA standards, Polymerase Chain Reaction System for rapid detection of serious contagious diseases, Phase 1 Medical Therapy Unit Online enhancements to improve security requirements, stability, and compatibility with State required billing code changes, Case Management System Enhancements in Adult Protective Services to address CRM platform instability issues, Pesticide Regulation Program Accela Development, Agricultural Standards Accela Development, Plant Health and Pest Prevention Accela Development for inspection and enforcement process, Liquefied Petroleum Gas Calibration Skid System for vehicle to test dispensers for accuracy, Accela Script conversion, conversion from Oracle to MS SQL for Accela platform, StreetSaver Pavement Management System, Geographic Information Systems enhancements—user portal for Capital Improvement Program ("CIP") projects and roadway structure inventory, Building Automation System Implementation, Election Call Center Technology, Records Management Document Storage IT Enhancement, Digital Signature implementation, Office of Revenue and Recovery Onestep system upgrade, Enterprise Document Processing Platform (EDPP) which includes: Parallel environment pending migration of department applications, EMC Documentum 6.7 Extended Support, EMC Records Manager 6.7 Extended Support, EMC Captiva 6.5 Extended Support, License, Documentum Upgrade to 7.1, Captiva Upgrade, Adobe LiveCycle Upgrade, Computer Services Registration Form (CSRF) Electronic Forms, Adobe website upgrades for Districts 2 and 4, IT Outsourcing Recompete/Transition, SharePoint: Platform Upgrade, Parallel environment pending migration of department applications, Implement the Oracle Identity Management system, ePayment channels implementation, Electronic billing functionality, Claims management software replacement, Loss Prevention Documentum Cabinet, and Work Safe Stay Healthy Program, Health Reimbursement Arrangement (HRA) implementation, PeopleSoft Identity and Access Management (IDAM) Implementation, Enterprise Resource Planning Data Center Services, Performance Budgeting Upgrade - Business Objects, SQL 2008 Upgrade to 2012, one-time enterprise IT contracts, and Agenda Management Creation System.

Summary of Total Appropriations in the Adopted Operational Plan

The Adopted Operational Plan includes appropriations totaling $5.41 billion for Fiscal Year 2015-16 and $5.10 billion for Fiscal Year 2016-17. This is an increase of $330.5 million or 6.5% for Fiscal Year 2015-16 from the Fiscal Year 2014-15 Adopted Budget. Appropriations for the General Fund are $4.12 billion, a $253.1 million or 6.5% increase from Fiscal Year 2014-15. The General Fund constitutes 76.0% of the County's total appropriations. Further, the Fiscal Year 2015-16 Adopted Operational Plan reflects a staffing decrease of 10.50 full time equivalents ("FTEs") primarily attributable to decreased staffing in the Public Safety Group. This decreased budgeted FTEs for the County from 17,044.00 in Fiscal Year 2014-15 to 17,033.50 in Fiscal Year 2015-16.

The Adopted Operational Plan by Group/Agency includes appropriation increases for all Groups. HHSA, at $2.0 billion, continues to constitute the largest share of the budget at 37.0%, followed by the Public Safety Group at $1.7 billion, or 31.6%.

The appropriation and staffing changes by Group/Agency are summarized below.

Public Safety Group – includes a net increase of 4.7% or $76.6 million from the Fiscal Year 2014-15 Adopted Budget and a net decrease of 41.00 staff years. The increase primarily relates to increased costs as a result of negotiated labor agreements, growth in Proposition 172, The Local Public Safety Protection and Improvement Act of 1993, funding, a net decrease of 41.00 staff years and the planned use of one–time resources. All mandated services are maintained.

Health and Human Services Agency – includes a net increase of 5.4% or $103.3 million from the Fiscal Year 2014-15 Adopted Budget and an increase of 3.00 staff years. The increase is associated with increases in the In-Home Supportive Services (IHSS) program due to caseload growth and the State's restoration of the 7.0% cut in IHSS Individual Provider services. The majority of remaining growth is the result of negotiated labor agreements, growth in certain public assistance caseloads, an investment in the Knowledge Integration Program (KIP), and an expansion in direct services across several program areas, including services funded under the Mental Health Services Act, Title IV-E California Well-Being Project and Public Health prevention grant funding.

Land Use and Environment Group – includes a net increase of 1.5% or $6.4 million from Fiscal Year 2014-15 Adopted Budget and an increase of 9.00 staff years. The increase primarily relates to negotiated labor agreements, pavement resurfacing projects, and the addition of 9.00 staff years.

Community Services Group – includes a net increase of 0.9% or $2.9 million from the Fiscal Year 2014-15 Adopted Budget and an increase of 15.50 staff years. The increase is due to increased salaries and benefits for existing employees and for 15.50 new full-time equivalent positions, one-time projects for energy efficiency and major maintenance projects, library books and materials, gas and electricity purchases, and vehicle fuel. Partially offsetting decreases include operating transfers between internal service funds, fund balance component decrease for the Registrar of Voters, Housing Authority program expenditures and planned use of management reserves.

Finance and General Government Group – includes a net increase of 4.5% or $17.4 million from the Fiscal Year 2014-15 Adopted Budget and an increase of 3.00 staff years. The increase is due primarily to negotiated salary and benefit costs, facility maintenance operations costs and one-time information technology projects.

Capital Program – includes a net increase of 68.4% or $57.3 million from the Fiscal Year 2014-15 Adopted Budget. The amount budgeted in the Capital Program for Capital Projects can vary significantly from year to year based on the size and scope of capital needs in the coming years. The Fiscal Year 2015-16 Capital Program includes $130.0 million for the following capital projects:

- $54.9 million of additional funding for the Sheriff's Crime Lab, with an estimated total project cost of $104.8 million;
- $50.6 million of funding for the Regional Communications System Upgrade and Site Acquisition;
- $10.0 million for the Multiple Species Conservation Program (MSCP);
- $7.1 million for Santa Ysabel Nature Center;
- $2.0 million for Heise Park Electrical and Water;
- $1.5 million for Steele Canyon Artificial Turf;
- $1.5 million for Borrego Springs Park project;
- $1.2 million for the Agua Caliente Photovoltaic System;
- $0.7 million for Cactus Park Water Quality Treatment Project.
- $0.4 million for the North Coastal HHSA Facility;
- $0.4 million for Lindo Lake Park Water Quality Treatment Project.
- $0.4 million for Edgemoor Hospital Water Quality Treatment Project.
- $0.3 million for the Lakeside Teen Center Photovoltaic System;
- $0.3 million for Lindo Lake Improvements;
- $0.3 million for Dos Picos Camping Cabins.
- $0.3 million for Jess Martin Junior Ballfield Improvements.

The Capital Program also includes $9.2 million to reimburse the County General Fund (through a capital fund called the Edgemoor Development Fund) for payment of debt service on the County's 2014 Refunding Certificates of Participation, which were executed and delivered to refinance construction of the Edgemoor Skilled Nursing Facility and other costs to improve the Edgemoor property.

Finance Other – includes a net increase of 19.8% or $66.6 million from the Fiscal Year 2014-15 Adopted Budget. Many of the appropriations in this group vary little from year to year, but some appropriations reported here are one-time and can fluctuate significantly. The majority of the increase in the Fiscal Year 2015–16 budget supports capital projects, as described above.

Fiscal Year 2015-16 Budget and Financial Position of the County

The Fiscal Year 2015-16 Adopted Budget for the County's General Fund includes expenditures of approximately $4.12 billion and revenues and other financing sources of approximately $4.12 billion. In accordance with the normal practice of the County, the Fiscal Year 2015-16 Adopted Budget has been adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2015-16 Adopted Budget. As of September 30, 2015, the County's Fiscal Year 2015-16

General Fund Amended Budget (the "Fiscal Year 2015-16 Amended Budget") included expenditures of $4.5 billion and revenues and other financing sources of $4.5 billion. As of September 30, 2015, as reported in the Fiscal Year 2015-16 First Quarter Operational Plan Status Report and Budget Adjustments (the "First Quarter Report") to be presented to the Board of Supervisors on December 15, 2015, based on the first three months of Fiscal Year 2015-16, the County projected that its General Fund expenditures for Fiscal Year 2015-16 would be below the Fiscal Year 2015-16 Amended Budget by $155.2 million and its General Fund revenues and other financing sources would be below the Fiscal Year 2015-16 Amended Budget by $47.0 million. The net variance was a projected savings to the County's General Fund of $108.2 million, which would be added to any remaining unassigned General Fund Balance as of June 30, 2016 net of amounts for one-time uses of fund balance planned in Fiscal Year 2016-17. GASB classification of fund balance included as a budgetary resource in the subsequent year's budget are reflected as Assigned Fund Balance.

The lower than budgeted projected expenditures in the General Fund are primarily attributable to the following:

- $37.2 million in positive salary and benefit appropriation variance, in all groups due to staff turnover and department management of vacancies.
- $23.5 million in net positive appropriation variance in Services and Supplies across the County in all groups.
  - In the Public Safety Group (PSG), projected overall positive variance of $1.4 million is associated with overall reduced operational costs in Department of Child Support Services and Public Defender; in the Office of Emergency Services related to the Call When Needed Program. The negative variance in Probation Department is due to increased costs in Contracted Services utilization of interpreters, and major maintenance for facility repairs.
  - In Health and Human Services Agency (HHSA), projected overall positive variance of $19.1 million resulted from various contracted services in Aging and Independence Services, Behavioral Health Services and Regional Operations and in Administrative Support for appropriations set-aside in case of emergency that are not anticipated to be spent.
  - In the Land Use and Environment Group (LUEG), projected positive variance of $0.4 million is largely due to lower than expected operational expenses in Environmental Health.
  - In the Community Services Group (CSG), projected positive variance of $0.9 million is attributable largely to Housing and Community Development (HCD) due to multi-year projects.
  - In Finance and General Government (FGG), projected positive variances of $1.7 million are mainly the result of increased efficiencies in operations associated with implementation of Recording Phase of Acclaim and e-Recording in Assessor/Recorder/ County Clerk and lower contracted services in various departments.
- A net positive appropriation variance of $52.3 million in Other Charges reflects primarily variances in HHSA, Finance Other and in CSG. In HHSA, the positive variance of $48.7 million is mainly the result of revised caseload levels in Regional Operations CalWORKs and in Child Welfare Services based on revised estimates of caseload levels and growth trends in the adoptions and foster care assistance programs. In Finance Other, the positive variance of $2.7 million is due to tax and revenue anticipation note (TRAN) borrowing costs that will not be incurred. In CSG, the positive variance of $1.2 million is projected in HCD due to lower than anticipated expenditures on multi-year projects.
- $21.7 million in contingency reserves that are projected to be unspent at year-end.

- $21.8 million in management reserves in HHSA ($20.0 million) and in CSG ($1.8 million) that are projected to be unspent at year-end.

The projected under realized revenue of $47.0 million includes positive variances totaling $14.4 million and negative variances of $61.4 million. The positive revenue variance of $14.4 million is expected in the following categories: Taxes Current Property ($6.9 million); Taxes Other Than Current Secured ($6.2 million) due to increase in assessed value; Miscellaneous Revenues ($1.0 million) and Licenses, Permits and Franchises ($0.3 million). The negative variance is largely in Intergovernmental Revenue ($58.1 million) as a result of expenditure savings in caseload-driven programs, multi-year projects and contracted services as mentioned above; in Charges For Current Services ($0.5 million) mainly due to decrease in various revenues in Assessor/Recorder/County Clerk, less than anticipated collection of fines and fees in the Probation Department, expenditure savings related to staff vacancies in the Planning and Development Services; and in Revenue From Use of Money & Property ($2.5 million) primarily due to the expiration of the lease with the Correction Corporation of America (CCA) at the East Mesa Detention Facility Complex.

Table 8 below sets forth the County's Adopted and final Amended Budgets for Fiscal Year 2013-14 and Fiscal Year 2014-15. The table also sets forth the Adopted Budget for Fiscal Year 2015-16, the Amended Budget as of September 30, 2015, the projected expenditures and revenues and other financing sources as reported in the First Quarter Report, and the variance between the projected actual amounts and those contained in the Fiscal Year 2015-16 Amended Budget. The full report may be viewed on the County's website at http://www.sdcounty.ca.gov/auditor/qfbr.html. The information on such website is not incorporated herein by reference.

TABLE 8
GENERAL FUND
ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2013-14,
ADOPTED AND AMENDED BUDGET FOR
FISCAL YEAR 2014-15 AND ADOPTED AND AMENDED BUDGET AND PROJECTED
RESULTS FOR FISCAL YEAR 2015-16
(In Thousands)

	2013-14 Adopted Budget	2013-14 Amended Budget(1)	2014-15 Adopted Budget	2014-15 Amended Budget	2015-16 Adopted Budget(2)	2015-16 Amended Budget(3)	Projected Year-End Results(4)	Variance from Amended Budget(5)
APPROPRIATIONS								
Public Safety	$1,286,206	$1,358,780	$1,345,356	$1,424,434	$1,397,681	$1,442,199	$1,421,490	$20,709
Health and Human Services	1,959,450	1,996,937	1,861,724	1,870,881	1,979,863	1,999,944	1,903,259	96,685
Land Use and Environment	158,661	174,308	163,082	183,122	168,615	186,162	181,407	4,755
Community Services	67,888	85,230	72,446	91,550	75,958	92,307	88,246	4,061
Finance and General Government and Other	360,517	677,528	398,098	683,682	471,729	735,106	706,144	28,962
Contingency Reserve and Increases in Fund Balance Components	20,328	78,082	22,912	24,766	22,824	22,824	22,824	0
Total Appropriations(5)	$3,853,052	$4,370,865	$3,863,617	$4,278,435	$4,116,670	$4,478,542	$4,323,370	$155,172
BUDGETED REVENUES								
Current Property Taxes	$ 523,615	$523,615	$ 563,622	$563,622	$592,942	$592,942	$599,807	$6,865
Taxes Other Than Current Property Taxes	382,956	382,956	401,701	401,701	424,728	424,728	430,926	6,199
Licenses, Permits and Franchises	42,297	42,297	44,089	44,089	39,880	39,880	40,174	293
Fines, Forfeitures and Penalties	50,218	51,727	34,508	37,776	38,554	39,024	38,898	(125)
Use of Money and Property	12,045	12,045	11,023	11,023	12,017	12,017	9,532	(2,486)
Aid from Other Government Agencies	2,108,665	2,124,052	1,978,118	2,021,287	2,103,310	2,115,071	2,056,972	(58,100)
Charges for Current Services	305,435	347,269	344,495	347,919	353,594	354,488	353,969	(519)
Miscellaneous Revenues and Other Financing Sources	294,469	312,016	316,551	326,834	334,229	337,994	338,866	872
Total Budgeted Revenues(5)	$3,719,701	$3,795,977	$3,694,106	$3,754,250	$3,899,255	$3,916,145	$3,869,144	($47,002)
Estimated Fund Balance Component Decreases	$811	$2,811	$1,422	$1,422	$18,667	$18,667	$18,667	$0
Estimated Use of Fund Balance to be Assigned(6)	132,541	132,541	168,089	168,089	198,748	198,748	198,748	0
Estimated Use of Fund Balance for Encumbrances	0	439,537	0	354,674	0	344,982	344,982	0
Total Resources Utilized(5)	$ 3,853,052	$4,370,865	$3,863,617	$4,278,435	$4,116,670	$4,478,542	$4,431,541	($47,002)
Net savings from the Fiscal Year 2015-16 Amended Budget								$108,170

(Table continued on subsequent page.)

(Table continued from prior page.)

Source: County of San Diego Auditor and Controller.

(1) Reflects appropriations, budgeted revenues and other financing sources included in the 2013-14 Adopted Budget as amended and adjusted to include all budgeted appropriations and revenues as of June 30, 2014.

(2) Reflects appropriations, revenues and other financing sources included in the 2015-16 Adopted Budget.

(3) Reflects carry over appropriations from the prior fiscal year.

(4) Reflects, as of September 30, 2015, the amended budget and projections of the expenditures and revenues of the County's General Fund for Fiscal Year 2015-16.

(5) Reflects, as currently projected, the difference between the budgeted expenditures, revenues and other financing sources of the County's General Fund in the Fiscal Year 2015-16 Amended Budget as of September 30, 2015 and the projected expenditures, revenues and other financing sources of the County's General Fund for Fiscal Year 2015-16. Amounts without parentheses indicate a variance favorable to the County's General Fund. Amounts with parentheses indicate a variance unfavorable to the County's General Fund.

(6) For fiscal year ended 2014, the amount of fund balance to be assigned was included in unassigned fund balance.

Status of Available Fund Balance

Included in the Fiscal Year 2015-16 Adopted Budget were appropriations based on Assigned to Subsequent One-Time Expenditures General Fund Balance of approximately $198.7 million. For fiscal years ended 2013 and 2014, the amounts of fund balance to be used for subsequent one-time expenditures were $132.5 million and $168.1 million, respectively, and are included in Unassigned fund balance. The unassigned portion of the General Fund Balance as of June 30, 2015 was $798.1 million. See Table 6 entitled "General Fund Balance Sheet" herein for a description of the fund balance of the General Fund.

Subsequent to the adoption of the Fiscal Year 2015-16 Budget, the Board of Supervisors approved the appropriation of an additional $2.1 million in unassigned General Fund Balance for the Pilot phase of the School Safety Initiative ($1.8 million) and for staffing and one-time costs to administer the Bee program ($0.3 million), which reduced the available unassigned portion of General Fund fund balance to $796.0 million.

Pursuant to the First Quarter Operational Plan Status Report and Budget Adjustments (the "First Quarter Report"), which is based on the first three months of Fiscal Year 2015-16, an additional $5.2 million in unassigned General Fund Balance was approved to be used for various items, including supplies and equipment for various stations and substations in contract cities ($0.1 million), consultant cost for the Emergency Operations Center remodel ($0.1 million), upgrades and maintenance at Camp Barrett ($0.8 million), for the Mentally Ill Offender Crime Reduction Grant (MIOCR) ($0.1 million), one-time fire services activities and maintenance improvement projects and purchase apparatus to support fire services in CSA 135 ($0.8 million), consultant cost for ADA Transition Plan and Parks Master Plan ($0.3 million), increase in Planning and Developmental Services commitment ($0.4 million), consultant for Total Maximum Daily Loads cost benefit analysis ($0.3 million), consultant cost to prepare the Zero Waste Plan ($0.3 million), one-time costs in the Board of Supervisor's offices ($1.0 million), transfer of additional SDG&E franchise fee to Department of Public Works to provide funding for the Road Fund for road maintenance ($0.7 million), and for emergency costs due to Ramona Flood ($0.3 million).

If there were no further uses of fund balance for the remainder of the year and the projected $108.2 million in net savings in the 2015-16 budget (as shown in Table 8) were to be realized, the unassigned General Fund Balance as of June 30, 2016 would be $790.8 million. The County makes no assurances that no further use of available fund balance will occur. See "Fund Balance and Reserves Ordinance" below.

The County's General Fund Balance projections are subject to change as additional information becomes available. The next formal update of the County's General Fund Balance will occur in March 1, 2016 which is the Second Quarter Operational Plan Status Report and Budget Adjustments (the "Second Quarter Report").

Separate from the General Fund, the County, as a taxing entity, has received certain residual tax increment from the Real Property Tax Trust Fund for each former redevelopment agency within the County. See "State of California Budget Information and Federal Stimulus Information – State Budget for Fiscal Year 2014-15" herein. Several cities (the "Petitioners") within the County have challenged the methodology utilized by the County Auditor and Controller to calculate the distribution of residual tax increment. The Superior Court has ruled in favor of the Petitioners. The Auditor and Controller and certain real parties in interest have appealed the ruling. If the Superior Court's formulation of the cap is applied, the County would be required to distribute approximately $40 million in accumulated residual tax increment and future distribution to the County would be reduced by approximately $10 million annually. The residual tax increment revenue has not been budgeted for expenditure in the County General Fund. The County Library Fund has not budgeted disputed portions of this revenue. The litigation is not expected to affect the County's ability to pay principal of and interest on the Series 2016A Bonds.

Impact of the State Budget on the County's Budget

Fiscal Year 2015-16. On June 24, 2015, the Governor approved the State Budget Act for Fiscal Year 2015-16 (the "Fiscal Year 2015-16 State Budget Act"), which projected Fiscal Year 2015-16 State General Fund revenues and transfers of $115.0 billion (inclusive $2.4 billion in fund balance from Fiscal Year 2014-15), total expenditures of $115.4 billion and a year-end surplus of $2.1 billion, of which $971 million would be reserved for the liquidation of encumbrances and $1.1 billion would be deposited in a reserve for economic uncertainties. See "Fiscal Year 2015-16 State Budget." herein.

The Fiscal Year 2015-16 State Budget Act assumes continued funding for the overall 2011 Realignment program from two state sources: a sales tax of 1.0626 percent and Vehicle License Fees. For Community Corrections activities, a long term county-by-county allocation formula was developed by the Department of Finance in consultation with the California State Association of Counties and a group of county Chief Administrative Officers and each county's share of the annual base funding amount available was defined beginning in 2014-15. The funding provisions included in the Fiscal Year 2015-16 State Budget Act have been incorporated into the County's Fiscal Year 2015-16 Adopted Budget.

Fiscal Year 2016-17. On January 7, 2016, the Governor released his Proposed Budget for Fiscal Year 2016-17 (the "2016-17 Proposed State Budget"), which projects Fiscal Year 2016-17 State General Fund revenues and transfers of $125.8 billion (inclusive $5.2 billion in fund balance from Fiscal Year 2015-16), total expenditures of $122.6 billion and a year-end surplus of $3.2 billion, of which $966 million would be reserved for the liquidation of encumbrances and $2.2 billion would be deposited in a reserve for economic uncertainties. See "Fiscal Year 2016-17 Proposed State Budget." herein.

The County continues to review the provisions of the 2016-17 Proposed State Budget and the types of funding changes that may affect the County budget. Although it is not possible at this time to estimate the potential monetary impact of the 2016-17 Proposed State Budget on the County, three areas of potential impact have been identified. With regard to the 2011 Public Safety Realignment, the related formula will be revised by the State as part of the May Revision. In relation to the 2013 expansion of Medi-Cal, the County anticipates a reimbursement of approximately $14.7 million for Fiscal Year 2013-14 resulting from the State's over-estimate of the amount of related savings that counties would experience. Lastly, the Governor's 2016-17 Proposed State Budget commits additional State and federal funding for Medi-Cal Eligibility Administration. The County intends to await the adoption of the Fiscal Year 2016-17 State Budget before determining the actions it will take with respect to the Fiscal Year 2016-17 County Budget.

Fund Balance and Reserves Ordinance

The County's Fund Balance and Reserves Ordinance (formerly the "Fund Balance and Reserves Policy") establishes guidelines regarding the maintenance of fund balance and reserve levels in the General Fund. Pursuant to the Fund Balance and Reserves Ordinance, subject to a waiver of all or a portion of such policy by the Board of Supervisors, the County will maintain: a Commitment for Unforeseen Catastrophic Events (the "Commitment for Unforeseen Catastrophic Events") with a targeted amount equivalent to 5% of the total budgeted General Purpose Revenue to fund legally declared emergencies; a Contingency Reserve (the "Contingency Reserve") with a targeted amount equivalent to 2% of the total budgeted General Purpose Revenue to fund unanticipated needs of the County or offset revenue shortfalls during the Fiscal Year; and a General Fund Minimum Fund Balance for Economic Uncertainty (the "General Fund Minimum Fund Balance for Economic Uncertainty") at the targeted level of 10% of the total budgeted General Purpose Revenue. In the event that the Commitment for Unforeseen Catastrophic Events, the Contingency Reserve or the Minimum Fund Balance for Economic Uncertainty fall below their targeted levels, the CAO will present a plan to the Board of Supervisors for restoration of those levels within two years.

The Commitment for Unforeseen Catastrophic Events, Contingency Reserve and the General Fund Minimum Fund Balance for Economic Uncertainty totals set forth in the Fiscal Year 2015-16 Adopted Budget exceed the County's 17% Fund Balance and Reserves Ordinance target. The General Purpose Revenue in the Fiscal Year 2015-16 Adopted Budget totals $1086.2 million. For Fiscal Year 2015-16, the Commitment for Unforeseen Catastrophic Events is budgeted to remain at $55.5 million, exceeding the reserve requirement of $54.3 million; the Contingency Reserve is budgeted at $21.7 million, matching the target level of $21.7 million; and the General Fund Minimum Fund Balance for Economic Uncertainty is budgeted at $108.6 million, matching the target level of $108.6 million. See also "– Budget and Financial Position of the County" and "– County's 2015-16 Adopted Budget and the Operational Plan" herein.

Other Operational Impacts

Bacteria Total Maximum Daily Load Resolution. The San Diego Regional Water Quality Control Board ("RWQCB") adopted a resolution entitled the Bacteria Total Maximum Daily Load Resolution ("Resolution") that became effective in April 2011. The Resolution impacts eight watersheds within the region, requiring that the water quality of highly urbanized watersheds be returned to pre-development levels by 2021 for dry weather conditions and by 2031 for wet weather conditions. Along with other local agencies, the County shares responsibility for six of these eight watersheds. The RWQCB has made the Resolution enforceable by incorporating its requirements into the San Diego Regional Municipal Storm Water Permit ("Permit"). While the County continually works to improve water quality, the Resolution includes requirements that are very expensive to achieve, and may not be attainable. The County is urging the RWQCB to make the goals of the Resolution more reasonable. The County is partnering with other affected agencies, academics and other stakeholders to conduct studies to better characterize the risk to swimmers to challenge the targets in the TMDL. The goal is to use the results of the studies to revise the compliance targets to be realistic and scientifically justified. It is unknown, until the applicable total maximum daily loads ("TMDL") plan is reviewed in 2017 or 2018, whether the RWQCB will revise the requirements of the Resolution. The County's share of the estimated 20-year compliance costs for the six watersheds are estimated between $286 million to $567 million over the 14 years remaining after the bacteria TMDL reopener in 2017. On average, the estimated annual cost to the County would be an additional $19 million to $37.5 million over this period. The first compliance milestone for the Resolution is a load reduction plan for each of the watersheds. The County currently is only required to submit load reduction plans for three of the six watersheds within the affected jurisdiction. The County submitted a proposed Comprehensive Load Reduction Plan ("CLRP") for each of the three impacted watersheds to the RWQCB by the October 4, 2012 deadline. The proposed CLRPs state that the responsible agencies are only prepared to implement the actions identified in the plans as existing resources allow. The RWQCB adopted Order R9-2013-0001 (NPDES No. CAS0109266) on May 8, 2013, and the new NPDES Municipal Stormwater Permit (the "New Permit") for the Counties of San Diego, Orange and Riverside became effective June 27, 2013. The New Permit requires that the Bacteria TMDL be included in the six watersheds in a new TMDL implementation plan that will replace the CLRPs called a Water Quality Improvement Plan ("WQIP"). The County is collaborating with other stakeholders in addressing the bacteria TMDL requirements in each of the WQIPs for the six watersheds. The completed plans were submitted to the RWQCB on June 27, 2015, and resubmitted following comments on September 29, 2015. These plans indicate that the responsible agencies are only prepared to implement the actions identified in the plans as existing resources allow.

Teeter Plan

In Fiscal Year 1993-94, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the Revenue and Taxation Code of the State of California (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at Fiscal Year-end. Under this plan, the County assumes an obligation to advance funds to these entities to cover expected delinquencies. The County's general fund benefits from future collections of penalties and interest on delinquent taxes collected on behalf of participants in this alternative method of apportionment. The County has not issued Teeter Notes to fund delinquencies since June 15, 2006 and there are currently no plans to issue Teeter Notes in the future.

Temporary Transfers

Section 6 of Article XVI of the California Constitution provides for temporary transfers of funds by the Treasurer-Tax Collector of the County (the "Temporary Transfers"; such transfers are referred to as Treasurer's Loans from time to time) to cover short-term operational deficits occurring as a result of imbalances between receipts and expenditures. The California Constitution prohibits Temporary Transfers by participants of the Treasury Pool (herein defined) (including the County) after the last Monday of April of each Fiscal Year, and in amounts in excess of 85% of the anticipated revenue accruing the Treasury Pool participant. Treasury Pool participants may utilize Temporary Transfers from time to time for various purposes. A Temporary Transfer must be repaid from the Treasury Pool participant's first revenues received thereafter before any other obligation and thus, in the case of the County, would have a priority over the County's general fund debt obligations. The County has not received any Temporary Transfers in the past ten years.

San Diego County Employees Retirement Association

The following information concerning the San Diego County Employees Retirement Association (the "Association") has been excerpted from publicly available sources, which the County believes to be accurate, or otherwise obtained from the Association. The Association is not obligated in any manner for payment of debt service on the San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center) Series 2016A (the "Series 2016A Bonds") described in the forepart of the Official Statement, and the assets of the County's pension plan are not available for such payment. The Association issues publicly available reports, including its financial statements, required supplementary information and actuarial valuations for the herein described pension plan and retiree health plan. The reports are available on the Association's website: http://www.sdcera.org/investments.htm. Information on such site is not incorporated herein by reference.

General

The San Diego County Employees Retirement Association (the "Association"), which was established July 1, 1939 under provisions of the County Employees Retirement Law of 1937 (the "Retirement Law"), administers the County's cost-sharing multiple-employer defined benefit pension plan covering substantially all compensated employees of the County. Benefits under the County's pension plan are paid in finite amounts, derived from a formula based on age, service credit and levels of compensation, as calculated by the Association in accordance with applicable law and agreements. As of June 30, 2015, there were 17,656 active members, 17,186 retired members and beneficiaries and 5,274 deferred members. Deferred members are those members whose employment has terminated with a participating employer and who left their respective retirement contributions with the Association. The system operates on a fiscal year basis, with its year ending June 30. The pension system currently has four tiers and provides retirement, disability, death and survivor benefits to its General and Safety members. Tier A (with 12,253 active members as of June 30, 2015) and Tier I (with 34 active members as of June 30, 2015) are closed to new entrants, and Tier II was eliminated for active members. Tier B (with 2,173 active members as of June 30, 2015) became effective on August 28, 2009, and on January 1, 2013, Tier C became the current open plan for all newly hired employees. Tier C (with 3,196 active members as of June 30, 2015) was implemented by the County pursuant to the California Public Employees' Pension Reform Act ("PEPRA"), which requires the County to impose certain retirement benefit changes for new employees who become new members on or after January 1, 2013.

The retirement benefit formula for general employees active prior to August 28, 2009 ("Tier A") is described as: 3% at 60, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum cost of living adjustment ("COLA"). The benefit formula for safety employees (being employees represented by the Deputy Sheriffs' Association, San Diego County Supervising Probation Officers' Association, San Diego Probation Officers' Association and the District Attorney Investigators Association) in Tier A is described as: 3% at age 50, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum COLA. A "Tier B" retirement benefit was created for newly hired general employees in all bargaining units effective August 28, 2009. Tier B has a benefit formula described as: 2.62% at 62, highest 3 years final average compensation, minimum retirement age of 55 and a 2% maximum COLA. For Tier B safety employees, the following benefit formula was created: 3% at 55, highest 3 years final average compensation, minimum retirement age of 50 and a 2% maximum COLA. Pursuant to State law, exceptions to the aforementioned minimum retirement ages exist for general employees with at least 30 years of service and safety employees with at least 20 years of service. In accordance with PEPRA, the County implemented two new tiers of retirement benefits ("Tier C"). For general employees, Tier C has a benefit formula described as 2% at 62. For safety members, Tier C has a benefit formula described as 2.7% at 57. The implementation of Tier C is mandated and therefore is not subject to negotiation. However, additional provisions of PEPRA, which allow employers to share some or all of the employers' normal cost and UAAL cost with current employees, are subject to negotiation.

The County is one of the employers that participate in the Association. In addition to the County, participating employers include the San Diego Superior Court (the "Court"), the SDCERA, the Local Agency Formation Commission and the San Dieguito River Valley Joint Powers Authority. The County and these other participating employers are collectively referred to herein as the "Employers" and contributions to the Association made by such Employers are referred to herein as "Employer Contributions." The County's share is approximately 92% of the annual Employer Contributions to the Association and the other participating Employers are obligated to make approximately 8% of the annual Employer Contributions to the Association, based on the estimated relative percentage of payroll of the County and the other participating Employers for Fiscal Year 2014-15. Separate from the Employers, the San Diego County Office of Education (the "Office of Education") has approximately nine retirees who participate in the Association's retirement plan and receive benefits, but no longer make contributions to the Association. Retirement benefits for these nine retirees are funded by contributions previously made by the Office of Education.

In 2015, the Association hired a new executive team, including a new chief executive officer, chief financial officer, and an in-house chief legal officer. In addition, the Retirement Board of the Association (the "Retirement Board") determined to transition to an internal investment management model for its portfolio, which included terminating the contract for outsourced investment management and hiring a new in-house chief investment officer.

General Funding Practices of the Association

Introduction. The Retirement Law requires the Association to commission an actuarial valuation and an experience study at least every three years. It is the Association's policy to conduct an actuarial valuation at least every three years; the Association's practice has been to conduct an actuarial valuation on an annual basis as of June 30 of each year, which is the end of the Association's fiscal year. The valuation must be completed by an Enrolled Actuary, covering the mortality, service, and compensation experience of the members and beneficiaries, and must evaluate the valuation assets and actuarially determined liabilities of the Association. The Retirement Law requires the Retirement Board to recommend to the Board of Supervisors and the other Employers such changes in the rate of contribution by the Employers and members, and in the County's and the other Employers' appropriations as necessary. Once the Retirement Board recommends any such changes, the Retirement Law requires the Employers (including the County) to implement such changes. The most recent actuarial valuation is as of June 30, 2015 (the "2015 Valuation"), prepared by Segal Consulting, the Association's actuary (the "Actuary").

At its September 3, 2015 meeting, the Retirement Board adopted the recommendations presented by the Actuary to decrease the inflation assumption to 3.00% from 3.25%, which resulted in a decrease in the assumed rate of return to 7.50% from 7.75%. These new assumptions are reflected in the 2015 Valuation, which will increase the County's pension contributions for Fiscal Year 2016-17.

Normal Cost and UAAL and its Calculation. Currently, the Association uses the "entry age actuarial cost method" to calculate the Employers' annual rates of contribution. The actuarially required contribution has two components, the "normal cost" and the amortized amount of the unfunded actuarial accrued liability ("UAAL"). Normal cost represents the portion of the actuarial present value of the benefits that the Employers and their respective employees will be expected to fund that are attributable to a current year's employment. The normal cost contribution amount is calculated based on a set of actuarial assumptions about future events pertaining to the amount and timing of benefits to be paid and the accumulation of assets to pay the benefits. Prior to the actuarial valuation as of June 30, 2013 (the "2013 Valuation") the normal cost for the General and Safety membership groups was calculated on an aggregate basis by taking the present value of future normal costs divided by the present value of future salaries to obtain a normal cost for all employees covered in that membership group. Beginning with the 2013 Valuation, the normal cost for each membership group is calculated by summing up the individual normal costs for each member covered in that membership group for the applicable year. The UAAL may increase or decrease as a result of changes in actuarial assumptions or methods, statutory provisions, benefit improvements and other experience which differs from that anticipated by the actuarial assumptions. There is a lag between the point in time at which the actuary completes the actuarial valuation and the date that the contribution rates calculated in the valuation go into effect. This lag is typically 12 months. For example, the recommended contributions contained in the actuarial report as of June 30, 2015 apply to contributions to be made by the County and the other Employers for the Fiscal Year beginning July 1, 2016.

The UAAL calculation is necessary to determine how sufficient the assets in the Association are to fund, as of the date of calculation, the accrued costs attributable to currently active, deferred vested members and retired members. The funding sufficiency is typically expressed as the ratio of the valuation assets to the actuarial accrued liabilities. If the actuarially calculated funding level of a plan is less than 100%, the plan has a UAAL. The UAAL is determined by comparing the actuarial assumptions made to actual experience. Examples of the data that are used in this process are the assumed (versus actual) rates of earnings on the assets of the plan, pay increases for current employees, disability retirements, retirement ages of active employees, and post-employment life expectancies of retirees and beneficiaries.

When measuring assets for determining the UAAL, many pension plans, including the Association, "smooth" gains and losses to reduce volatility. For example, if in any year the actual investment return on the Association's assets is lower or higher than the actuarial assumed rate of return (which is currently 7.50%, net of expenses), then the shortfall or excess, together with other experience gains or losses, is smoothed or spread over a five-year period. The impact of this will result in an actuarial value of assets which is lower or higher than the market value of assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss. In 2013, the Retirement Board adopted a one-time adjustment to the asset smoothing method to combine deferred investment gains and losses as of June 30, 2012 and recognize the net loss in equal amounts over a period of four and half years from June 30, 2013. The net deferred investment loss of approximately $170.6 million will be recognized over the period of June 30, 2013 through December 31, 2017. Smoothing such net loss over this same period results in approximately $37.9 million in investment loss being recognized annually.

Further, various plans use different amortization periods for paying off (or "amortizing") a UAAL. The amortization of the UAAL represents the current year's portion of the unfunded accrued costs (*i.e.*, the UAAL) attributable to past years' employment. Some plans use rolling periods and others use "fixed" periods, such as a 30-year fixed period, meaning that the actuarially required contribution in a particular year would be the unfunded actuarial accrued liability amortized over the remaining years in the fixed period. On June 17, 2004, the Retirement Board changed the Association's amortization period from a 15-year rolling amortization period to a 20-year fixed (*i.e.*, decreasing) layered amortization period.

The 20-year fixed layered method of amortizing the UAAL amortizes each year's change in UAAL over a new 20-year period. Accordingly, the increase or decrease in UAAL from the current year's actuarial valuation began a new 20-year amortization schedule and the prior year increase or decrease in UAAL has 19 years remaining on its 20-year amortization schedule. In addition, as of July 1, 2013, any new UAAL resulting from plan amendments is amortized over separate decreasing 15-year periods, early retirement incentive programs are amortized over separate decreasing periods of up to five years, assumption and method changes are amortized over separate decreasing 20-year periods, and experience gains/losses are amortized over separate decreasing 20-year periods. As with other assumptions, the Retirement Board may change the amortization period from time to time, which would result in the Employer's contributions to the Association in a particular year being higher or lower.

Investors are cautioned that, in considering the amount of the UAAL as reported by the Association and the resulting amounts of required contributions by the County and the other Employers, this is "forward looking" information in that it reflects the judgment of the Retirement Board and the Association's actuary as to the amount of assets which the Association will be required to accumulate to fund future benefits over the lives of the currently active employees, vested terminated members and existing retired members. These judgments are based upon a variety of assumptions, one or more which may prove to be inaccurate or be changed in the future, and will change with the future experience of the Association.

Demographic Assumptions. The Retirement Board and the Association's actuary review the various demographic assumptions that are employed in calculating the normal cost rates against actual experience at least every three years. The Association's actuary last presented an experience study to the Association on April 19, 2013 with respect to results as of July 1, 2009 through June 30, 2012 (the "2012 Experience Study"). The 2012 Experience Study resulted in changes to certain assumptions, including the assumed future merit and longevity pay increases for current employees, the assumed rates of disability, the assumed retirement ages of active employees, the assumed ordinary withdrawal and vested termination rates, and the post-employment life expectancies of retirees and beneficiaries, all of which were used to prepare subsequent actuarial valuation reports, beginning with the 2013 Valuation. The next experience study is expected to be conducted in 2016 with respect to results as of July 1, 2012 through June 30, 2015.

Economic Assumptions. The Actuary prepares a review of economic actuarial assumptions every three years in conjunction with the demographic study. In conjunction with the economic actuarial assumption review dated April 9, 2013, the Retirement Board reduced the annual investment return assumption from, 8.00% to 7.75%, reduced the assumed inflationary salary rate from 3.50% to 3.25%, made no change in the assumed "across the board" salary assumption of 0.75% and changed the combined inflationary and real "across the board" salary increase assumption from 4.25% to 4.00%. These assumptions were used to prepare the actuarial valuations for fiscal year ended 2013 and 2014. At its September 3, 2015 meeting, the Retirement Board adopted the recommendations presented by the Actuary to decrease the inflation assumption to 3.00% from 3.25%, which resulted in a decrease in the assumed rate of return to 7.50% from 7.75%. These new assumptions are reflected in the 2015 Valuation, which will increase the County's pension contributions for Fiscal Year 2016-17. The next review of economic assumptions is expected to be conducted in conjunction with the next demographic experience study, which, as noted above, is expected to occur in 2016 and will reflect recent changes to the strategic asset allocation policy (see Investment section below).

Funding Status of the Association

Current Status. As of June 30, 2015, the date of the most recent actuarial valuation report, the valuation value of assets of the Association was approximately $10.535 billion and the actuarial accrued liability was approximately $13.080 billion, resulting in a funded ratio of approximately 80.5% and an UAAL of approximately $2.544 billion on a valuation value of assets basis. By comparison, the funded ratio as of June 30, 2014 was 80.9%, reflecting valuation value of assets of approximately $9.824 billion, actuarial accrued liability of approximately $12.141 billion and the UAAL of approximately $2.317 billion. See Table 1 – Historical Funding Status. This increase in the UAAL was offset by a higher than expected return on the valuation value of assets after "smoothing", lower than expected salary increases and lower than expected cost-of-living increases in the benefits for retirees and beneficiaries. The total unrecognized investment loss as of June 30, 2015 was $249.4 million (compared to an unrecognized gain of $285.5 million as of June 30, 2014), which amount will be recognized in the determination of the actuarial value of assets for funding purposes over the next five years, to the extent it is not offset by recognition of investment gains derived from future experience. If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 80.5% to 78.6% and the aggregate employer contribution rate would increase from 36.84% of payroll to 38.37% of payroll. The actuarial value of assets and the UAAL may increase or decrease based on investment results of the Association being above or below the actuarially assumed rate of return of 7.50% per annum as a consequence of increases or decreases in the securities market. Based on the foregoing, earning the assumed rate of investment return of 7.50% per annum on a market value basis will result in investment losses on the actuarial value of assets and an increase in the County's contribution requirements in each of the next few years as the investment losses are recognized. No assurance can be given that the actuarial value of assets of the Association will not materially decrease. The Association reported total net pension assets of $10.330 billion (based on market value) as of June 30, 2015, compared to $10.180 billion as of June 30, 2014 (updated from the $10.185 billion set forth in the Preliminary Official Statement, dated as of January 28, 2016 (the "Preliminary Official Statement") for the Series 2016A Bonds (herein defined)), a $0.150 billion (updated from the $0.145 billion set forth in the Preliminary Official Statement) increase in net pension assets. Table 10 – Prospective Funding Status of the Association below reflects the projected funding status through Fiscal Year 2024-25. These projections are based on certain assumptions, including achieving a 7.50% return on investments described herein.

Historical Funding Status. Table 9 below sets forth for the ten years ended June 30, 2015 the amount of the total Employer Contributions and Employer Offsets made by the County and the other Employers. The contribution amounts are based on the market value of the pension assets, the valuation value of the pension assets, the actuarial accrued liability of the pension system, the UAAL and the funded ratio of the Association as of the end of the second preceding fiscal year, which are set forth in Table 9 below.

TABLE 9
HISTORICAL FUNDING STATUS
Valuation Years Ended June 30, 2006 through 2015 and
Fiscal Years Ended June 30, 2008 through 2017
($ In Millions)

Valuation Date (June 30)	Net Market Value of Assets	Valuation Value of Assets	Actuarial Accrued Liability	UAAL[1]	Funded Ratio	Fiscal Year	Employer Contribution[1]	Employer Offsets[1]
2006	$7,330.9	$6,263.0	$7,495.3	$1,232.3	83.6%	2008	$236.8	$68.7
2007	8,444.5	7,250.4	8,082.5	832.1	89.7	2009	219.6	71.6
2008	8,408.0	8,236.9	8,722.3	485.4	94.4	2010	189.5	68.4
2009	6,192.0	8,413.1	9,198.6	785.6	91.5	2011	235.4[2]	68.4
2010	6,878.2	8,433.3	9,999.2	1,565.9	84.3	2012	274.1	60.7
2011	8,182.9	8,542.3	10,482.7	1,940.4	81.5	2013	312.3[3]	45.6
2012	8,436.9	8,607.5	10,943.2	2,335.7	78.7	2014	353.8	40.9
2013	9,008.1	9,186.0	11,631.2	2,445.2	79.0	2015	386.0	28.7[4]
2014	10,185.4	9,824.4	12,141.1	2,316.7	80.9	2016	393.0	28.7[4][5]
2015	10,336.9	10,533.3	13,080.1	2,544.7	80.5	2017	429.0	25.0[4][5]

Source: Segal Consulting and San Diego County Employees Retirement Association Comprehensive Annual Financial Report.

(1) These contribution amounts reflect the aggregate contribution amount of all Employers and not only that of the County. In each year the amounts indicated under the columns Employer Contribution and the Employer Offsets were based on the valuations as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30 (as set forth in the table). Starting in Fiscal Year 2014-15, the County share of Employer Contributions and Employer Offsets are estimated to be approximately 92.0% based on the estimated relative percentage of payroll of the County for Fiscal Year 2012-13. Employer Contributions are from the valuation reports dated as of the end of the second preceding year ended June 30 as reflected in the table.

(2) Includes $205.8 million of required contributions plus an additional discretionary contribution of $29.6 million.

(3) Includes $298.1 million of required contributions plus an additional discretionary contribution of $14.2 million.

(4) The Employer Offsets (the County's pickup of member contributions) reflect negotiated offset savings in the current bargaining agreements which are reflected in the County's Fiscal Years 2015-17 Adopted Budget plus Employer Offsets from other agencies based on Fiscal Year 2014-15 Actual Offset as of June 2015.

(5) Projection.

Employee Contributions Paid by the Employers. In addition to making annual contributions to the Association in accordance with the applicable actuarial valuation, the Employers also have agreed pursuant to the collective bargaining arrangements with their employee unions dating back to 1982 to pay a portion of the employees' required contribution to the Association (these payments by the Employers are referred to herein as the "Employer Offsets"). For non-safety employees, the Employer Offsets range from 0% to 4.67% of their salary, and for safety employees the Employer Offsets range from 0% to 2.33% of their salary. The amount of Employer Offsets are less than the total required employee annual contribution. Current bargaining arrangements will phase out the Employer Offsets until their cessation in Fiscal Year 2017-18. See "County of San Diego Employees – Retirement Amendments" herein.

Prospective Funding Status of the Association

Table 10 below sets forth projections by the Actuary relating to future Employer Contribution amounts, Employer Offsets, UAAL, and funded ratio. The information contained in this table, and the related assumptions, are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various tabular information shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the Actuary and the Association, taking into account a variety of assumptions, a number of which are discussed herein. The County cannot predict whether the Association will achieve its assumed rate of return in the current or future years. Accordingly, prospective investors are cautioned to view these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 10
PROSPECTIVE FUNDING STATUS OF THE ASSOCIATION
Fiscal Years Ended June 30, 2017 through 2024
($ In Millions)

Fiscal Year	Employer Contributions[(1)(2)(3)]	Employer Offsets[(1)(2)(3)]	Valuation Date (June 30)	UAAL[(1)(2)(3)]	Funded Ratio[(1)(3)]
2017	$429	$25	2015	$2,545	80.5%
2018	462	4	2016	2,549	81.5
2019	478	0	2017	2,514	82.6
2020	496	0	2018	2,463	83.7
2021	515	0	2019	2,428	84.7
2022	532	0	2020	2,316	86.0
2023	547	0	2021	2,146	87.6
2024	563	0	2022	1,949	89.2

Source: Segal Consulting; County of San Diego.

(1) Employer Contributions for Fiscal Year 2017 are from the valuation report dated June 30, 2015.

(2) The following assumptions have been applied in preparing the foregoing estimates for Fiscal Year 2018 and beyond:

- (a) Reflects the economic and non-economic assumptions adopted by the Association Board for the June 30, 2015 valuation, and assumes all of the actuarial assumptions that were approved for use with the June 30, 2015 would be met in the future.
- (b) Under the Board's asset smoothing method, if the actual return on market value of assets is above/below the assumed expected return on market value of assets, the difference between the actual and the expected return will be recognized over a five year period. There was a total of $249.4 million in unrecognized investment loss as of June 30, 2015.
- (c) In projecting the payroll, the Actuary assumed that the estimated Fiscal Year 2015-16 payroll of $1,163.4 million used in the June 30, 2015 actuarial valuation will increase by 3.75% per annum (3.00% inflation plus 0.75% across-the-board salary increase) based on the recently adopted economic assumptions for the June 30, 2016 valuation.
- (d) The Employer Offsets (the County's pickup of member contributions) reflect negotiated offset savings in the current bargaining agreements which are reflected in the County's Fiscal Years 2015-16 Adopted Budget and include elimination of offset for all employee groups except the Deputy Sheriff's Association effective June 2017, and elimination of offset for the Deputy Sheriff's Association effective June 2018.
- (e) The County adopted General Tier B and Safety Tier B plan for members hired on or after August 28, 2009. The County has implemented General Tier C and Safety Tier C as required under the California Public Employees' Pension Reform Act of 2013 (CalPEPRA) for employees who become New Members on or after January 1, 2013. Because Tier C is a lower benefit, there will be a gradual reduction in the employer's aggregate normal cost as a bigger portion of the Association's active workforce is covered by the less expensive plans. The cost reductions are reflected in the projections.
- (f) The Association Board will not restore the 1% Contingency Reserve until after the Association has Available Earnings remaining after crediting interest to all valuation reserves.

(3) The County is obligated to make approximately 92% of the annual Employer Contributions to the Association and the other participating employers are obligated to make approximately 8% of the annual Employer Contributions to the Association, based on the estimated relative percentage of payroll of the County and the other participating employers for Fiscal Year 2014-15.

(4) In each year the Employer Required Contribution and the Employer Offsets will be based on the UAAL as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30 as reflected in the table.

Investment

General. The Retirement Law and the California Constitution grant the Retirement Board exclusive control over the investment of the Association's assets. The Retirement Law and the

Constitution provide general guidelines which generally require the Retirement Board to manage the investments for the purpose of providing benefits to members, minimizing Employer Contributions, and defraying the reasonable expenses of administering the Association. The Retirement Law and the Constitution further require the Retirement Board to manage the Association's investments prudently and to diversify investments in the manner and to the extent it deems appropriate. See "County Financial Information – San Diego County Employees Retirement Association – Investment – Investment Policy and Asset Allocation Policy" below.

Investment Policy and Asset Allocation Policy. The Retirement Board has adopted an Investment Policy Statement, which was last revised in November of 2015 along with related policies that establish investment return and risk objectives and provide comprehensive guidelines with respect to the diversification of assets, the appropriate securities for investment, lending of securities, commission recapture, use of leverage, value-added strategies, proxy voting and corporate governance issues. The total investment portfolio was $8.3 billion as of June 30, 2011, $8.5 billion as of June 30, 2012, $9.1 billion as of June 30, 2013, $10.2 billion as of June 30, 2014, $10.3 billion as of June 30, 2015, and $10.1 billion as of December 31, 2015.

Embedded within the Investment Policy Statement are strategic asset allocation targets and benchmarks (the "Asset Allocation Policy") pursuant to which the Association's assets are diversified across asset classes, including liquid equity, fixed income, alternative/beta/opportunistic/other, and private assets. Table 11 below sets forth the Association's current Asset Allocation Policy, effective as of December 31, 2015. The Asset Allocation Policy, which is managed and monitored by the Association's general investment consultant with oversight by the Association's staff, was approved on November 5, 2015 to allocate investments across asset classes so that no single asset class has any disproportionate influence on the portfolio's return within a wide range of economic scenarios. The revised Asset Allocation Policy is a significant adjustment from the previous asset allocation policy. Specific changes in the revised Asset Allocation Policy include elimination of the use of total portfolio leverage, elimination of the use of risk parity as a core investment strategy and introduction of the use of low-cost index funds.

TABLE 11
SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
STRATEGIC ASSET ALLOCATION TARGETS AND BENCHMARKS

Asset Class	Policy Target	Minimum	Maximum	Benchmark
Global Equity	3%	0%	6%	MSCI ACWI IMI Index
U.S. Equity	18%	13%	23%	MSCI USA IMI Stock Market Index
Non-U.S. Equity: Developed	15%	12%	18%	MSCI EAFE IMI Index
Non-U.S. Equity: Emerging	9%	6%	11%	MSCI Emerging Markets IMI Index
Total Liquid Equity	**45%**	**42%**	**48%**	**MSCI ACWI IMI Index**
Fixed Income	**24%**	**21%**	**27%**	**Barclay's U.S. Intermediate Aggregate Index**
Alternative Beta / Opportunistic / Other	**8.0%**	**7.0%**	**9.0%**	**T-Bills plus 500 basis points**
Real Estate	9%	5%	12%	NCREIF ODCE Index plus 50 bps*
Private Equity	8%	3%	10%	MSCI ACWI IMI plus 200 basis point**
Private Real Assets	6%	3%	8%	MSCI ACWI IMI plus 200 basis points
Total Private	**23%**	**10%**	**max call**	**1/3 NCREIF ODCE Index plus 50 bps & 2/3 MSCI ACWI IMI plus 200 basis points**

Source: San Diego County Employees Retirement Association.
*Given the structure of the real estate portfolio, which includes an allocation to non-core investments, a 50 bps premium has been added to the core index for benchmarking purposes.
**Secondary benchmarks consisting of applicable peer data (vintage year, geography, etc.) and PME type reference points will be used.

The assumed rate of return adopted by the Retirement Board on September 3, 2015 is 7.50%. The investment return assumption of 7.50% recommended by the Actuary is based on a number of assumptions, including the average assumed passive rate of earnings by asset class from a sample of investment consultants to several public pension funds including the Association's investment consultant, and then applied to the Association's asset allocation policy portfolio.

From 2006 through 2009, the Retirement Board elected to maintain the assumed rate of earnings at 8.25% for the applicable fiscal year, a rate acceptable to the actuary, in part because the active management portfolio strategy of the Association, including the application of the Alpha Engine strategy, which the Association no longer uses, historically yielded rates of earnings substantially higher than the rates recommended by the Actuary. From 2010 through 2012, the Retirement Board used an assumed rate of return of 8.0%. From 2012 through 2014, the Retirement Board used an assumed rate of return of 7.75%.

Historical Investment Return. The historical annual net investment return on the market value of the Association's entire investment portfolio, after management fees, was 2.68% for the year ended June 30, 2015, 7.86% for the three years then ended 9.90% for the five years then ended and 6.08% for the ten years then ended. This compares to the 7.50% actuarial assumed rate of return that the Association's actuary uses to calculate the normal Employer and employee contribution rates and the UAAL on a year-to-year basis (which is done by projecting into the future a variety of estimates, including how much will be earned on the assets of the Association in future years).

Hedge Funds. As of October 31, 2015, the fund was invested in 9 hedge funds with an approximate market value of $545,451,803 or 10.7% of the total market value of the portfolio.

Litigation Involving Prior Investment

On February 25, 2009, the United States Attorney's Office and the Federal Bureau of Investigation arrested the two principals of WG Trading Company ("WG TC"), a limited partnership fund in which the Association invested, on charges of securities fraud, wire fraud, and conspiracy to commit securities fraud and wire fraud. On the same day, all entities connected with the principals of WG TC were placed in receivership at the request of the U.S. Securities and Exchange Commission (the "SEC") and Commodities Future Trading Commission ("CFTC"). On December 31, 2008, based on WG TC's refusal to promptly and completely answer all questions presented during a due diligence investigation, the Association terminated the WG TC relationship and requested a full redemption of its investment. At that time, the Association had $78 million (including retained earnings) invested with WG TC, as reported by WG TC. The decision to terminate the WG TC relationship was a result of issues and concerns that arose during the due diligence review, fraud was not suspected at the time. The Association's agreement with WG TC allowed for a six-month redemption window; as described more fully below, not all of the assets have been returned to the Association.

In July 2009, the Chief Compliance Officer of WG TC pleaded guilty to certain charges. In July 2010, Paul Greenwood, one of the two principals of WG TC, pleaded guilty to seven counts alleging violations of federal law, including securities fraud, wire fraud, commodities fraud, conspiracy, and money laundering. The receiver appointed by the United States District Court for the Southern District of New York (the "Receiver") filed reports asserting that WG TC was operated as part of a Ponzi scheme because funds of WG TC were intermingled with those of a sister entity, which was found by the court to have been operated as a Ponzi scheme. The Receiver proposed that WG TC's assets be distributed pro rata to investors in both WG TC and its insolvent sister entity, not just to investors in WG TC. The Association and six other WG TC limited partners filed joint objections to the Receiver's proposal. However, at a hearing on the proposal held March 16, 2011 in the receivership proceedings, the United States District Court for the Southern District of New York approved the Receiver's plan of distribution, and on March 21, 2011, entered an order directing the Receiver to make a distribution in accordance with the plan. The Association and six other WG TC limited partners appealed the District Court's ruling to the United States Court of Appeals for the Second Circuit seeking a greater share of distributions on equitable grounds. The Second Circuit affirmed the District Court's distribution plan. Under that plan, the Association's allowed claims total $41.2 million. Three distributions totaling $40 million have been made to the Association to date. The amount of future distributions to the Association, if any, from the receivership cannot be assessed at this time.

Transfers of Investment Earnings by the Association

Introduction. Pursuant to statutory authority under the Retirement Law, the Retirement Board annually directs the crediting of the Association's investment earnings to reserves, some of which are part of valuation assets and some of which are not. Valuation assets are those assets used in calculating the UAAL and the funded ratio. For the purpose of such crediting, the Retirement Board has defined investment earnings as current income (*i.e.*, the interest, dividends, and rents) plus net realized capital gains on the book value of the Association's valuation and non-valuation assets. All of the Association's investment earnings are transferred to and kept in a reserve entitled the "Undistributed Reserve," and from there such earnings are transferred in accordance with Retirement Board policy. The Undistributed Reserve is currently not part of valuation assets and, except in certain limited circumstances described herein, amounts in the Undistributed Reserve are not included as assets for purposes of calculating the Association's UAAL.

Pursuant to the statutory authority of the Retirement Law, the Retirement Board has adopted an "Interest Crediting and Excess Earnings Policy", most recently amended in August 2007, which directs that investments earnings be transferred from the Undistributed Reserve to the following Association reserves, effectively, in the following order. First, such earnings are credited to the Association's valuation assets up to an amount determined by the Retirement Board's policies, currently in an amount equal to 7.50% of the value of the Association's valuation assets as of the end of the prior fiscal year. Second, a portion of such earnings is transferred to an Association Contingency Reserve (the "Association Contingency Reserve") to maintain the amount on deposit in the Association Contingency Reserve, which is not part of valuation assets, equal to one percent of the total market value of assets of the Association. The Association may transfer amounts from the Association Contingency Reserve to valuation assets when current investment earnings are insufficient to credit the valuation asset reserves with the 7.50% interest target. Earnings in excess of the amounts transferred to the Association Contingency Reserve are referred to herein as "Excess Earnings." The Association currently uses the change in actuarial value methodology to calculate Excess Earnings.

The Retirement Law permits the Association to use any Excess Earnings to fund the County Contribution Reserve to reduce any UAAL, to fund existing supplemental benefit reserves, and to fund new supplemental benefits, as may be adopted by the Retirement Board.

Excess Earnings Policy. The Retirement Board adopted an Excess Earnings Policy effective July 1, 2007 (the "Excess Earnings Policy") pursuant to which, after crediting the mandatory reserves with the assumed rate of interest, Excess Earnings would be available as follows:

- If the funded ratio of the Association as of any Fiscal Year end is below 90%, all Excess Earnings will be used to fund the pension liability.

- If the funded ratio of the Association as of any Fiscal Year end is between 90% and 100%, 75% of Excess Earnings will be used to fund the pension liability and the remaining 25% will be available to the Retirement Board for use at its discretion.

- If the funded ratio of the Association as of any Fiscal Year end is between 100% and 115%, 50% of Excess Earnings will be placed in the Association Contingency Reserve and 50% will be available to the Retirement Board for use at its discretion.

- If the funded ratio of the Association as of any Fiscal Year end is 115% or greater, the Retirement Board has total discretion as to the use of Excess Earnings.

Allocation of Excess Earnings to reserves that are not part of valuation assets may impact the UAAL and thus the amount of Employer Contributions required to fund pension benefits in the future. When earnings are held outside of valuation assets, those amounts are not available to decrease the UAAL because they are not available to pay benefits under the County's pension plan.

Historical Transfers of Investment Earnings. Table 12 below sets forth the amount of the Association's investment earnings that the Retirement Board has transferred from the Undistributed Reserve into reserves that are separate from valuation assets since Fiscal Year 2003.

TABLE 12
TRANSFERS OF INVESTMENT EARNINGS
TO NON-VALUATION RESERVES
Since Fiscal Year Ended June 30, 2003
(In Millions)

Fiscal Year	Post-Retirement Healthcare[(1)]	STAR COLA[(2)]	Contingency Reserve[(3)]	Total
2003	$ 0.0	$ 0.0	$ 0.0	$ 0.0
2004	0.0	19.6	19.8	39.4
2005[(4)]	0.0	9.3	8.5	17.8
2006	31.4	10.0	9.7	51.1
2007[(5)]	0.0	26.4	11.1	37.5
2008	0.0	0.0	(0.4)	(0.4)
2009	0.0	0.0	(2.2)	(2.2)
2010-2015	0.0	0.0	0.0	0.0
Total[(6)]	$31.4	$65.3	$46.5	$143.2

Source: The Association.

(1) Reflects amounts that the Association transferred to the Health Reserve from Excess Earnings for Fiscal Years 2002-03 through 2011-12. The Health Reserve was originally established to hold amounts with which the Association reimbursed the County for amounts that the County contributed for the payment of post-retirement healthcare benefits. See footnote (5) below regarding the restructuring of the Health Reserve in Fiscal Year 2007-08.

(2) Reflects amounts that the Association has transferred from Excess Earnings to a reserve established for the payment of STAR COLA. The Association began providing STAR COLA benefits in the year ended June 30, 1999, and transfers to the STAR COLA reserve began in the year ended June 30, 1998. The STAR COLA reserve was originally established to hold amounts to fund a supplemental targeted cost of living adjustment. See footnote [(5)] below regarding the restructuring of the STAR COLA reserve effective with the June 30, 2007 Valuation Report.

(3) Reflects amounts that the Association has transferred from the Association's investment earnings to the Association Contingency Reserve. The Association Contingency Reserve was created in the Fiscal Year ended June 30, 2002. Before the creation of the Association Contingency Reserve, the 1% contingency amounts required by the Retirement Law were maintained in the Undistributed Reserve and were not separated from valuation assets.

(4) The Retirement Board determined that no amounts would be transferred from Excess Earnings to the Health Reserve for the year ended June 30, 2005 based on a determination that the amounts on deposit in the Health Reserve at the time was sufficient to pay post-retirement healthcare benefits for at least 5 years from the date of determination.

(5) In Fiscal Year 2007-08, the Health Reserve was restructured as a "Supplemental Benefits Reserve". See "County Financial Information – Supplemental Pension Benefits" herein. Effective for the June 30, 2007 Valuation Report, the STAR COLA became a prefunded supplemental benefit for certain retirees. The $26.4 million shown in this table was the amount that, in addition to the balance in the STAR COLA Reserve, was needed to accomplish the prefunding. See "County Financial Information – STAR COLA Benefits" herein.

(6) Reflects the sum of the deposits for the years shown, not the current balance in the reserves.

In certain of the years indicated in the foregoing table, the amounts credited to the STAR COLA reserve and the Health Reserve were actually transferred after the end of the fiscal year with retroactive effect. The Association does not track either the Employer or the departments or funds of any Employer from which retired personnel receiving STAR COLA or health benefits, when in active service, were paid.

Reserve Levels. As of June 30, 2015, $21.8 million were on deposit in the Association Contingency Reserve, $18.1 million was on deposit in the Supplemental Benefits Allowance Reserve (restructured from the Health Reserve during Fiscal Year 2007-08), $4.4 million was on deposit in the Disability Supplemental Benefits Allowance Reserve, $6.6 million was on deposit in the 401(h) Reserve and $0 were on deposit in the STAR COLA or Undistributed Earnings Reserve.

Post-Retirement Healthcare Benefits

General. The Association offers to eligible retirees a health insurance allowance to offset or reimburse the cost of medical insurance premiums. A variety of healthcare and dental plans with varying providers and levels of premiums are sponsored by the Association. Once a retiree elects a particular healthcare or dental plan, the amount of the premium is deducted from the retiree's monthly retirement check. Alternatively, retirees may be reimbursed for health insurance premiums of non-Association sponsored plans. Effective July 1, 2007, the Association limited the health insurance allowance to retirees who retired under the Tier I or Tier II plan.

Nature of the Post-Retirement Healthcare Payments. The Retirement Law does not require the Association to provide any post-retirement healthcare payments. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain post-retirement healthcare benefits (although some members of the Association have stated that the County did promise retirees such benefits, which the County disputes). Therefore, in the view of County Counsel, the Association's payment of post-retirement healthcare benefits is an unvested benefit which can be cancelled at any time and for any reason by the Association. Nonetheless, the Association has continuously provided post-retirement healthcare benefits for many years.

Funding Source for Post-Retirement Healthcare Benefits. The Retirement Law authorizes a mechanism for the payment of post-retirement healthcare benefit costs pursuant to which a portion of the Employers' pension contributions are applied to the payment of these post-retirement healthcare benefits and the amounts of those contributions are credited to the Employers' valuation assets. In years past, the County designated up to 25% of its respective normal cost and employer offset annual contributions to the payment of the monthly medical allowance and Medicare Part B premium reimbursement to be recorded in a separate account (the 401(h) account) under the provisions of section 401(h) of the Internal Revenue Code. The designated amounts were determined by funding the post-retirement healthcare benefits on a pay-as-you-go basis. Upon receiving the County's 401(h) contribution, the Association would transfer an equal amount from the Health Reserve to the County Contribution Reserve (part of the Association's valuation assets) as a credit for the County's current-year contribution. Beginning on July 1 of Fiscal Year 2007-08, the funding mechanism changed. See *"Payment of the Annual Required Contribution for Post-Retirement Healthcare Benefits"* herein. Benefits paid to retirees from the 401(h) account are non-taxable.

Reporting Requirements Regarding Post-Retirement Benefits. In 2004, GASB issued two statements that address other post-employment benefits ("OPEB"), which are defined to include post-retirement healthcare benefits. GASB Statement No. 43, Financial Reporting for Post-employment Benefits Plans Other Than Pension Plans ("GASB 43") and GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions ("GASB 45"), establish accounting and financial reporting standards for OPEB in a manner similar to those currently in effect for pension benefits. The provisions of GASB 43 focus on the entity that administers such benefits (the Association) while GASB 45 focuses on the employer's reporting requirements (the County). The Statements require an actuarial valuation to determine the funded status of benefits accrued, along with other required information to be disclosed by the Association and the County. The Retirement Board adopted and implemented the provisions of GASB 43 as part of the Association's comprehensive annual financial report for the Fiscal Year ended June 30, 2007. The County has included the required disclosures beginning with the County's comprehensive annual financial report for the Fiscal Year ended June 30, 2008. The requirements that GASB 45 imposes on the County only affect the County's financial statements and would not impose any requirements regarding the funding of any OPEB plans.

Valuation of the Association's Post-Retirement Healthcare Benefits. The Association's actuary conducted an OPEB valuation as of June 30, 2014 (the "2014 OPEB Valuation") with respect to the eligible retirees and the benefit levels set by the Association. The 2014 OPEB Valuation reflected a decrease in the actuarial accrued liability of $16.1 million from June 30, 2012. The 2014 OPEB Valuation also reflected an annual required contribution of 1.94% of payroll, which is an increase from the annual required contribution of 1.94% of payroll as of June 30, 2012, the date of the prior OPEB valuation. The change in the actuarial accrued liability and the annual required contribution are attributable to a decrease in liabilities due to updated discount and mortality rate assumptions. The annual required contribution in the 2014 OPEB valuation is used to determine the contribution requirement for Fiscal Years 2015-16 and 2016-17. Any changes made by the Retirement Board to the assumed investment rate of return will apply to future OPEB valuations. The next OPEB valuation is be as of June 30, 2016.

Table 13 below sets forth the historical funding status of the Association's OPEB and the historical employer contribution amounts.

TABLE 13
HISTORICAL FUNDING STATUS
FOR POST-RETIREMENT HEALTHCARE BENEFITS
Years Ended June 30, 2007 through 2014
($ in thousands)

Funding Progress

Valuation Date	Valuation Assets	AAL	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
June 30, 2007	$ --[1]	$235,755	$235,755	0.0%	$1,020,991	21.2%
June 30, 2008	18,206	217,559	199,353	8.4	1,135,432	17.6
June 30, 2010	9,221	206,447	197,226	4.5	1,095,582	18.0
June 30, 2012	5,064	185,302	180,238	2.7	1,052,366	17.1
June 30, 2014	4,743	169,192	164,449	2.8	1,122,864	14.6

(1) Excludes $18.2 million available for benefits.

Employer Contributions
($ in thousands)

Year Ended	Annual Required Contribution	Contributions Made	Percentage of Required Contribution Made
June 30, 2009	$23,237	$23,237	100.0%
June 30, 2010	18,789	18,789	100.0
June 30, 2011	18,028	18,028	100.0
June 30, 2012	19,198	19,198	100.0
June 30, 2013	19,024	19,024	100.0
June 30, 2014	20,208	20,208	100.0

Source: The Association's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014 – Required Supplemental Information, citing the Segal Group, Inc. Biannual Actuarial Valuation; June 30, 2012 data from the County.

Payment of the Annual Required Contribution for Post-Retirement Healthcare Benefits. The County and other employers have determined to pay the ARC for OPEB as calculated by the Association's actuary. The payment of the ARC for OPEB is in addition to the Employers' regular pension contributions and is contingent upon the Association continuing to limit the retiree healthcare benefits to the Tier I and Tier II retirees and at levels no greater than were in effect on December 5, 2006, which are those benefit levels described under the caption "Post-Retirement Healthcare Benefits – General" herein. For the Fiscal Year ended June 30, 2014, the employers collectively paid $20.2 million to the Association for deposit into the 401(h) account, which satisfied the ARC for that year.

Historical Payments. Table 14 below sets forth the amounts for each of the ten years ended June 30, 2014 that the Association has paid to its members for post-retirement healthcare benefits.

TABLE 14
PAYMENTS FOR POST-RETIREMENT HEALTHCARE BENEFITS
Years Ended June 30, 2005 through 2014

Fiscal Year Ended June 30	Payments for Retiree Healthcare Benefits (in millions)
2005	$32.6
2006	32.9
2007	35.3
2008	24.4[(2)]
2009	23.6
2010	23.3
2011	21.5
2012	21.5[(1)]
2013	20.4
2014	20.0

Source: The Association.
(1) A portion of the indicated amounts are allocated to the administrative expenses related to the provision of the post-retirement healthcare benefits.
(2) Beginning with Fiscal Year 2007-08, healthcare benefits were paid from the 401(h) account, which had an available balance of $18.8 million on June 30, 2007 and received contributions from the employers of $23.6 million during that fiscal year.

Supplemental Pension Benefits

Beginning July 1 of Fiscal Year 2007-08, the Association stopped paying a non-taxable healthcare benefit to its previously eligible General Tier A retirees and Safety retirees covered by the 3% at age 50 benefit formula, and instead started paying to them a taxable pension supplement based on years of service. The source of these payments is the former Healthcare Reserve, which was converted to a Supplemental Benefit reserve. The supplemental benefit allowance ("SBA") ranges from $200 per month (10 years of service) to $400 per month (20 or more years of service). During Fiscal Year 2014-15, $14.1 million (updated from the $15.3 million set forth in the Preliminary Official Statement) was paid from this reserve to Tier A retirees, leaving a balance in the reserve of $18.1 million (updated from the $22.6 million set forth in the Preliminary Official Statement) on June 30, 2015 that is expected to provide for payments to eligible members through approximately 2016. In addition, the Association set aside $20.7 million in excess earnings from Fiscal Year 2006-07 to provide a taxable pension supplement to General Tier A members and Safety members covered by the 3% at age 50 benefit formula who retire because of a disability. Members who are granted a disability retirement and determined to be totally disabled are eligible for the maximum SBA ($400 per month) regardless of years of service. Members with less than 10 years of service credit who are granted a disability retirement and determined to be partially disabled are eligible for the minimum SBA ($200 per month). Since the Preliminary Official Statement, the Association has stated that during Fiscal Year 2014-15, a total of $1.2 million was paid to these disability retirees, leaving a balance in the Disability Supplemental Benefit Allowance Reserve on June 30, 2015 of $4.4 million.

STAR COLA Benefits

General. The STAR COLA benefits provide retirees with additional cost-of-living adjustments. The Retirement Board's STAR COLA policy preserves 80% of a retiree's purchasing power calculated against when that retiree retired. The Retirement Law does not require the Association to provide any STAR COLA payments. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain STAR COLA benefits.

Prefunding of STAR COLA Benefits. On August 2, 2007, the Retirement Board approved a permanent STAR COLA pre-funded supplemental cost-of-living increase benefit for eligible members. This action resulted in the transfer of the assets from the STAR COLA Reserve to valuation assets and the liability for the STAR COLA benefits for eligible members to be incorporated into the overall liabilities of the retirement fund. Eligible members are those whose accumulations equaled or exceeded 20 percent as of January 1, 2007. By this definition, eligible members are Tier 1 members who retired on or before March 31, 1982 and Tier II members who retired on or before March 31, 1989. The permanent STAR COLA benefit will be equal to the STAR COLA amount payable as of April 1, 2007 under the applicable laws. Effective April 1, 2008, this benefit is subject to the same cost-of-living increase paid by the Association on every April 1 up to 3% per annum.

Historical Practice and Payments. Prior to the August 2, 2007, Retirement Board action, the Retirement Board's historical practice had been to maintain an amount in the STAR COLA reserve that the Association's actuary estimated would be necessary to cover the costs of the STAR COLA benefits for current eligible retirees for five years. Each year, the Association's actuary prepared an estimate of the amounts necessary to be contributed to the STAR COLA reserve to meet this targeted level. For a discussion on actions of the Retirement Board with respect to the transfer of certain Excess Earnings to the Health Reserve and the STAR COLA reserve, see "County Financial Information – San Diego County Employees Retirement Association – Transfers of Investment Earnings by the Association" herein.

Table 15 below sets forth the amounts paid by the Association to retirees out of the STAR COLA reserve since 2001. The Association does not track either the Employer or the departments or funds of any Employer from which retired personnel receiving STAR COLA benefits, when in active service, were paid.

TABLE 15
PAYMENTS FROM STAR COLA RESERVE
Since Fiscal Year Ended June 30, 2001

Fiscal Year Ending June 30	Payments from STAR COLA Reserve (in millions)
2001	$ 8.2
2002	8.1
2003	7.2
2004	11.3
2005	11.0
2006	10.7
2007	10.4
since 2008[(1)]	0.0

Source: The Association.
(1) As a result of the restructuring of the STAR COLA Reserve effective with the June 30, 2007 Valuation Report, the STAR COLA Reserve has held no assets since Fiscal Year 2007-08 and the liability for STAR COLA benefits are incorporated into the overall liabilities of the retirement fund.

Pension Obligation Bonds

Introduction. The County has issued taxable pension obligation bonds ("POBs") from time to time and transferred the proceeds to the Association to reduce the UAAL existing at the time of issuance of the POBs. Under California law, the obligation to fund the UAAL by making actuarially required contributions is an obligation imposed by law. The effect of issuance of POBs is to finance that obligation and convert it from an obligation to make actuarially required contributions to an obligation to make interest and principal payments on bonds which are sold to the public.

County Pension Obligation Bonds. In February 1994, the County issued $430,430,000 in principal amount of POBs (the "1994 POBs") and in October 2002 the County issued an additional $737,340,000 in principal amount of POBs (the "2002 POBs"), in part to refund a portion of the 1994 POBs. In June 2004, the County issued $454,112,915.70 in principal amount of POBs (the "2004 POBs"). The County contributed to the Association an aggregate amount of $1,428,500,000 from the issuance of the 1994 POBs, the 2002 POBs and the 2004 POBs to reduce the UAAL. On August 15, 2007, the County prepaid in full all of the $100 million Series 2002C PINES and on February 15, 2008, the County prepaid $20 million of the Series 2002B-1 POBs (herein defined) with available cash, these two prepayments resulted in over approximately $7.5 million of annual interest savings to the County. In August 2008, the County prepaid $44 million of its Series 2002B-1 POBs, which resulted in approximately $3.06 million of annual interest savings to the County. On August 7, 2008, the County issued $443,515,000 aggregate principal amount of Taxable Pension Obligation Bonds, Series 2008A (the "2008A POBs") and Series 2008B (Variable Rate Demand Obligations) (the "2008B POBs" and, together with the 2008A POBs, the "2008 POBs"). The proceeds of the 2008 POBs were used to refund all of the then-outstanding 2002 B1-B4 POBs that were originally issued as auction rate securities (the "2002B POBs"). On July 1, 2009, the County prepaid in full all of the $100 million Series 2008B POBs, which resulted in approximately $4.5 million of annual interest savings. As of December 31, 2015, the County had POBs outstanding in the aggregate principal amount of $649.9 million. The County may, from time to time, finance all or a portion of the UAAL employer contributions through the additional issuances of POBs. The County has no variable rate POBs outstanding. See "County Financial Information – General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans" herein.

Pension Related Payments and Obligations

Payments. Table 16 below sets forth the estimated Employer Contributions, Employer Offsets and POB debt service for Fiscal Years 2017 through 2024. The estimates and related assumptions are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 16
PENSION RELATED PAYMENTS
Fiscal Years Ended June 30, 2017 through 2024
(In Millions)

Fiscal Year	Employer Contributions[1]	Employer Offsets[2]	County Pension Obligation Bonds Debt Service[3]	Total
2017[4]	$429	$25	$81.3	$550.3
2018[4]	462	4	81.4	547.4
2019[4]	478	0	81.4	559.4
2020[4]	496	0	81.4	577.4
2021[4]	515	0	81.4	596.4
2022[4]	532	0	81.4	613.4
2023	547	0	81.4	628.4
2024	563	0	81.4	644.4

Source: Segal Consulting; County of San Diego.

(1) These contribution amounts reflect the aggregate contribution amount of all Employers and not only that of the County. The County share of Employer Contributions and Employer Offsets are estimated to be approximately 92% based on the estimated relative percentage of payroll of the County for Fiscal Year 2014-15. See "County Financial Information – San Diego County Employees' Retirement Association – General" herein.

(2) Employer Offsets reflect negotiated offset savings in the current bargaining agreements, which are reflected in the County's Fiscal Year 2015-17 Revised Recommended Budget.

(3) Consists of regular principal and interest payments.

(4) Estimated. The amounts indicated are subject to the same assumptions as set forth in footnotes (1) through (3) to the "Prospective Funding Status of the Association" table herein.

Pension-Related Obligations. Table 17 below sets forth the estimated UAAL and expected outstanding principal amounts of POBs for the years indicated, assuming no additional POBs are issued and the outstanding POBs mature on their respective amortization schedules. The estimates contained in Table 17 and the related assumptions are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 17
COUNTY PENSION RELATED OBLIGATIONS
Fiscal Years Ended June 30, 2016 through 2022
(In Millions)

Fiscal Year	UAAL(1)	Outstanding Pension Obligation Bonds	Total Outstanding Obligations
2016	$2,549	$649.9	$3,199
2017	2,514	605.5	3,120
2018	2,463	558.5	3,022
2019	2,428	508.8	2,937
2020	2,316	456.0	2,772
2021	2,146	400.1	2,546
2022	1,949	340.8	2,290

Source: Segal Consulting; County of San Diego.
(1) Estimated. The UAAL information is based on the UAAL as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30, which is the amount that impacts the Employer Required Contribution and Employer Offsets in any given fiscal year. The amounts indicated are subject to the same assumptions as set forth in footnote (1) to the "Prospective Funding Status of the Association" table herein.

Accounting and Financial Reporting Standard. In 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), along with GASB 67 (see "San Diego County Employees Retirement Association – Financial Standard Reporting" herein). GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits, including the County. GASB 68, among other things, requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including specific guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost method. GASB 68 also addresses accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. The County's audited financial statements for Fiscal Year 2014-15 incorporate the requirements of GASB 68.

Risk Management

The County is required to obtain and maintain general liability insurance and workers' compensation insurance under various types of its financing lease obligations. These financing leases generally require general liability insurance to be issued by a responsible carrier or be in the form of self-insurance or self-funding to cover claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the facilities covered by such leases, affording protection with a combined single limit loss of not less than $5,000,000 per occurrence with respect to bodily injury, death or property damage liability. In addition, these financing leases generally require the County to obtain and maintain workers' compensation insurance issued by a responsible carrier or in the form of self-insurance or self-funding for all persons provided coverage by the County for workers' compensation benefits in connection with the facilities covered by such leases and to cover full liability for compensation under the labor code requiring workers' compensation. Any self-insurance or self-funding for these risks is subject to certain conditions, including, but not limited to, providing evidence of self-insurance and annual certification to the trustee with respect to such financing leases by an authorized representative of the County's risk management division or an independent insurance consultant of the sufficiency of coverage. Appropriation of such funds as may be necessary for self-funding, are made by the County.

The County operates a Risk Management Program, whereby it is self-insured for general liability, medical malpractice, automobile liability, and workers' compensation. The County purchases insurance coverage for all risk property losses, government crime insurance, including employee dishonesty and faithful performance, airport comprehensive liability, and aircraft hull and liability insurance. The amount of coverage varies depending on the type of policy. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. The County allocates the cost of providing claims service to all its operating funds as a "premium" charge expressed as a percentage of payroll, claim history and other factors as outlined in the California State Controllers' Cost Plan Procedures Manual. In accordance with Government Accounting Standards Board Statement 10, "Accounting and Financial Reporting for Risk Financing and Relating Insurance Items," the County established two Internal Service Funds, the Public Service Liability Fund and the Employee Benefits Internal Service Fund to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected general liability and workers compensation claim liabilities. These evaluations include estimates for claims incurred but not reported; allocated and unallocated loss adjustment expenses; and amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. At June 30, 2015, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $204.8 million, including $37.9 million in public liability and $166.9 million in workers' compensation. As of June 30, 2015, the Employee Benefits Internal Service Funds deficit was $42.6 million, which resulted primarily from the accrual of the estimated liability and costs associated with the reported and unreported workers' compensation claims as prepared by an actuary for the reporting period ending June 30, 2015. The liability increased to $166.9 million from the prior year's estimate of $153.8. The County intends to reduce the deficit through increased premium rate charges to County departments by $5 million per year in excess of projected operating expenses beginning in Fiscal Year 2015-16 for a 10 year period. As of June 30, 2015, the Public Liability Insurance Internal Service Fund deficit was $1.3 million, which resulted primarily from the accrual of the estimated liability based on an actuarial determination that overall losses had developed in significantly higher than expected. The liability increased to $37.9 million from the prior year's estimate of $30.9 million. The County intends to reduce this deficit through increased rate charges to County departments in Fiscal Year 2015-16, primarily based on the five-year history of actual expenditures by department.

The County will continue to purchase excess workers' compensation insurance for Fiscal Year 2015-16. The County does not carry excess liability insurance at this time.

Litigation

There is no pending litigation that would materially impact the ability for the County to pay its obligations.

Short-Term Borrowing

The County has issued tax and revenue anticipation notes ("TRANs") to the extent necessary or desirable for the purpose of financing seasonal cash flow requirements for general fund expenditures. The County last issued TRANs in 2013 and currently has no TRANs outstanding. The County does not anticipate any short-term borrowings for Fiscal Year 2015-16.

General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans

The County has no outstanding general obligation bonds. As of December 31, 2015, the County had POBs outstanding in the aggregate principal amount of $649.9 million. Starting with the financing of the El Cajon Administrative Building in 1955, the County has made use of various lease arrangements with joint powers authorities, a nonprofit corporation, a redevelopment agency and private parties to finance capital project needs. Under these arrangements, the financing entity usually constructs or acquires capital assets with the proceeds of lease revenue bonds ("LRBs") or certificates of participation ("COPs") and then leases the asset or assets to the County. As of December 31, 2015, the County had LRBs and COPs outstanding in the aggregate principal amount of $327.5 million. As of December 31, 2015, there were approximately $977 million aggregate principal amount of long-term general fund obligations outstanding. The annual long-term lease payments and annual debt service payments on the LRBs, COPs and POBs of the County aggregate to approximately $114.1million for Fiscal Year 2015-16. In November 2015 the County made an additional payment of $9,865,000 to repay the County of San Diego Certificates of Participation (North and East County Justice Facilities Refunding), dated September 8, 2005. Debt service on the aforementioned obligations and evidences of indebtedness are paid from amounts in the County's General Fund, a portion of which is reimbursed with amounts from various other revenue sources. The County has no outstanding variable rate obligations and does not have an outstanding liquidity facility in support of payment of any of its outstanding bonds payable from general fund revenues. See "County Financial Information – Pension Obligation Bonds" herein.

Table 18 below sets forth a summary of long-term obligations payable from the General Fund:

TABLE 18
COUNTY OF SAN DIEGO
SUMMARY OF LONG-TERM BONDED OBLIGATIONS
PAYABLE FROM THE GENERAL FUND
As of December 31, 2015
($ In Thousands)

	Interest Rates	Final Maturity Dates	Original Principal Amounts	Principal Amounts Outstanding
Certificates of Participation and Lease Revenue Bonds				
San Diego County Capital Asset Leasing Corporation ("SANCAL"):				
2009 Justice Facilities Refunding, issued October 2009	4.57-5.00%	2025	$ 80,940	47,190
2011 CAC Waterfront Park, issued August 2011	3.00-5.13%	2042	32,665	30,890
2012 Cedar and Kettner Development Project, issued October 2012	3.00-5.00%	2042	29,335	28,155
2014 Edgemoor and RCS Refunding, issued September 2014	0.82-5.00%	2030	93,750	88,835
Total SANCAL			$ 236,690	$ 195,070
San Diego Regional Building Authority (SDRBA):				
2009 COC Phase 1A, issued February 2009	4.00-5.38%	2036	136,885	123,780
2011 MTS Tower Refunding, issued May 2011	4.00-5.00%	2019	19,260	8,670
Total SDRBA			$ 156,145	132,450
Total Certificates of Participation and Lease Revenue Bonds			$ 392,835	$ 327,520
Taxable Pension Obligation Bonds:				
County of San Diego Pension Obligation Bonds, issued June 2004				-
Series A	5.37-5.87%	2022	241,360	200,595
Series B1, B2	5.91%	2024	147,825	147,825
County of San Diego Pension Obligation Bonds, issued August 2008				
Series A	5.18-6.03%	2027	343,515	301,440
Total Pension Obligation Bonds			$ 732,700	$ 649,860
Total General Fund Long-Term Bonded Obligations			$ 1,125,535	$ 977,380

Source: The County of San Diego Auditor and Controller.

Table 19 below sets forth a summary of outstanding principal and interest payments attributable to long-term obligations payable from the County General Fund. Funds for all principal and interest payments due throughout the fiscal year are deposited with the applicable trustee at the beginning of the fiscal year on July 5 or, if July 5 is not a business day, the first business day after July 5.

TABLE 19
COUNTY OF SAN DIEGO
SUMMARY OF OUTSTANDING PRINCIPAL AND INTEREST PAYMENTS ATTRIBUTABLE TO LONG-TERM OBLIGATIONS PAYABLE FROM THE GENERAL FUND
(as of December 31, 2015)[1]

	Certificates of Participation and Lease Revenue Bonds								Pension Obligation Bonds				
Fiscal Year	2005 North & East Justice Facilities	2009 COC	2009 Justice Facilities	2011 MTS Tower	2011 CAC Waterfront Park	2012 Cedar & Kettner Development	2014 Edgemoor & RCS Refunding	Subtotal	2002 Pension Obligation Bonds	2004 Pension Obligation Bonds	2008 Pension Obligation Bonds	Subtotal	Total General Fund Obligation
2016	$12,340,675	$9,874,744	$7,341,375	$2,650,000	$2,091,000	$1,665,075	$9,092,903	$45,055,771	$17,656,443	$41,337,148	$22,420,907	$81,414,497	$126,470,269
2017	0	9,877,144	7,333,238	2,678,800	2,092,250	1,661,625	9,094,090	32,737,146	0	42,965,099	38,373,607	81,338,705	114,075,852
2018	0	9,878,744	7,329,625	2,693,000	2,092,900	1,661,425	9,090,815	32,746,509	0	44,717,296	36,694,015	81,411,311	114,157,820
2019	0	9,877,644	6,474,375	2,694,875	2,091,300	1,665,225	9,083,667	31,887,086	0	46,507,149	34,906,405	81,413,555	113,300,640
2020	0	9,875,044	6,474,000	1,347,875	2,092,200	1,662,825	8,554,650	30,006,594	0	48,369,669	33,038,654	81,408,323	111,414,917
2021	0	9,878,444	6,472,125	0	2,093,400	1,662,325	8,556,500	28,662,794	0	50,283,425	31,128,216	81,411,642	110,074,435
2022	0	9,876,569	6,467,500	0	2,093,400	1,662,525	8,556,000	28,655,994	0	52,322,691	29,085,382	81,408,073	110,064,066
2023	0	9,874,869	6,147,125	0	2,092,550	1,661,525	8,559,125	28,335,194	0	54,439,051	26,892,208	81,331,260	109,666,453
2024	0	9,876,394	4,171,625	0	2,091,800	1,661,275	8,552,500	26,353,594	0	56,663,519	24,750,780	81,414,299	107,767,892
2025	0	9,874,644	4,160,250	0	2,092,600	1,662,475	8,555,500	26,345,469	0	58,942,024	22,478,030	81,420,054	107,765,523
2026	0	9,874,813	2,916,125	0	2,092,000	1,662,275	8,557,125	25,102,338	0	0	81,415,400	81,415,400	106,517,738
2027	0	9,878,438	0	0	2,092,688	1,660,675	8,556,625	22,188,425	0	0	67,113,947	67,113,947	89,302,372
2028	0	9,877,625	0	0	2,091,675	1,662,675	8,553,250	22,185,225	0	0	0	0	22,185,225
2029	0	9,875,106	0	0	2,091,450	1,662,975	8,560,875	22,190,406	0	0	0	0	22,190,406
2030	0	9,878,706	0	0	2,094,200	1,661,100	8,553,625	22,187,631	0	0	0	0	22,187,631
2031	0	9,877,506	0	0	2,089,200	1,663,288	0	13,629,994	0	0	0	0	13,629,994
2032	0	9,874,700	0	0	2,089,575	1,663,025	0	13,627,300	0	0	0	0	13,627,300
2033	0	9,876,200	0	0	2,092,819	1,660,225	0	13,629,244	0	0	0	0	13,629,244
2034	0	9,875,663	0	0	2,092,731	1,663,356	0	13,631,750	0	0	0	0	13,631,750
2035	0	9,877,013	0	0	2,089,313	1,664,856	0	13,631,181	0	0	0	0	13,631,181
2036	0	9,878,906	0	0	2,092,563	1,659,725	0	13,631,194	0	0	0	0	13,631,194
2037	0	0	0	0	2,091,969	1,663,144	0	3,755,113	0	0	0	0	3,755,113
2038	0	0	0	0	2,092,531	1,659,750	0	3,752,281	0	0	0	0	3,752,281
2039	0	0	0	0	2,093,994	1,663,000	0	3,756,994	0	0	0	0	3,756,994
2040	0	0	0	0	2,091,100	1,664,188	0	3,755,288	0	0	0	0	3,755,288
2041	0	0	0	0	2,088,850	1,668,313	0	3,757,163	0	0	0	0	3,757,163
2042	0	0	0	0	2,091,988	1,665,188	0	3,757,176	0	0	0	0	3,757,176
Total	$12,340,675	$207,408,913	$65,287,363	$12,064,550	$56,482,044	$44,894,058	$130,477,250	$528,954,852	$17,656,443	$496,547,071	$448,297,552	$962,501,065	$1,491,455,916

Source: County of San Diego.

(1) On November 16, 2015, the County of San Diego Certificates of Participation (North and East County Justice Facilities Refunding), dated September 8, 2005, were prepaid. The Fiscal Year 2015-16 debt service amount for such certificates of participation includes the prepayment.

Anticipated Capital Financings

A Capital Improvements Needs Assessment ("CINA") is prepared and presented annually to the Board of Supervisors to guide the development of both immediate and long-term capital projects. The CINA includes a comprehensive list of all current and anticipated capital projects over a five-year period. Capital projects are considered during the annual budget process unless the Board of Supervisors or the CAO recommends mid-year adjustments to the budget as circumstances warrant to meet emergent needs or to benefit from unusual developments or purchase opportunities. The Fiscal Year 2015-2020 CINA was approved on April 7, 2015. It includes $407 million in currently approved and active projects, $104.1 million in recently completed projects and $717 million in partially funded and unfunded priority major and minor capital projects over the five-year time-frame of the CINA. All of the other projects included in the current CINA will be funded with alternative sources of revenue; debt financing is not anticipated for any of the anticipated projects.

Long-Term Financial Obligation Management Policy

Management of the County's long-term financial obligations are governed by Board Policy B-65 ("Policy"), which was expanded in November 2015 to provide guidelines regarding the County's overall financial strategy and policy as well as the management of long-term financial obligations. A Debt Advisory Committee ("DAC") consisting of the Chief Operating Officer, the Auditor and Controller and the Treasurer-Tax Collector, established by the Chief Administrative Office, reviews proposed financings. DAC approval is required prior to consideration of a financing by the Board of Supervisors. Prior to any recommendation by DAC to move forward with a long-term financial obligation, there shall be an assessment of the ability to repay the obligation, identification of the funding source of repayment, evaluation of the impact of the ongoing obligation on the current budget and future budgets, assessment of the maintenance and operational requirements of the project to be financed, and consideration of the impact on the County's credit rating. The Policy also provides for the filing of notices of completion on all projects within five years of their financing, continuous review of outstanding obligations for economically feasible and advantageous refinancing opportunities and the periodic reporting of unspent capital project funds through quarterly or year-end budget reports. The Policy prohibits the use of long-term financial obligations to fund current operations or for recurring purposes, and the issuance of variable rate obligations in excess of 15% of the County's outstanding long-term obligations. Additionally, the Policy states that annual debt service requirements shall not exceed 5% of General Fund revenue. Exceptions to the provisions of the Policy are permitted in extraordinary conditions.

Swap Policy

In 2004, the DAC approved an Interest Rate Swap Policy (the "Swap Policy") establishing guidelines for the execution and management of the County's use of interest rate and other swaps and other similar products (the transactions involving such products being referred to herein as "Swap Transactions"). The Swap Policy is reviewed, and updated as necessary, annually by the DAC. The County may integrate Swap Transactions into its overall debt and investment management programs in a prudent manner to, among other things, enhance the relationship between risk and return with respect to debt or investments, achieve significant savings as compared to products available in the cash market, provide a higher level of savings, lower level of risk, greater flexibility, or other direct benefits not available in the cash market and achieve more flexibility in meeting overall financial objectives than can be achieved in conventional markets, all in accordance with the parameters set forth in the Swap Policy and consistent with the County's overall long-term financial obligation management policy. Pursuant to the Swap Policy, the total notional amount of all Swap Transactions executed by the County shall not exceed 30% of the outstanding principal of the County's long-term debt obligations at the time of execution. The County has no outstanding Swap Transactions.

Overlapping Debt and Debt Ratios

Table 20 sets forth a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated as of January 1, 2016. The Debt Report is included for general information purposes only. The County has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report does not include the Series 2016A Bonds described in the forepart of this Official Statement.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County in whole or in part. Such long-term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

TABLE 20
COUNTY OF SAN DIEGO
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
(As of January 1, 2016)

2015-16 Assessed Valuation: $453,315,509,897 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/16
Metropolitan Water District	17.458%	$ 19,276,767
Grossmont-Cuyamaca Community College District	100.000	238,589,230
Palomar Community College District	100.000	515,273,251
San Diego Community College District	100.000	1,266,024,827
Southwestern Community College District	100.000	336,243,676
Carlsbad Unified School District	100.000	180,904,759
Oceanside Unified School District	100.000	228,627,478
Poway Unified School District SFID Nos. 2002-1 and 2007-1	100.000	331,237,653
San Diego Unified School District	100.000	2,328,274,211
San Marcos Unified School District and School Facilities Improvement District	100.000	280,874,655
Vista Unified School District	100.000	102,214,882
Other Unified School Districts	100.000	26,828,140
Grossmont Union High School District	100.000	493,756,773
San Dieguito Union High School District	100.000	261,260,000
Sweetwater Union High School District	100.000	329,596,637
Other Union High School Districts	100.000	100,575,073
Cajon Valley Union School District	100.000	181,087,088
Chula Vista City School District and School Facilities Improvement District	100.000	93,505,000
San Ysidro School District	100.000	131,872,132
Other School Districts	100.000	423,776,543
Otay Municipal Water District	100.000	4,580,000
Cities	100.000	88,365,000
Grossmont Healthcare District	100.000	266,188,330
Palomar Pomerado Hospital District	100.000	467,510,127
Community Facilities Districts	100.000	1,404,597,743
1915 Act Bonds (Estimated)	100.000	88,208,027
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$10,189,248,002

DIRECT AND OVERLAPPING GENERAL FUND DEBT:	% Applicable	Debt 1/1/16
San Diego County General Fund Obligations	**100.000%**	**$ 327,520,000**
San Diego County Pension Obligations	**100.000**	**649,860,000**(1)
San Diego County Superintendent of School Obligations	100.000	14,580,000
Community College District Certificates of Participation	100.000	7,350,000
Poway Unified School District Certificates of Participation	100.000	62,248,869
San Marcos Unified School District Certificates of Participation	100.000	54,268,327
Other Unified School District Certificates of Participation	100.000	92,478,000
High School District Certificates of Participation	100.000	114,160,000
Chula Vista City School District Certificates of Participation	100.000	128,550,000
Other School District Certificates of Participation	100.000	107,951,344
Otay Municipal Water District Certificates of Participation	100.000	43,560,000
City of Chula Vista General Fund Obligations	100.000	104,450,000
City of Encinitas General Fund Obligations	100.000	52,915,000
City of San Diego General Fund Obligations	100.000	626,770,000
City of Vista General Fund Obligations	100.000	96,120,000
Other City General Fund Obligations	100.000	83,244,960
Special District Certificates of Participation	100.000	8,855,000

(Continued on next page.)

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TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT	$2,574,881,500
Less: Otay Municipal Water District Certificates of Participation (100% supported)	43,560,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT	$2,531,321,500
OVERLAPPING TAX INCREMENT DEBT:	$1,547,849,269
GROSS COMBINED TOTAL DEBT	$14,311,978,771(2)
NET COMBINED TOTAL DEBT	$14,268,418,771

Ratios to 2015-16 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 2.25%
Combined Direct Debt ($977,380,000) 0.22%
Gross Combined Total Debt 3.16%
Net Combined Total Debt.. 3.15%

Ratios to Redevelopment Incremental Valuation ($45,801,715,536):
Total Overlapping Tax Increment Debt 3.38%

Source: California Municipal Statistics, Inc.
(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

SAN DIEGO COUNTY INVESTMENT POOL

General

The following information concerning the Treasury Pool of San Diego County (the "Treasury Pool") has been provided by the Treasurer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County is required to invest funds in accordance with California Government Code Sections 53635 et seq. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. All investments in the Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53635 et seq., authorities delegated by the County Board of Supervisors and the Treasurer's investment policy. Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the County Treasurer the authority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to a one-year period and must be renewed annually by action of the Board of Supervisors. In addition to funds of the County (and the various departments in the County, such as Public Works and Public Administration), funds of certain local agencies within the County, including school districts in the County, are required under state law to be deposited into County treasury ("Involuntary Depositors"). In addition, certain agencies, including community college districts, invest certain of their funds in the County treasury on a voluntary basis ("Voluntary Depositors" and together with the Involuntary Depositors, the "Depositors"). Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the "Treasury Pool" or the "Pool"). No particular deposits are segregated for separate investment.

Under State law, Depositors in the Pool are permitted to withdraw funds which they have deposited on 30 days notice. The County does not expect that the Pool will encounter liquidity shortfalls based on its current portfolio and investment guidelines or realize any losses that may be required to be allocated among all Depositors in the Pool.

The County has established an Oversight Committee pursuant to State law. The 11 members of the Oversight Committee include the County Treasurer, the Auditor and Controller, members of the public, and a representative from a special district and a school district. The role of the Oversight Committee is to review and monitor the Investment Policy that is prepared by the County Treasurer.

Treasury Pool's Portfolio

As of December 31, 2015, the securities in the Treasury Pool had a market value of \$8,510,205,666 and a book value of \$8,519,766,645 for a net unrealized loss of \$9,560,979.

The effective duration for the Treasury Pool was 0.75 years as of December 31, 2015. The duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Duration of 0.75 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 0.75%.

As of December 31, 2015, approximately 5.59% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 10.99% by community colleges, 44.75% by the County, 2.45% by the Non-County and 36.22% by K-12 school districts.

Standard & Poor's Rating Group maintains ratings of "AAAf" (extremely strong protection against losses and credit defaults) and "S-1" (low sensitivity to changing market conditions) on the Pool. The ratings reflect only the view of the rating agency and any explanation of the significance of such ratings may be obtained from such rating agency as follows: Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, 55 Water Street, New York, New York 10041.

Investments of the Treasury Pool

Authorized Investments

Investments of the Pool are placed in those securities authorized by various sections of the California Government Code, which include obligations of the United States Treasury, Agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities. Generally, investments in repurchase agreements cannot exceed a term of one year and the security underlying the agreement shall be valued at 102% or greater of the funds borrowed against the security and the value of the repurchase agreement shall be adjusted no less than quarterly. In addition, reverse repurchase agreement generally may not exceed 20% of the base value of the portfolio and the term of the agreement may not exceed 92 days. Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation. Base Value is defined as the total cash balance excluding any amounts borrowed (*i.e.*, amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods).

Legislation which would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. Monies in the Pool will be invested in compliance with California Government Code and the County's Investment Policy (the "Investment Policy").

The Investment Policy

The Investment Policy currently states the primary goals of the County Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the County Treasurer's control, the secondary objective is to meet the liquidity needs of the Pool Participants, and the third objective is to achieve an investment return on the funds under the control of the County Treasurer within the parameters of prudent risk management. The Investment Policy contains a goal that 50% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities spread over more than one year to five years. Furthermore, at least 25% of the securities must mature within 90 days. The maximum effective duration for the Pool shall be 1.50 years.

With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reverse repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements and/or securities lending agreements to 20% of the total investments in the Pool. The Investment Policy states that the purpose of reverse repurchase agreements shall be to invest the proceeds from the agreement into permissible securities that have the highest short-term credit ratings; to supplement the yield on securities owned by the Pool; or to provide funds for the immediate payment of an obligation. The maturity of the reverse repurchase agreement and the maturity of the security purchased shall be the same.

The County from time to time has engaged in securities lending transactions. Generally, these transactions involve the transfer by the governmental entity, through an agent, of securities to certain broker-dealers and financial institutions or other entities in exchange for collateral, and this collateral may be cash or securities. Most commonly, these transactions provide for the simultaneous return of the collateral to the securities borrower upon receipt of the same securities at a later date. Presently, the County has suspended its securities lending transactions program, but may decide to enter into a securities lending agreement in the future. Any such securities lending transactions are considered reverse repurchase agreements under the Investment Policy and, accordingly, the total principal amount of reverse repurchase agreements and securities lending agreements may not exceed 20% of the Pool. Since the inception of the County's securities lending program in 1987, there has not been any loss of principal to the Pool resulting from these securities lending transactions or the investment of the related collateral.

The Investment Policy also authorizes investments in covered call options and put options, which are options that the Treasurer sells to a third party the right to buy an existing security in the Pool or sell a security to the Pool, both at a specific price within a specific time period. Under the Investment Policy, securities subject to covered calls are not to be used for reverse repurchase agreements; cash sufficient to pay for outstanding puts are to be invested in securities maturing on or before the expiration date of the option; the maximum maturity of a covered call option/put option is to be 90 days and not more than 10% of the total investments in the Pool could have options written against them at any given time.

All investments in the Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53635 et seq., authorities delegated by the Board of Supervisors and the Treasurer's investment policy.

Certain Information Relating to Pool

Table 21 below reflects information with respect to the Pool as of the close of business December 31, 2015. As described above, a wide range of investments is authorized by state law. Investments mature and trading activity is constant. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following table were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on December 31, 2015, the Pool necessarily would have received the values specified.

TABLE 21
TREASURER-TAX COLLECTOR
SAN DIEGO COUNTY PORTFOLIO STATISTICS[(1)*]
(As of December 31, 2015)

	Percent of Portfolio	Weighted Average Maturity	Weighted Average Coupon	Yield to Maturity[(2)]	Current Par/Share	Book Value	Market Price	Market Value	Accrued Interest	Yield to Worst[(3)]	Unrealized Gain/Loss
Certificates of Deposit	0.69%	78	78	0.26%	$ 58,763,000	$ 58,763,000	1.00	$ 58,763,000	$ 2,199	0.26%	$ 0
Commercial Paper	25.31	117	117	0.57	2,161,000,000	2,156,612,481	1.00	2,153,882,439	0	0.57	(2,730,043)
Fannie Mae	8.13	640	525	0.99	690,668,000	692,722,264	1.00	691,546,667	2,009,260	0.96	(1,175,597)
Federal Farm Credit Bank Notes	5.06	327	327	0.53	431,000,000	430,854,560	1.00	430,217,200	465,160	0.53	(637,360)
Federal Home Loan Bank Notes	9.14	403	344	0.69	775,050,000	778,832,724	1.00	777,509,090	1,581,242	0.69	(1,323,634)
Federal Home Loan Mortgage Corp Notes	6.52	930	497	1.07	554,000,000	555,380,425	1.00	554,551,200	1,433,538	1.07	(829,225)
Money Market Funds	5.03	1	1	0.26	428,472,000	428,472,000	1.00	428,542,000	30,006	0.26	70,000
Negotiable CD	27.29	117	117	0.56	2,325,000,000	2,325,003,374	1.00	2,325,000,000	2,207,289	0.56	(3,373)
Repurchase Agreements	0.00	1		0.01	0	0	1.00	0	0	0.01	0
Supranational	4.69	730	433	0.93	398,734,000	399,649,480	1.00	398,702,070	1,068,457	0.93	(947,410)
U.S. Treasury Notes	8.14	781	781	0.95	689,000,000	693,476,337	1.01	691,492,000	1,750,791	0.95	(1,984,337)
Totals for December 2015	100.00%	326	268	0.67%	$8,511,687,000	$8,519,766,645	1.00	$8,510,205,666	$10,547,942	0.67%	$(9,560,979)
Totals for November 2015	100.00%	365	313	0.62%	$7,057,021,386	$7,065,021,740	1.00	$7,060,491,743	$10,421,342	0.62%	$(4,529,997)
Change From Prior Month		(39)	(45)	0.05	$1,454,665,614	$1,454,744,905	(0.00)	$1,449,713,923	$126,600	0.05	$(5,030,982)
Portfolio Effective Duration	0.75 years										

	December Return	Annualized	Fiscal Year to Date Return	Annualized	Calendar Year to Date Return	Annualized
Book Value	0.058%	0.685%	0.337%	0.669%	0.588%	0.588%
Market Value	0.058%	0.686%	0.337%	0.668%	0.585%	0.585%

Source: The County.

(1) Yield to maturity (YTM) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the maturity date.

(2) Yield to call (YTC) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the call date.

(3) Yield to worst (YTW) is the lesser of yield to maturity or yield to call, reflecting the optionality of the bond issuer.

(4) Yields for the portfolio are aggregated based on the book value of each security.

* All Investments held during the month of November 2015 were in compliance with the Investment Policy dated January 1, 2015. The projected cash flows indicate sufficient liquidity to meet all scheduled expenditures for the next 6 months.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition; and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district or community college district, but only if certain accountability measures are included in the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of *situs* among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, the voters through their approval of Proposition 111 amended Article XIII B. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, special district, authority or other political subdivision of the State (e.g. local governments) to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to a governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by or for the State, exclusive of certain State subventions for the use and operation of local government, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation of an entity of local government include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity and refunds of taxes. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments.

Article XIII B includes a requirement pursuant to which fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be transferred and allocated, from a fund established for that purpose, pursuant to Article XVI of the State Constitution. In addition, fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years. Further, Article XIII B includes a requirement that all revenues received by an entity of government, other than the State, in a fiscal year and in the fiscal year immediately following it that exceed the amount which may be appropriated by that entity in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income from the preceding fiscal year, or (ii) the percentage change in the local assessment roll from the preceding fiscal year for the jurisdiction due to the addition of local nonresidential new construction. Pursuant to the Revenue and Taxation Code, the State's Department of Finance annually transmits to each city and each county an estimate of the percentage change in the population of the city or the county.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The Board of Supervisors adopted the annual appropriation limit for Fiscal Year 2015-16 of approximately $4.7 billion. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. Based on the Fiscal Year 2015-16 Adopted Budget, the funds subject to limitation total approximately $1.7 billion (total General Operating Budget minus non-proceeds of taxes and debt service) and are approximately $3.0 billion below the Article XIII B limit.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 62

Proposition 62 was adopted by the California voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes imposed for specific purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) required that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, was invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers*

Association v. City of La Habra, et al. ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 218

On November 5, 1996, the California voters approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions limiting the ability of local governments, including the County, to impose and collect both existing and future taxes, assessments, fees and charges. The County is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal local taxes, assessments, fees and charges. However, other than any impact resulting from the exercise of this initiative power, the County does not presently believe that the potential impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County's ability to pay principal of and interest on the Series 2014 Certificates and perform its other obligations as and when due.

Article XIII C requires that all new, extended, or increased local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote of the electorate and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote of the electorate. These voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to local taxes, assessments, fees or charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

The repeal of local taxes, assessments, fees or charges could be challenged as a violation of the prohibition against impairing contracts under the contract clause of the United States Constitution. Subsequent to the amendment of Article XIII C, the State Legislature approved SB 919 (the "Proposition 218 Omnibus Implementation Act"), which directed that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that are or will be deposited into the County's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or Proposition 218 Omnibus Implementation Act, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below.

Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property related. The County is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County's General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected. As a result, there can be no assurances that the County would be able to pay the principal of and interest on the Series 2014 Certificates as and when due or any of its other obligations payable from the County General Fund.

Article XIII D added several requirements that generally made it more difficult for local agencies, such as the County, to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and the Proposition 218 Omnibus Implementation Act (as enacted in Government Code Section 53750) to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. In most instances, in the event that the County is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the County will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the County anticipates that any impact Article XIII D may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay the principal of and interest on the Series 2014 Certificates, as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency [subdivision (a) of Section 2 of Article XIII D defines an agency as any local government as defined in subdivision (b) of Section 1 of Article XIIIC] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new fees and charges and, after June 30, 1997, all existing property related fees and charges that are extended, imposed or increased must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase of such property-related fee or charge, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the County, two-thirds voter approval by the electorate residing in the affected area. The annual amount of revenues that are received by the County and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D of Proposition 218 is not substantial. Accordingly, the County does not presently anticipate that any impact Article XIII D may have on future fees and charges will adversely affect the ability of the County to pay the principal of and interest on the Series 2014 Certificates as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the fees and charges that presently finance them are reduced or repealed.

The County has a clean water enterprise fund which is self-supporting from fees and charges that may ultimately be determined to be property related for purposes of Article XIII D of Proposition 218. Further, the fees and charges of the County's enterprise funds, including those which are not property related for purposes of Article XIII D of Proposition 218, may be determined to be fees and charges subject to the initiative power as provided in Article XIII C of Proposition 218, as described above. In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the exercise of the initiative power, the County may have to choose whether to reduce or eliminate the service financed by such fees or charges or finance such service from its General Fund. Further, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would amend and supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

Proposition 1A

Proposition 1A ("Proposition 1A"), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides that the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See " – Proposition 22" below.

Proposition 22

Proposition 22 ("Proposition 22"), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See " – Proposition 1A" herein. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipates that Proposition 22 will require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The County does not believe that the adoption of Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2015-16.

Proposition 26

Proposition 26 ("Proposition 26"), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See " – Proposition 218") herein.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the County's fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 111, Proposition 1A, Proposition 62, Proposition 22, and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be predicted by the County.

STATE OF CALIFORNIA BUDGET INFORMATION

State of California Budget Information

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof ca.gov, under the heading "California Budget." An impartial analysis of the State's budget is posted by the Legislative Analyst's Office (the "LAO") at www.lao.ca.gov. In addition, certain State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, emma.msrb.org. The information referred to on the website of the State Treasurer is prepared by the State and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet address of the State Treasurer or for the accuracy, if any, or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2015-16

On June 24, 2015, the Governor approved the State Budget Act for Fiscal Year 2015-16 (the "Fiscal Year 2015-16 State Budget Act"), which projects Fiscal Year 2014-15 State General Fund revenues and transfers of $116.9 billion (inclusive $5.6 billion in fund balance from Fiscal Year 2013-14), total expenditures of $114.5 billion and a year-end surplus of $2.4 billion, of which $971 million would be reserved for the liquidation of encumbrances and $1.4 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2015-16 State Budget Act projects Fiscal Year 2015-16 State General Fund revenues and transfers of $115.0 billion (inclusive $2.4 billion in fund balance from Fiscal Year 2014-15), total expenditures of $115.4 billion and a year-end surplus of $2.1 billion, of which $971 million would be reserved for the liquidation of encumbrances and $1.1 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2015-16 State Budget Act states that despite stronger revenues compared to the previous fiscal year, the State budget remains precariously balanced and the State continues to have hundreds of billions of dollars in liabilities for deferred maintenance on its aging infrastructure and for retiree health care benefits for State employees and various pension benefits.

Features of the Fiscal Year 2015-16 State Budget Act affecting counties in general include, but are not limited to, the following:

1. The Fiscal Year 2015-16 State Budget Act augments the $1.9 billion appropriated for drought response since 2014 with an additional $1.8 billion of one-time resources, including funding to for county and other local projects. Of the additional funding, $1.5 billion consists of funding from Proposition 1, which was approved by voters in November 2014 to provide up to $7.5 billion in bonds for water storage, water quality, flood protection and watershed protection and restoration projects ("Proposition 1"). The Proposition 1 projects will include programs to address groundwater contamination, water recycling, safe drinking water, wastewater treatment, storm water management, groundwater sustainability and desalination. The Fiscal Year 2015-16 State Budget Act also includes $117 million to fund urban water conservation programs, agricultural water efficiency programs and related technical assistance, data collection and applied research.

2. The Fiscal Year 2015-16 State Budget Act includes repayment to local governments of the final mandate reimbursements for activities completed in 2004 or earlier (totaling $765 million).

3. The Fiscal Year 2015-16 State Budget Act assumes an additional Medi-Cal caseload of 3.7 million individuals and costs of $16.9 billion related to the implementation of the Affordable Care Act, which will be paid from State and federal moneys, and includes $40 million in State General Fund moneys to expand the scope of Medi-Cal coverage to qualified low-income immigrants effective May 2016.

4. The Fiscal Year 2015-16 State Budget Act provides for $270 million in State General Fund moneys to pay for In-Home Supportive Services overtime (assuming the overtime provision is upheld by October 1, 2015) and includes a one-time State General Fund augmentation of $226 million in Fiscal Year 2015-16 to restore service hours.

Proposed State Budget for Fiscal Year 2016-17

On January 7, 2016, the Governor released the 2016-17 Proposed State Budget, which projects Fiscal Year 2015-16 State General Fund revenues and transfers of $121.2 billion (inclusive $6.7 billion in fund balance from Fiscal Year 2014-15), total expenditures of $116.1 billion and a year-end surplus of $5.2 billion, of which $966 million would be reserved for the liquidation of encumbrances and $4.2 billion would be deposited in a reserve for economic uncertainties. The 2016-17 Proposed State Budget projects Fiscal Year 2016-17 State General Fund revenues and transfers of $125.8 billion (inclusive $5.2 billion in fund balance from Fiscal Year 2015-16), total expenditures of $122.6 billion and a year-end surplus of $3.2 billion, of which $966 million would be reserved for the liquidation of encumbrances and $2.2 billion would be deposited in a reserve for economic uncertainties. The 2016-17 Proposed State Budget states that, with California's complicated budget, there will continue to be year-to-year fluctuations, risk and cost pressures, including from the federal government and ballot initiatives, and maintaining a balanced budget for the long term will be an ongoing challenge that requires fiscal restraint and prudence.

Features of the 2016-17 Proposed State Budget affecting counties in general include, but are not limited to, the following:

1. The 2016-17 Proposed State Budget includes $1.1 billion in managed care organization tax receipts to fund Medi-Cal services, including administrative funding for the Coordinated Care Initiative and other critical health care services, and $9.2 billion for the In-Home Supportive Services ("IHSS") program. There is also proposed a new three-year tiered MCO tax plan that is estimated to result in $1.3 billion in net revenues, which will be used to fund current Medi-Cal activities, including the full-year restoration of the 7-percent across-the-board cuts to IHSS hours.

2. The 2016-17 Proposed State Budget includes an estimated $7.5 billion in expenditures for the federal Temporary Assistance for Needy Families program in Fiscal Year 2016-17, of which $5.4 billion is for CalWORKs program expenditures and $2.1 billion is for other programs.

3. The 2016-17 Proposed State Budget includes an estimated $741.9 million in Fiscal Year 2015-16 and $564.5 million in Fiscal Year 2016-17 for amounts redirected from counties pursuant to Assembly Bill 85 (Redirection of 1991 State Health Realignment).

4. The 2016-17 Proposed State Budget includes $1.107 billion base funding for Fiscal Year 2015-16 (with an estimated additional $96.8 million in funding, depending on growth) for 2011 Realignment programs, $489.9 million in vehicle license fee revenues (with additional amounts to be included depending on State revenue receipts) to fund various local assistance programs and $129.7 million for recidivism reduction programs pursuant to Senate Bill 678 (2011) with respect to community corrections multidisciplinary teams.

5. The 2016-17 Proposed State Budget includes a $3.1 billion cap and trade spending plan, which includes funds for a new local climate program for disadvantaged communities, increased spending for investments in waste management, and increases to the forestry sector, $323.1 million in one-time funding for critical drought response efforts, and increased investments in resource management and wildfire protection.

On January 11, 2016, the Legislative Analyst's Office (the "LAO") released its analysis of the Fiscal Year 2016-17 Proposed State Budget, entitled "The 2016-17 Budget: Overview of the Governor's Budget" (the "LAO Overview"). The LAO Overview suggests that the Legislature, in preparing the Fiscal Year 2016-17 State Budget, should begin the process with a robust target for reserves for the end of Fiscal Year 2016-17 and concentrate spending on one-time purposes, which would leave certain funds available for targeted ongoing commitments (particularly if the Legislature passes an extension of a proposed managed care organization tax) and better position the State for any near-term economic downturn. The LAO Overview states that the Fiscal Year 2016-17 Proposed State Budget's emphasis on reserves is prudent and focus on the State's infrastructure makes sense, although the latter proposal raises certain issues for the Legislature to consider, including whether the proposed funding sources are appropriate, whether funding is allocated to the highest priority and most cost-effective infrastructure needs and whether there is sufficient legislative oversight.

Future State Budgets

The County receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the County and other counties in the State.

The County cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control. See "County Financial Information – County's Fiscal Year 2015-16 Adopted Budget and the Operational Plan" herein.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

San Diego County is the southernmost major metropolitan area in the State. San Diego County covers 4,261 square miles, extending 75 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange counties form the northern boundary. San Diego County is approximately the size of the State of Connecticut.

Topography of San Diego County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of San Diego County. The climate is equable in the coastal and valley regions where most of the population and resources are located. The average annual rainfall in the coastal areas is approximately 10 inches.

San Diego County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence.

PETCO Park, located in the City of San Diego, provides a 42,000 fixed seat baseball stadium for the San Diego Padres. PETCO Park is located in a 26-block neighborhood that contains existing and proposed hotels, office space, retail and housing units within walking distance from the San Diego Convention Center and the Gaslamp Quarter. The baseball stadium is also within walking distance of a Trolley station and nearby parking facilities.

San Diego is also currently home to the San Diego Chargers football team (the "Chargers"), which petitioned the National Football League to relocate and was reportedly given the option, which must be exercised before January 2017, to move to the Los Angeles area. The Chargers have not announced their plans. The County Board of Supervisors has not taken action regarding the funding of a new stadium in San Diego County, and cannot determine with certainty at this time the potential effects on the County of any action taken by the Chargers.

The San Diego Convention Center includes 2.6 million total gross square feet and plans are in progress to expand the Convention Center into the nearby bayfront area. The expansion plans reportedly include an additional 80,000 square-feet ballroom, 101,000 square-feet of meeting room space and an additional 225,000 square-feet of exhibit space. The Convention Center generated approximately $1.3 billion in fiscal year 2012-13 in total economic impact (direct and indirect spending) and $19.2 million in total tax revenues.

San Diego County is also growing as a major center for culture and education. More than 30 recognized art organizations, including the San Diego Opera, the Old Globe Theatre productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in San Diego County. Higher education is provided through five two-year colleges and six four-year colleges and universities.

In addition to the City of San Diego, other principal cities in San Diego County include Carlsbad, Chula Vista, Oceanside, El Cajon, Escondido, La Mesa and National City. Most County residents live within 20 miles of the coast. Farther inland are agricultural areas, principally planted in avocados and tomatoes, while the easternmost portion of San Diego County has a dry, desert-like topography.

The County is the delivery system for federal, state and local programs. The County provides a wide range of services to its residents including: (1) regional services such as courts, probation, medical examiner, jails, elections and public health; (2) health, welfare and human services such as mental health, senior citizen and child welfare services; (3) basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated area, and law enforcement and libraries by contract to incorporated cities; and (4) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County. For information on County governance, see "THE COUNTY – GENERAL" herein.

Population

There are 18 incorporated cities in San Diego County, and several unincorporated communities. Table 22 below sets forth the population in San Diego County, the State and the United States for the years 2005 through 2015.

TABLE 22
POPULATION ESTIMATES
(In Thousands)
(Calendar Years 2005-2015)

Year	San Diego County(1)	Percent Change	State of California(1)	Percent Change	United States(1)	Percent Change
2005	2,970	0.23%	35,986	0.65%	296,410	0.9%
2006	2,983	0.43	36,247	0.73	299,398	1.0
2007	3,014	1.05	36,553	0.84	301,621	1.0
2008	3,051	1.23	36,856	0.83	304,060	0.9
2009	3,078	0.86	37,077	0.60	307,007	0.9
2010	3,095	0.55	37,254	0.65	309,347	0.8
2011	3,116	0.68	37,428	0.47	311,722	0.8
2012	3,128	0.39	37,681	0.68	314,112	0.8
2013	3,165	1.18	38,031	0.93	316,498	0.8
2014	3,192	0.85	38,357	0.86	318,857	0.7
2015	3,227	1.10	38,715	0.93	N/A	N/A

Sources: County and State Data – State of California Department of Finance; National Data – U.S. Bureau of the Census, Annual Population Estimates.

(1) As of July 1 of the year shown, except for 2015 data, which is as of January 1.

Employment

Table 23 below sets forth information regarding the size of the civilian labor force, employment and unemployment rates for San Diego County, the State and the United States for 2011 through 2015.

TABLE 23
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES 2011-2015[(1)]
By Place of Residence
(In Thousands)

	2011	2012	2013	2014	2015[(2)]
San Diego County					
Labor Force	1,582	1,594	1,590	1,546	1,573
Employment	1,424	1,453	1,470	1,447	1,497
Unemployment	159	142	120	99	76
Unemployment Rate	10%	9%	8%	6%	5%
State of California					
Labor Force	18,418	18,519	18,596	18,811	18,988
Employment	16,250	16,560	16,933	17,397	17,912
Unemployment	2,168	1,929	1,664	1,414	1,075
Unemployment Rate	12%	10%	9%	8%	6%
United States					
Labor Force	153,617	154,975	155,389	155,922	157,36
Employment	139,869	142,469	143,930	146,305	149,444
Unemployment	13,748	12,506	11,460	9,617	7,924
Unemployment Rate	9%	8%	7%	6%	5%

Sources: County and State Data – California Employment Development Department; National Data – U.S. Department of Labor, Bureau of Labor Statistics.

(1) Data is not Seasonally Adjusted.

(2) November 2015 Benchmark report; not seasonally adjusted.

The State of California Employment Development Department, Labor Market Information Division (the "EDD"), preliminarily estimates that, on a seasonally unadjusted basis, the civilian labor force in the County in September 2015 was 1,572,600, of which approximately 72,900 persons were unemployed. Based on preliminary estimates of the EDD as of November 10, 2015, the County's unemployment rate in November 2015 of 4.8%, on a non-seasonally unadjusted basis, was below that of the State at 5.7%.

Table 24 below sets forth the annual average employment within San Diego County by employment sector, other than farm industries, for 2011 through 2015.

TABLE 24
SAN DIEGO COUNTY
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES 2011-2015
(In Thousands)

	2011	2012	2013	2014	2015[2]
Employment Sector					
Mining and Logging	0.4	0.4	0.4	0.4	0.4
Construction	55.2	56.9	61.2	63.5	67.6
Manufacturing	93.1	94.3	94.6	96.4	98.1
Trade, Transportation and Utilities	200.8	207.7	212.3	214.8	218.3
Information	24.2	24.5	24.1	24.6	25.1
Financial Activities	67.5	70.1	71.4	70.5	71.9
Professional and Business Services	209.8	216.2	222.6	230.0	240.0
Educational and Health Services	162.8	170.4	179.3	186.9	194.3
Leisure and Hospitality	155.6	161.7	167.5	176.8	183.5
Other Services	47.6	49.1	49.2	52.3	52.8
Government	229.0	227.8	229.5	231.9	234.8
Total[1]	1,255.7	1,289.0	1,321.8	1,348.1	1,386.8

Source: California Employment Development Department, 2014 Benchmark.
(1) Reflects independent rounding.
(2) Reflects data as of November 2015.

Largest Employers

Table 25 below sets forth the ten largest employers in the County as of July 1, 2015.

TABLE 25
SAN DIEGO COUNTY
Ten Largest Employers
(As of July 1, 2015)[1]

Employer	Description	Number of local employees
UC San Diego	Higher education, research, health care	29,287
Sharp HealthCare	Health care, hospitals, medical groups, health services and health plans	16,896
Scripps Health	Hospitals, medical offices, clinics, home health services and ambulatory services	14,644
Qualcomm Inc.	Develops and delivers digital wireless communications products and services	13,500
Kaiser Permanente	Nonprofit health maintenance hospital, outpatient medical, urgent care and medical offices	7,535
UC San Diego Health System	Academic health system	7,229
YMCA of San Diego County	Nonprofit health maintenance	5,487
Rady Children's Hospital-San Diego	Health care, hospitals, health services and health plans	5,122
General Atomics (and affiliated companies)	Defense and energy systems services	5,088
San Diego State University	Higher education, research, health care	5,064

Source: San Diego Business Journal Book of Lists (2016).
(1) Excludes employers that did not disclose employee information or did not respond to the survey by the applicable deadline.

Regional Economy

Table 26 below sets forth San Diego County's Gross Domestic Product, which is an estimate of the value for all goods and services produced in the region, from 2010 through 2014.

TABLE 26
SAN DIEGO COUNTY
GROSS DOMESTIC PRODUCT
2010-2014

Year	Gross Domestic Product (In Millions)	Annual Percent Change Current Dollars San Diego
2010	$176.5	1.0%
2011	183.5	4.0
2012	193.1	5.3
2013	200.2	3.7
2014	206.8	3.3

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; reflects data as of September 23, 2015.

Economic activity and population growth in the local economy are closely related. Helping to sustain San Diego County's economy is the performance of three basic industries of the region, which consist of manufacturing, the military, and tourism.

Building Activity

Building permit valuation for both residential and non-residential construction in San Diego County in 2014 decreased relative to 2013 levels. Table 27 below sets forth the annual total building permit valuation and the annual new housing permit total from 2011 through 2015.

TABLE 27
COUNTY OF SAN DIEGO
BUILDING PERMIT ACTIVITY
2011-2015
(In Thousands)

	2011	2012	2013	2014	2015[1]
Valuation:					
Residential	$ 1,333,170	$ 1,609,782	$ 2,079,565	$ 1,818,853	$ 2,257,814
Non-Residential	1,072,628	1,235,122	1,405,194	1,920,627	1,705,402
Total	$ 2,405,798	$ 2,844,904	$ 3,484,759	$ 3,739,480	$ 3,963,216
New Housing Units:					
Single Family	2,258	2,100	2,575	2,276	2,899
Multiple Family	3,129	4,319	5,807	4,327	6,282
Total	5,387	6,419	8,382	6,603	9,181

Source: Construction Industry Research Board and California Homebuilding Foundation.
(1) Reflects data as of November 2015.

Commercial Activity

Table 28 below sets forth the taxable sales in the County for calendar years 2009 through 2013.

TABLE 28
SAN DIEGO COUNTY
TAXABLE SALES
Calendar Years 2009 – 2013
(In Thousands)

Type of Business	2009	2010	2011	2012	2013
Retail and Food Services:					
Motor Vehicle and Parts Dealers	$ 4,196,256	$ 4,486,375	$ 5,059,516	$ 5,851,723	$ 6,355,973
Furniture & Home Furnishings Stores	823,551	835,433	894,741	962,420	1,015,878
Electronics & Appliance Stores	1,200,897	1,266,563	1,315,328	1,261,183	1,297,063
Building Materials and Garden Equipment and Supplies	1,841,740	1,945,310	2,072,358	2,204,608	2,376,043
Food and Beverage Stores	1,934,812	1,943,969	2,010,404	2,087,821	2,179,811
Health & Personal Care Stores	732,221	789,760	869,965	876,663	915,651
Gasoline Stations	3,153,090	3,663,149	4,437,173	4,595,421	4,515,941
Clothing and Clothing Accessories Stores	2,560,683	2,769,897	2,988,756	3,208,810	3,425,325
Sporting Goods, Hobby, Book & Music Stores	989,236	995,179	1,009,226	1,003,947	1,031,505
General Merchandise Stores	4,254,037	4,381,526	4,528,053	4,695,436	4,784,812
Miscellaneous Store Retailers	1,405,774	1,384,312	1,433,298	1,473,767	1,539,376
Food Services and Drinking Places	4,717,292	4,873,578	5,214,419	265,508	556,994
Nonstore Retailers	148,931	140,437	152,055	5,665,929	5,954,220
Total Retail and Food Services	$27,958,518	$29,475,489	$31,985,292	$34,153,236	$35,948,594
All Other Outlets	11,770,139	12,148,147	13,105,090	13,793,799	14,348,737
Totals All Outlets	$39,728,657	$41,623,636	$45,090,382	$47,947,035	$50,297,331

Source: California State Board of Equalization, Taxable Sales in California.

Personal Income

Table 30 below sets forth the median household income for San Diego County, the State, and the United States between 2010 and 2014.

TABLE 29
MEDIAN HOUSEHOLD INCOME[(1)]
2010 through 2014

Year	San Diego County	California	United States
2010	$63,069	$60,883	$51,914
2011	63,857	61,632	52,762
2012	63,373	61,400	53,046
2013	62,962	60,194	53,046
2014	63,996	61,489	53,482

Source: U.S. Census Bureau – Economic Characteristics – American Community Survey.
(1) Estimated as of November 2015. In Inflation-adjusted dollars.

Foreclosures; Notices of Loan Default

As of the end of calendar year 2013, the number of foreclosures and notice of loan defaults issued in San Diego County have declined since 2008 and 2009 by 83% and 80%, respectively. For the three calendar years from 2011 through 2013, an average 51% of notices of loan default resulted in foreclosures and an average of 6% of all deeds recorded were foreclosures. The number of defaults and foreclosures from 2007 through 2012 have been attributed mainly to the prevalence of subprime home mortgage loans, which generally include a higher rate of interest than prime loans to compensate for the perceived increased credit risk of the borrower. The defaults and foreclosures on home mortgages have been offset by a variety of economic factors, including the growth in and diversification of the regional economy (see "Economic and Demographic Information – Regional Economy" herein.

Table 31 below sets forth information relating to notices of defaults and foreclosures in San Diego County for failure to pay mortgages from 2005 through 2015.

TABLE 30
NOTICES OF DEFAULT AND FORECLOSURES
Calendar Years 2005 through 2015

Calendar Year	Notices of Default	Foreclosures
2005	5,080	559
2006	10,294	2,065
2007	22,194	8,416
2008	34,069	19,577
2009	38,308	15,487
2010	24,835	13,467
2011	22,101	12,216
2012	16,597	7,195
2013	7,614	3,236
2014	5,855	2,036
2015	5,142	1,853

Source: County of San Diego Assessor/Recorder/County Clerk.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately three miles northwest of the downtown area and sits on 614 acres. The facilities are owned and maintained by the San Diego County Regional Airport Authority and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 18 passenger carries and six cargo carriers. In addition to San Diego International Airport there are two naval air stations and eight general aviation airports located in San Diego County.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in

1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado.

Visitor and Convention Activity

The climate, proximity to Mexico, multiple maritime facilities, and various attractions such as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory contribute to a high level of visitor and convention business each year. Contributing to the growth of visitor business has been the development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego Community Concourse.

San Diego's convention and visitor industry generated an estimated $22.1 billion in total tax revenues in 2015 according to an estimate by the San Diego Convention and Visitors Bureau (the "Visitors Bureau"). The Visitors Bureau also reported that the San Diego Convention Center events attracted more than 808,403 visitors and 70 out-of-town conventions and trade shows in 2015.

Military Economic Activity

Military and related defense spending are significant factors in the County's economy. The San Diego Military Economic Impact Study released by the San Diego Military Advisory Council in 2015 estimated that defense-related activities and spending generated an estimated $45 billion of gross regional product for the County in Fiscal Year 2014-15 and reported that the military sector was responsible for approximately 38,000 of the region's total jobs in calendar year 2015. The level of economic activity generated by this factor is expected to be affected by various federal consolidation and budget activities.

Education

Forty-two independent school districts provide educational programs for the elementary and secondary public school children in San Diego County. Each school system is governed by a locally elected board of education and administered by a superintendent or other chief administrative officer appointed by the board of education. In San Diego County there are three types of school districts: elementary, union high and unified. Elementary districts educate elementary students, union high districts educate for the most part secondary students, and unified districts educate both elementary and secondary students. There are currently 12 unified, 24 elementary and 6 union high school districts in San Diego County.

Community colleges in California are locally operated and administered two-year institutions of higher education. They offer Associates in Arts and Associates in Science degrees and have extensive vocational curricula. There are five community college districts in San Diego County with students at eleven campuses and numerous adult and community centers.

Among the institutions of higher education offering bachelors and graduate programs in metropolitan San Diego are San Diego State University, the University of California, San Diego, National

University, the University of San Diego, Point Loma Nazarene University, California State University – San Marcos, Alliant International University, the University of Phoenix, Thomas Jefferson School of Law and California Western School of Law.

APPENDIX B

COUNTY OF SAN DIEGO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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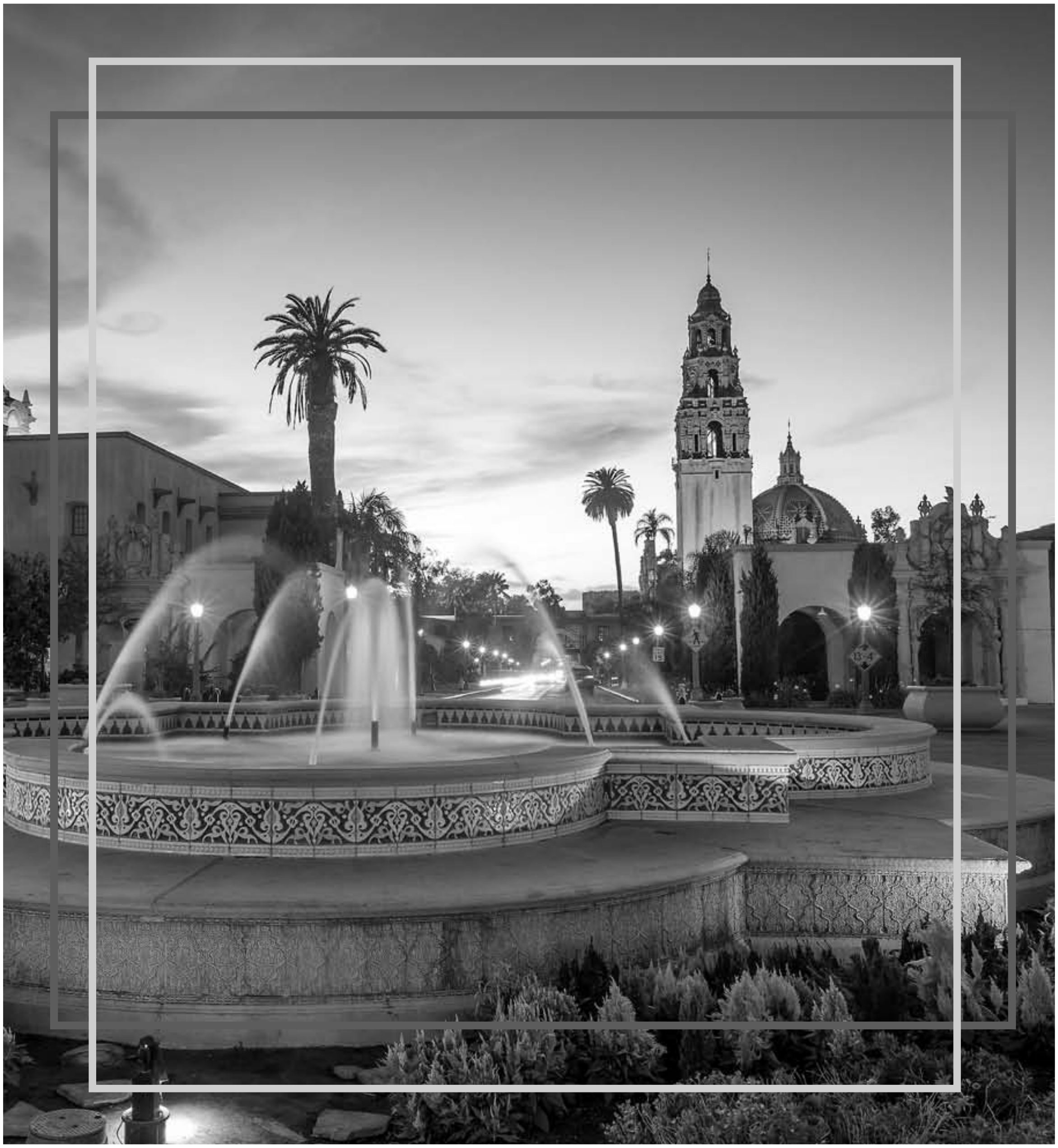
COUNTY OF SAN DIEGO, CALIFORNIA



Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2015

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County of San Diego, California

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2015




Board of Supervisors

Greg Cox	- District 1
Dianne Jacob	- District 2
Dave Roberts	- District 3
Ron Roberts	- District 4
Bill Horn	- District 5

Helen N. Robbins-Meyer
Chief Administrative Officer
(CAO)

Donald F. Steuer
Assistant CAO/
Chief Operating Officer

Compiled under the direction of:
Tracy M. Sandoval
Deputy CAO/
Auditor & Controller

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County of San Diego

TRACY M. SANDOVAL
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FINANCE & GENERAL GOVERNMENT GROUP
1600 PACIFIC HIGHWAY, SUITE 166, SAN DIEGO, CA 92101-2422

November 18, 2015

To the honorable members of the Board of Supervisors and the Citizens of San Diego County:

The Comprehensive Annual Financial Report (CAFR) of the County of San Diego (County) for the fiscal year ended June 30, 2015, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the County of San Diego's financial statements for the year ended June 30, 2015. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

County Profile

San Diego County is the southernmost major metropolitan area in the State of California and covers 4,261 square miles, extending 75 miles along the Pacific Coast from Mexico to Orange County, and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern boundary. The County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most of the population and resources are located. The average annual rainfall in the coastal areas is 10 inches, so the County is highly dependent on imported water.

In March 2011, the U.S. Census Bureau estimated the County's population for 2010 to be 3,095,313, an increase of 10.0% from the 2000 figure of 2,813,833. The State of California Department of Finance released population data incorporating the 2010 Census counts as the benchmark showing the County's revised population estimate for January 1, 2014 was 3,194,362 and the County's population estimate for January 1, 2015 was 3,227,496. San Diego is the second largest county by population in California and the fifth largest county by population in the nation, as measured by the U.S. Census Bureau. There are 18 incorporated cities in the County; the City of San Diego being the largest, with a population of approximately 1,345,895; and Del Mar is the smallest, with a population of approximately 4,234.

The racial and ethnic composition of the County is as diverse as its geography. SANDAG projects that in 2035, San Diego's population breakdown will be: 36.3% White; 41.4% Hispanic; 13.9% Asian and Pacific Islander; 4.0% African American; and 4.1% all other groups. A significant growth in the Hispanic population is seen in this projection.

County Government, Economy and Outlook

County Government

San Diego became one of California's original 27 counties on February 18, 1850, shortly after California became the 31st State in the Union. The County functions under a charter adopted in 1933, as subsequently amended from time to time. A five-member Board of Supervisors elected to four-year terms in district, nonpartisan elections governs the County. Each board member is limited to no more than two terms and must reside in the district from which he or she is elected.

The Board of Supervisors sets priorities for the County and oversees most County departments and programs and approves their budgets. Per California Government Code Section 23005, the County may exercise its powers only through the Board of Supervisors or through agents and officers acting under the authority of the Board or authority conferred by law. The Board of Supervisors appoints the following officers: the Chief Administrative Officer (CAO), the County Counsel, the Probation Officer and the Clerk of the Board of Supervisors. The Chief Administrative Officer appoints the Assistant Chief Administrative Officer/ Chief Operating Officer, the Deputy Chief Administrative Officer/Auditor and Controller and all other appointive officers. The CAO assists the Board of Supervisors in coordinating the function and operations of the County; is responsible for carrying out all of the Board's policy decisions that pertain to the functions assigned to that officer; and supervises the expenditures of all departments. Elected officials head the offices of the Assessor/ Recorder/ County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

The State Legislature has granted each county the power necessary to provide for the health and well-being of its residents. The County provides a full range of public services to residents, including law enforcement, detention and correction, emergency response services, health and sanitation, parks and recreation, libraries and roads. The County also serves as a delivery channel for many State services, such as foster care, public health care and elections. These services are provided by five business Groups (Public Safety, the Health and Human Services Agency, Land Use and Environment, Community Services and Finance and General Government), each headed by a General Manager who reports to the CAO.

Economy and Outlook

The tepid growth path experienced by the national economy for more than five years is finally ramping up and an improved U.S. Economy is projected in the coming years. In 2014, real gross domestic product (GDP) increased by 2.4% compared to a 2.2% increase for 2013. According to U.S. Department of Commerce Bureau of Economic Analysis (BEA), increases in personal consumption expenditures, nonresidential fixed investment, exports, state and local government spending, private inventory investments, and residential fixed investment that were partly offset by a decrease in federal government spending contributed to the acceleration in real GDP growth in 2014. For the second quarter of 2015, the U.S. economy increased at an annual rate of 2.3% compared to an increase of 0.6% in the first quarter of 2015. This upturn in the percent change in real GDP primarily reflected upturns in personal consumption expenditures, exports, state and local government spending, and residential fixed investment that were partly offset by decelerations in federal government spending, private inventory investment, nonresidential fixed investment and acceleration in imports.

According to the minutes of the July 28-29, 2015 Federal Open Market Committee meeting, economic activity expanded moderately after slight decline during the first quarter. The staff continued to forecast that real GDP would increase faster in the second half of this year compared to the first half and is forecasted to expand more rapidly in 2016 and 2017. Factors contributing to the increase include: positive contributions from personal consumption expenditures, state and local government spending and additional improvement in the housing sector. Labor market conditions improved further and unemployment continued to decrease. Inflation continues to be below 2%, partly reflecting earlier declines in energy prices and further decreases in non-energy import prices. However, longer-term inflation expectations have remained stable.

According to the UCLA Anderson Forecast, June 2015, the nation's real GDP is forecast to grow 2.4% in 2015 and 3.0% in 2016, bringing a sense of economic recovery and growth. The unemployment rate fell to 5.3% in July 2015, the lowest since April 2008. The rate of unemployment is expected to trend downward to 5.0% by the end of 2015. Growth will be led by increase in consumer spending, which will be supported by income growth and lower oil prices, along with housing starts and corporate investment in equipment.

Conditions in the housing sector continued to improve and improvement in the job market and stronger economic growth will spur housing demand in 2015. Both building starts and sales (new and existing) are expected to show additional growth. Existing home sales are expected to increase by 11.0%. Changes in the Federal Housing Authority (FHA) policies and lending standards are expected to help the housing market. (Source: Kiplinger's Economic Outlooks, August 2015).

California accounts for over 13% of the nation's GDP which is by far, the largest of any state. The state's economy is growing and gaining momentum. In 2014, California's gross state product grew 3.3%, outperforming the nation's growth rate of 2.4%. The state recovered all the wage and salary jobs that were lost during the recession. More than seventy percent of California's new jobs occurred in: health care and social assistance; leisure and hospitality; administrative, support and waste services; professional, scientific and technical services; and construction. The coastal areas of the state have generally recovered from the recession faster than the interior areas. With the continued progress in labor market affecting growth in personal income, taxable sales is also expected to accelerate. (Source: Los Angeles County Economic Development Corporation, The Kyser Center for Economic Research: 2015-2016 Economic Forecast and Industry Outlook, February 2015). The State unemployment rate continued to improve and fell modestly from 8.9% in 2013 to 7.5% in calendar year 2014. The July 2015 unemployment rate showed continued improvement to 6.2% (seasonally adjusted rate). Nonfarm payroll employment in California during the month of July 2015 increased by 80,600 for a total gain of 2,027,700 jobs since the recovery began in February 2010 (Source: California Employment Development Department, News Release, August 21, 2015).

UCLA Anderson Forecast (June 2015) anticipates total employment growth (payroll, farm and self-employed) of 2.5% and 2.1% for 2015 and 2016, respectively. Real personal income growth is forecast to be 4.5% in 2015 and 4.4% in 2016. In 2015 the unemployment rate is expected to remain around 6.2%, and then average approximately 5.2% in 2016. The forecast also showed that real personal income (measured in 2009 dollars), which declined to 3.7% in 2009 and showed annual growth from 1.6% being the lowest in 2013 and its highest of 5.0% in 2012. Taxable sales declined 14.2% in 2009 and grew steadily passing the 2008 levels in 2013. It is estimated to grow by 3.0% in 2014, 3.2% in 2015, 2.0% in 2016, and 1.5% in 2017.

In the housing sector, home prices have risen in 2014 which brought home prices to the pre-bubble (2004) level. The level of foreclosures dropped to 6% of all home sales with total foreclosure and short sales falling to 11%, evidence that the State is moving to a more normal real estate market (Source: UCLA Anderson Forecast, December 2014). February 2015 saw the 36th consecutive month with the state's median sale price increasing on a year-over-year basis. Of the existing homes sold statewide, 6.8% were foreclosed properties during the previous 12 months. In February 2009, resales on foreclosed properties peaked at 58.8%. Notice of Default, the first step of the formal foreclosure process, is diminishing and its effect is only noticeable in hardest-hit areas of the state. (Source: DataQuick March 18, 2015 News Release).

Virtually all aspects of California's economy are improving: employment is up, home prices are rising, construction started to pick up, increased spending has been seen in both consumers and businesses and the state remains as one of the top travel destinations. These factors partnered with U.S. growth rates from construction, automobiles, business investment and consumer demands fuel the state's economy which warrants an outlook of continued steady growth through 2016.

San Diego's economic outlook continues to improve. The region's economic stability is based on federal spending, innovation clusters, tourism and real estate. Since the end of the Cold War, the military's presence has diminished but remains an important driver of the region's economy. San Diego is a thriving hub for technology-oriented industries and an important manufacturing center as well as a popular travel destination. The quality of life attracts a well-educated, talented workforce and well-off retirees which contributes to a positive outlook in consumer spending.

Another indicator of economic health is county taxable sales. Taxable sales began to decline overall in the county in 2007 that continued through 2009. In 2010, taxable sales showed moderate growth which continued in 2011 and 2012 has shown continued improvement although not as great as 2011. Taxable sales grew 6.2% in 2013 and moderate growth is expected to continue in 2014 and 2015 in the region. (Source: National University System Institute for Policy Research Economic Ledger, February 2015). Taxable sales report for 2014 is not available during publication of this document.

The state of the economy plays a significant role in the County's ability to provide core services and the mix of other services sought by the public. The real estate market has impacted the County's general purpose revenue (GPR), although GPR is expected to increase in fiscal year 2015-16 from fiscal year 2014-15. General purpose revenue is relied upon to fund local services where no other funding is available, as well as to fund the County's share of costs for services that are provided in partnership with the State and federal government. The County is continuing to adjust to new roles and responsibilities in the areas of health, public safety, and redevelopment.

County management continuously evaluates and responds to the changing economic environment and its impact on the cost and the demand for County services. Specific actions are detailed in the Fiscal year 2015-16 Adopted Operational Plan which can be accessed at http://www.sdcounty.ca.gov/auditor/opplan/adoptedlist.html.

County's Economic Base

The County's economic stability is based on significant manufacturing presence and innovation clusters (e.g. energy storage, cyber-security, and clean tech), a large tourist industry attracted by the favorable climate of the region, a considerable defense-related presence related to federal spending, and the region is a thriving hub for biotech and telecommunications industries. Highlights of County employment as of August 2015 are listed below:

- Non-agricultural, industry employment totaled 1,391,400 jobs. This represents a gain of 44,200 jobs from the unadjusted August 2014 employment figures.
- The services industry, including information, professional and business services, education and health services, leisure and hospitality, and other services, constitutes the largest employment sector and accounted for approximately 50.1% of non-agricultural employment, with a total of 702,600 employed.
- Trade, transportation and utilities industries were the second largest non-government sector, comprising approximately 15.8% of non-agricultural employment totaling 219,900 jobs.

- Government accounted for approximately 16.3% of non-agricultural employment (226,800). San Diego's military presence contributes to this significant component.
- Manufacturing accounted for an additional 1.8% of non-agricultural employment (98,600), up 1,700 jobs from the unadjusted employment figures for August 2014.
- The construction sector is greatly influenced by the general health of the economy, and in particular, population and housing growth. Construction employment, which accounted for 4.9% of total non-agricultural employment or 68,700 jobs, was down 600 from the unadjusted August 2014 employment figures.
- The financial sector, including finance, insurance, real estate and related employment, represents 5.4% of non-agriculture employment (74,400). Financial activities experienced an increase of 3,300 jobs from the unadjusted employment figures for August 2014.
- Agriculture (10,400) and mining (400) accounted for approximately 0.8% of total employment.

County revenues that are affected by the state of the local economy include property taxes, sales taxes, and charges for services. Key factors impacting these revenues include real estate activity and consumer spending which are in turn greatly influenced by interest rates and employment levels. Short and long-term interest rates are low by historical standards.

San Diego County's residential real estate market is on the mend. Over the year, the median price for an existing single-family home rose and the number of foreclosures on the market has declined. The median home price of existing homes sold also fluctuated with the housing related turmoil. During 2009 and 2010, median home sales started to rebound from the low level experienced at the end of 2008 and early 2009. Since then median home prices showed improvement. June 2015 ($476,000) showed a 5.8% increase compared to June 2014 ($450,000).

Another measure of the recovery in housing is the rate of foreclosures, as well as the companion indices of notices of loan default and deeds recorded (changes in ownership). Foreclosures compared to total deeds recorded averaged 0.3% over the three-year period of 2003 through 2005, then rose significantly reaching 16.9% in 2008 and declining to 1.8% in 2014. The number of total deeds recorded fell significantly from 2003 levels of 223,087 to a low of 115,540 in 2008. Total deeds recorded through December 2014 were 116,251.

In San Diego County, notices from lenders to property owners that they were in default on their mortgage loans increased markedly from 2003 through 2009, and foreclosures rose dramatically from 2003 through 2008 before declining 21% in 2009. The percentage of properties with delinquent mortgage loans that went into foreclosure averaged at approximately 11.6% from 2003 through 2005. During the recession, this indicator peaked at 57.5% in 2008 and declined to 34.8% in 2014.

Overall, there seems to be a general view that economic recovery at the national, state and local levels will continue.

Sources: State of California Department of Finance, U.S. Census Bureau, U.S. Department of Commerce Bureau of Economic Analysis, San Diego Association of Governments (SANDAG) and the State of California Employment Development Department.

General Management System

The General Management System (GMS) is the County's foundation that guides operations and service delivery to residents, businesses and visitors. The GMS identifies how the County sets goals, prioritizes the use of resources, evaluates performance, ensures collaboration and recognizes accomplishments in a structured, coordinated way. By communicating and adhering to this strategic framework, the County of San Diego is able to create and maintain an organizational culture that values transparency, accountability, innovation, and fiscal discipline and that provides focused, meaningful public services.

At the heart of the GMS are five overlapping components which ensure that the County asks and answers crucial questions, as well as completes required deliverables.

- Strategic Planning
- Operational Planning
- Monitoring and Control

- Functional Threading
- Motivation, Rewards and Recognition

These five GMS components form an annual cycle that is renewed each fiscal year with review of the Strategic Plan and development of a new Operational Plan. More information about the GMS and the Strategic Plan is available online at: www.sdcounty.ca.gov/cao/.

Context for Strategic and Operational Planning

To be effective, the goals that the County sets and the resources that are allocated must be consistent with the purpose of the organization. The context for all strategic and operational planning is provided by the County's vision; a vision that can only be realized through strong regional partnerships with our community, stakeholders and employees.

Vision:

A region that is Building Better Health, Living Safely and Thriving - Live Well San Diego

Mission:

To efficiently provide public services that build strong and sustainable communities

Values:

The County recognizes that "The noblest motive is the public good." As such, there is an ethical obligation to uphold basic standards as we conduct operations. The County is dedicated to:

- Integrity - Character First
  - We maintain the public's trust through honest and fair behavior
  - We exhibit the courage to do the right thing for the right reason
  - We are dedicated to the highest ethical standards
- Stewardship - Service Before Self
  - We are accountable to each other and the public for providing service and value
  - We uphold the law and effectively manage the County's public facilities, resources and natural environment
  - We accept personal responsibility for our conduct and obligations
  - We will ensure responsible stewardship of all that is entrusted to us
- Commitment - Excellence in all that we do
  - We work with professionalism and purpose
  - We make a positive difference in the lives of the residents we serve
  - We support a diverse workforce and inclusive culture by embracing our differences
  - We practice civility by fostering an environment of courteous and appropriate treatment of all employees and the residents we serve
  - We promote innovation and open communication

Strategic and Operational Planning (Budgetary) Process

The County ensures operations are strategically aligned across the organization by developing a five-year Strategic Plan that sets forth priorities it will accomplish with its resources. The Strategic Plan is developed by the Chief Administrative Officer (CAO) and the County Executive Team, based on the policies and initiatives set by the Board of Supervisors, an enterprise review of the issues, risks and opportunities facing the region and reflects the changing environment, economy and community needs. All County programs support at least one of these four Strategic Initiatives through audacious visions, enterprise-wide goals and cross-departmental or department objectives that make achievement of the initiatives possible. The Strategic Initiatives include:

- **Healthy Families**
- **Safe Communities**
- **Sustainable Environments**
- **Operational Excellence**

The Operational Plan provides the County's detailed financial plan for the next two fiscal years. However, pursuant to Government Code Section 29000 et seq., State law allows the Board of Supervisors to formally adopt only the first year of the Operational Plan as the County's budget. The Board approves the second year of the plan in principle for planning purposes. To demonstrate that resources are allocated to support the County's Strategic Plan, all program objectives in the Operational Plan and department performance measures are aligned with the County's Strategic Initiatives, Audacious Visions and/or Enterprise-Wide Goals. State law permits modifications to the adopted budget during the year with approval by the Board of

Supervisors, or in certain instances, by the Deputy Chief Administrative Officer/Auditor and Controller. The Chief Administrative Officer reviews the status of the County's performance against the budget in a quarterly status report to the Board of Supervisors.

Financial (Budgetary) Policies

Government Code (GC) Sections 29000 through 29144 provide the statutory requirements pertaining to the form and content of the County's Budget. Government Code Section 29009 requires a balanced budget in the proposed and final budgets, defined as “funding sources shall equal the financing uses”.

County Charter Section 703 establishes the Chief Administrative Officer as responsible for all Group/Agencies and their departments (except departments with elected officials as department heads) and for supervising the expenditures of all departments and reporting to the Board of Supervisors on whether specific expenditures are necessary.

County Administrative Code Article VII establishes the components and timeline for the budget process and establishes the Chief Administrative Officer as responsible for budget estimates and submitting recommendations to the Board of Supervisors.

The County has the following financial policies that serve as guidelines for the budget process:

Board of Supervisors Policies

A-136 Use of County of San Diego General Management System for Administration of County Operations: Establishes the General Management System (GMS) as the formal guide for the administration of County departments, programs and services, and ensures that all County departments and offices operate in compliance with the GMS.

B-29 Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery: Provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.

B-71 Fund Balance and Reserves: Establishes guidelines regarding the use of fund balance and the maintenance of reserves in order to protect the fiscal health and stability of the County. Expenditures for services are subject to fluctuations in demand and revenues are influenced by changes in the economy and by State and Federal regulations. This policy ensures the County is prepared for unforeseen events by establishing and maintaining prudent levels of fund balance and reserves, and by ensuring that all one-time resources generated by the County are appropriated for one-time expenditures only.

M-13 Legislative Policy: State-Mandated Local Program Costs: Calls on the State and Federal Legislature to encourage equitable reimbursement of mandated program costs.

Administrative Manual

0030-01 Procedure for Fees, Grants and Revenue Contracts for Services Provided to Agencies or Individuals Outside the County of San Diego Organization: Establishes a procedure within the framework of Board of Supervisors Policy B-29, to serve as guidance in the process of recovering full costs for services provided to agencies or individuals outside the County of San Diego organization under grants or contracts or for which fees may be charged.

0030-06 State Mandated Cost Recovery: Establishes guidelines to attempt full recovery of all State mandated costs resulting from chaptered legislation and executive orders.

0030-14 Use of One-Time Revenues: One-time revenue will be appropriated only for one-time expenditures such as capital projects or equipment, not to ongoing programs.

0030-22 Revenue Management - Auditor and Controller Responsibilities: The Auditor and Controller is responsible for reviewing and evaluating revenues from all sources in order to maximize these revenues within legal provisions and to institute internal controls and systems to be used by departments to estimate, claim, and collect revenues.

0030-23 Use of the Capital Program Funds (CPFs), Capital Project Development and Budget Procedures: Establishes procedures for developing the scope of capital projects, monitoring the expenditure of funds for capital projects, timely capitalization of assets and closure of capital projects within the Capital Program Funds.

Strategic Initiatives and Achievements

Strategic planning communicates the County's strategic direction for the next five years. The Strategic Plan explains the County's four strategic initiatives, in addition to its vision, mission and values. The four strategic initiatives focus on how we achieve the County's vision of a region that is Building Better Health, Living Safely and Thriving.

The five-year Strategic Plan is developed by the Chief Administrative Officer, the Assistant CAO/Chief Operating Officer, the five General Managers and the Strategic Planning Support Team based on the policies and initiatives set by the Board of Supervisors and a countywide review of the risks and opportunities facing the region.

The four strategic initiatives are:

- **Healthy Families** - ensure every resident has the opportunity to make positive healthy choices, that San Diego County has fully optimized its health and social service delivery system and makes health, safety and thriving a focus of all policies and programs.
- **Safe Communities** - make San Diego the safest and most resilient community in the nation, where youth are protected and the criminal justice system is balanced between accountability and rehabilitation.
- **Sustainable Environments** - strengthen the local economy through planning, development and infrastructure, protect San Diego's natural and agricultural resources and promote opportunities for residents to engage in community life and civic activities.
- **Operational Excellence** - promote continuous improvement in the organization through problem solving, teamwork and leadership, focus on our customers' needs and keep our employees positive and empowered.

Strategic planning starts with audacious visions, which are bold statements detailing the impact the County wants to make in the community. Enterprise-wide goals (EWGs) support the audacious visions by focusing on collaborative efforts that inspire greater results than any one department could accomplish alone. Audacious visions and EWGs are developed to support each of the strategic initiatives.

County EWGs for each Initiative include:

Healthy Families

- Promote the implementation of a service delivery system that is sensitive to those individuals who have been affected by traumatic circumstances.
- Strengthen the local food system and support the availability of healthy foods, nutrition education and nutrition assistance for those who need it.
- Pursue policy change for healthy, safe and thriving environments with a special focus on residents who are in our care or rely on us for support.
- Leverage internal communication resources, resource groups, and social media to enhance employee understanding of Live Well San Diego.

Safe Communities

- Encourage and promote residents to take important and meaningful steps to protect themselves and their families for the first 72 hours during a disaster.
- Plan, build and maintain safe communities to improve the quality of life for all residents.
- Strengthen our prevention and enforcement strategies to protect our youth from crime, neglect and abuse.
- Expand data-driven crime prevention strategies and utilize current technologies to reduce crime at the local and regional level .
- Fully implement a balanced-approach model that reduces crime by holding offenders accountable while providing them access to rehabilitation.

Sustainable Environments

- Provide and promote services that increase consumer and business confidence.
- Enhance the quality of the environment by focusing on sustainability, pollution prevention and strategic planning.
- Foster an environment where residents engage in recreational interests by enjoying parks, open spaces and outdoor experiences.
- Create and promote diverse opportunities for residents to exercise their right to be civically engaged and finding solutions to current and future challenges.

Operational Excellence

- Align services to available resources to maintain fiscal stability.

- Provide modern infrastructure, innovative technology and appropriate resources to ensure superior service delivery to our customers.
- Strengthen our customer service culture to ensure a positive customer experience.
- Develop, maintain and attract a skilled, adaptable and diverse workforce by providing opportunities for our employees to feel valued, engaged and trusted.

Within the structure of the two-year operational planning process, the County plans for and attains interim progress toward achievement of the Strategic Initiatives. Some of the highlights over the last year include:

Healthy Families

- Promote the implementation of a service delivery system that is sensitive to those individuals who have been affected by traumatic circumstances.
  - Ensured the success of the child support program by establishing and enforcing court orders to support the long-term well-being of children by collaborating with custodial and non-custodial parents, courts, government agencies and community resources.
  - Expanded In-Home Outreach Team (IHOT) program services countywide (from 3 to 6 regions). Team members linked treatment-resistant individuals and their families with existing behavioral health services and community resources. This outreach and engagement was essential in assisting this population to willingly receive needed services.
  - Enhanced the service delivery system for children and youth in foster care by implementing "Pathways to Wellbeing," a cross-departmental effort with Child Welfare Services
  - Stabilized psychiatric staffing at the San Diego County Psychiatric Hospital by utilizing physician recruitment firms.
  - Worked with HHSA departments to create a trauma informed atmosphere in new and modernized facilities. This was accomplished by creating a professional setting that includes a welcoming customer greeting area and a family-friendly setting.
  - Established a common understanding of expectations for Trauma Informed Systems Integration and developed an action plan to implement in each department and region.
  - Improved recruitment efforts for foster and adoptive families resulting in a 34% increase of persons attending the Foster/Adoptive Family Orientation meetings.
  - Expanded caller options and customer support on the Foster and Adoption KIDSline to serve more than 370 calls over an average of 6 months.
  - Improved the Adoption website by adding features such as children available for adoption and links to resources.
  - Improved customer service through utilizing a Foster/Adoption Ombudsman to provide additional support to foster and adoptive parents.
  - Rolled out Trauma Informed Services training to department leadership.
- Pursue policy change for healthy, safe and thriving environments with a special focus on residents who are in our care or rely on us for support.
  - Processed 3,355 compensation and pension claims to allow veterans and their dependents to thrive by promptly facilitating their access to needed benefits.
  - Created 73 new partnerships to achieve the Live Well San Diego goals of access to healthy foods, smoking cessation and improving workplace wellness. A list of all contributing Live Well San Diego recognized partners and their commitments are included at www.LiveWellSD.org.
  - Enrolled 100% (157,969) of Medi-Cal eligible applicants as part of the Affordable Care Act (ACA) and increased the number of residents with health insurance to reduce the costs of health care to families and individuals.
  - Hosted the Grandparents Raising Grandchildren symposiums in the North, East and Central Regions. Completed updating the Grandparents Raising Grandchildren Handbook.
  - Achieved permanency for 73% (33 of 45) of children identified through the Exceptional Families for Exceptional Children campaign.

  - Performed 20,494 blood pressure screenings at over 150 locations, with 84 partners as part of the 2015 Love Your Heart campaign. One out of every two individuals with a reported blood pressure level was identified as having an elevated blood pressure. Screened individuals received educational materials about heart health. This event helped to elevate the importance that blood pressure plays in overall health and is directly linked to 3-4-50 (3 behaviors-no physical activity, poor diet and tobacco use,-that result in 4 diseases-cancer, heart disease and stroke, type 2 diabetes and lung disease-that result in over 50 percent of deaths in San Diego).
  - Collaborated with the San Diego Foundation on its Climate Initiative and helped coordinate with government, nonprofits, businesses and consumers to advance regional efforts to reduce greenhouse gas emissions.
- Leverage internal communication resources, resource groups, and social media to enhance employee understanding of Live Well San Diego.
  - Collaborated with County Human Resources to educate all County job applicants on Live Well San Diego so they can understand the role employees play in helping residents to live well. By educating job applicants, new employees were aware of the County's vision of Live Well San Diego and the role they play in advancing its strategies of building better health, living safely and thriving.
- Strengthen the local food system and support the availability of healthy foods, nutrition education and nutrition assistance for those who need it.
  - In conjunction with the Health in All Policies (HiAP) Team, produced consumer-oriented certified farmer's market brochure in English and Spanish with information on availability of healthy, locally produced fruit, vegetables and other agricultural products.
  - Conducted nutrition education for 1,320 low-income families with children to reduce the risk of childhood obesity and chronic diseases (such as diabetes, heart disease, and high blood pressure) through lifestyle change related to diet and physical activity.
  - Supported the County of San Diego's Live Well San Diego Building Better Health initiative by presenting an average of 350 healthy lifestyle programs for all ages every month.

Safe Communities

- Encourage and promote residents to take important and meaningful steps to protect themselves and their families for the first 72 hours during a disaster.
  - Completed a disaster preparedness curriculum, which aligns and complies with the Common Core State Standards, for San Diego County's 4th grade students.
  - Ensured professional, timely emergency response was provided to the residents of County Service Area 135 through the supervision of the San Diego County Fire Authority.
  - Continued the implementation process of replacing the Regional Communications System (RCS) with a state of the art, next-generation communications system.
- Plan, build and maintain safe communities to improve the quality of life for all residents.
  - Collaborated with law enforcement agencies and community services organizations to combat human trafficking and enhance the support to victims and education to the community.
  - Enhanced enforcement of required standards of care in long-term care facilities.
  - Improved the quality of life of all San Diego residents by proactively working to make our streets, parks, public spaces and buildings safer from crime and injury.
  - Increased AIS Ombudsman positions from 5 to 11, to improve the oversight of Skilled Nursing Facilities (SNF) and Residential Care Facilities for the Elderly (RCFE). This provides an increase in advocating efforts for SNF and RCFE residents through recruitment, training and oversight of additional volunteers.
  - Provided support to the Board sponsored Alzheimer's Project. Hosted the Care and Public Awareness roundtable discussions and participated in the Clinical and Cure roundtables. Completed the Alzheimer's Project Report prepared for the Board Conference and completed the Project's Implementation Plan to drive ongoing action.

  - Recruited and trained 414 adults and teens (19 years and over) 4-H volunteers, exceeding the goal of 350, to deliver positive youth development experiences to youth ages 5-19 years in reaching their full potential as competent, confident leaders of character who contribute and are connected to their communities. Four experiential learning activities were held: Large Animal Field Day, Agriculture Judging Day, Bates Nut Farm 2-Day Archery Exhibition and North County Area Beach Clean Up Project, reaching approximately 600 youth and their families.
  - Maintained the capability to deploy an emergency network of two fine particulate matter (PM2.5) monitors within 48 hours of any wildfire and link the instruments via satellite for real-time data delivery to the public.
  - Repainted and or used thermoplastic to re-mark crosswalks and roadway legends adjacent to 123 public school and 12 private school locations in the unincorporated area of the county. Thermoplastic has been introduced at some school sites to minimize the need for annual repainting.
  - Reduced risks to lives by ensuring buildings and improvements were designed and constructed in accordance with building safety codes.
  - Facilitated two trainings for federal agency staff and local aviation community members on foreign flight school students vetting and screening requirements.
  - Flood Control staff assisted communities in preparing and responding to flood events by inspecting 75% of flood control facilities and maintaining County flood control facilities to their design capacities by removing debris from clogged or blocked facilities.
  - Provided safe and accessible parks and preserves, fostered innovative programs and initiatives that promote government agency partnerships and community involvement and enhanced emergency communication and preparedness.
  - Created safer parks, preserves and recreation centers by using more than 100,000 hours of volunteer service to assist with park patrols, operations and maintenance.
  - Worked collaboratively with the San Diego County Fire Authority, Planning & Development Services, Office of Emergency Services, County Department of Parks and Recreation, regional fire authorities, government agencies, university staff and community groups to enhance wildfire related research. Disseminated information through a minimum of four outreach activities such as distributing Wildfire Zone preparedness and safety tip cards in English and Spanish; participated in six meetings with the Fire Safe Council of San Diego; management of the Wildfire Zone website; established a You Tube channel and curated relevant videos for the Extension Wildfire Information Network (eWIN).
  - Provided four workshops for the Local Agency Management Program to educate stakeholders on the new standards and regulations for onsite wastewater treatment systems.
  - Protected county residents by conducting 439 safety inspections on structural fumigations in San Diego County, exceeding the goal of 320 safety inspections.
  - Funded 30 public community projects for parks, street/sidewalk improvements, Americans with Disabilities Act (ADA) improvements, firefighting equipment, public services, community, youth and family centers, health clinics, and affordable housing activities to promote wellness and enhance the quality of life in San Diego County neighborhoods.
  - In support of the County's Live Well San Diego Living Safely initiative, expanded the use of social media to educate the public and increase awareness of various issues such as animal safety, neglect and disaster preparedness by posting quarterly educational bulletins on the Department of Animal Services Facebook page and website.
- Fully implement a balanced-approach model that reduces crime by holding offenders accountable while providing them access to rehabilitation.
  - Continued participation in multi-agency operations and multi-agency task forces.
  - Improved offender reintegration into the community through a continuum of care and case management through reentry that begins at Sheriff facilities and juvenile institutions with an assessment of offender needs, which also

occurs at the Community Transition Center for certain offenders. Probation continued to engage with offenders on supervision to provide case management and rehabilitative services.

- Strengthen our prevention and enforcement strategies to protect our youth from crime, neglect and abuse.
  - Exceeded the previous year's levels of services by offering an average of 431 after-school programs each month, and offered students and families a safe place for the pursuit of education and constructive civic engagement in support of the County's Live Well San Diego Living Safely initiative.
  - Funded the continuation of the HOME Tenant-based Rental Assistance programs that served 68 youth aging-out of the foster care system and 58 families with children that were participants of the County's substance abuse recovery and family reunification programs.

Sustainable Environments

- All residents engage in community life and civic activities.
  - Held a Live Well San Diego Expo featuring 48 partners and 28 County departments to highlight their services and demonstrate collective impact to the community in support of the County vision.
- Foster an environment where residents engage in recreational interests by enjoying parks, open spaces and outdoor experiences
  - Hosted and promoted the 2015 Live Well San Diego 5K Walk/Run and Health Fair to provide a healthy and informative outdoor experience to County residents. The Live Well San Diego 5K event encouraged residents to exercise with family and friends at a local park while supporting thousands of children in foster care and receive health information.
  - Developed and enhanced the experiences of park patrons and promoted healthy lifestyles by increasing recreational opportunities and educational programs.
  - Stopped the spread of Red Imported Fire Ants (RIFA), a devastating pest of agriculture and urban environments (community parks, ball fields, and schools), by planning and conducting a comprehensive survey of high risk habitats throughout the entire county for RIFA infestations. Conducted three RIFA training sessions with key personnel from the Departments of Parks and Recreation and Public Works.
  - Protected the environment and preserved community character through efficient application of planning, engineering, and environmental regulations in the management of land development permit applications for discretionary projects.
- Enhance the quality of the environment by focusing on sustainability, pollution prevention and strategic planning.
  - Provided two stakeholder workshops for the Environmental Corrective Action Program (ECAP) which is a program now delegated to the Department of Environmental Health by the Department of Toxic Substances Control to oversee the clean-up of contaminated sites.
  - Prevented the spread of the insidious pest Glassy-winged Sharpshooter, a serious threat to California's $4 billion grape industry, by ensuring 100% of more than 2,705 plant shipments arrived at destination with no viable life stages of the pest.
  - Maintained an inspection program to protect the public from the harmful effects of air pollution by conducting more than 7,400 inspections of equipment at regulated facilities for compliance with air pollution laws.
  - Conducted emissions measurement tests on all 41 natural gas fired reciprocating internal combustion engines required to show ongoing compliance with the National Emission Standards for Hazardous Air Pollutants.
  - Identified problems and potential solutions for endemic and invasive pests such as insects, diseases, weeds (Asian Citrus Psyllid, Gold Spotted Oak Borer, Phytophthora, invasive grasses, etc.) impacting San Diego agriculture, nursery, ornamental horticultural and landscapes through workshops for 213 participants at various locations throughout San Diego County, including County libraries; training in eradication techniques for 35 participants from the Department of Agriculture, Weights and Measures; field research project on Pala

  Reservation and the establishment of a website (http://ucanr.edu/sites/socaloakpests/Polyphagous_Shot_Hole_Borer).
  - Maintained, supported and managed the volunteer Master Gardener program which provides research-based information in the areas of home gardening, community gardening, landscaping, water conservation and pest management to San Diego County residents and other County departments. The 297 Master Gardeners volunteered 22,579 hours for a savings of over $499,000.
  - Acquired 423 acres within the Multiple Species Conservation Program (MSCP) plan areas that will count toward the County's commitment to the MSCP Implementing Agreement. The goal of 500 acres was not met due to multiple properties still in negotiations.
  - Conserved irrigation water by installing smart irrigation controllers at Heritage, Pine Valley and Felicita Parks.
  - Worked on Phase One of Comprehensive Renewable Energy Plan (CREP) with stakeholder meetings held in October 2014, January 2015 and April 2015 with the intent to present phase one CREP to the Board of Supervisors in fall 2015.
  - Continued to work towards completion of the North County Multiple Species Conservation Program (MSCP) and public review of environmental documentation. A draft plan was sent to the U.S. Fish & Wildlife Service and California Fish & Wildlife Agency in September 2014.
  - Conducted outreach to residents with information and resources on stormwater pollution prevention at over 30 community events throughout the unincorporated area of the county.
  - Assisted 100 businesses and 65 multifamily complexes in initiating or expanding recycling programs.
  - Provided residential composting education at nine workshops, one community event and four schools in the unincorporated area of the county. As part of the awareness campaign, installed a new composting demonstration site at the Ramona High School for composting food scraps and landscape materials.
  - Increased awareness of the Mobile Source Incentive Program by participating in 11 community outreach events about the Air Pollution Control District's mobile source emission reduction incentive program and grant funding opportunities, exceeding the goal of eight events.
  - Agriculture, Weights and Measures promoted the diversion of recyclable materials from landfills through recycling events in conjunction with the Department of Public Works by implementing two collection events for recycling of used pesticide containers from the agricultural community.
  - The Board of Supervisors approved Form-Based Zoning Codes for Ramona Town Center and Alpine Village on July 30, 2014 (2). Received San Diego Gas & Electric partnership funding to work on a Form Based Code for Valley Center South Village.
  - The Board of Supervisors approved a Zoning Ordinance update on October 29, 2014 (1), to streamline accessory structure regulations. Refinements to the winery ordinance are undergoing stakeholder review with a goal of bringing an updated ordinance to the Board before the end of 2015.
  - Protected a sustainable watershed and enhanced water quality in the region by minimizing downstream pollutants and through robust programs to reduce or eliminate water pollutants.
  - Monitored 100% of 173 major stormwater outfalls to assess the health of watersheds.
- Provide and promote services that increase consumer and business confidence.
  - Promptly reviewed all 35 Carl Moyer Program grant applications upon receipt and notified applicants within five business days of any additional information that was required.
  - Completed an internal Business Process Reengineering to streamline the Temporary Event permit process. Improved methods for receiving permit applications and tracking temporary events; improved customer information and updated online resources. Conducted a workshop for annual temporary

event organizers and vendors, who learned about food safety and permitting requirements for temporary food vendors.

  - Educated the business community by creating two new compliance assistance videos and posting them on the APCD website.
  - Completed a Business Process Reengineering to identify improvements to streamline the plan check process for new retail food and public swimming pool projects to less than 50% of the State law requirement of 20 days. Improvements identified are being implemented to help make the plan check process more efficient and reduce review time.
  - Met the informational, recreational and cultural needs of the community and actively promoted reading and lifelong learning by ensuring the public had access to library resources and services and that the San Diego County Library had the capacity to meet these goals.
- Create and promote diverse opportunities for residents to exercise their right to be civically engaged and finding solutions to current and future challenges
  - The Community Services Group worked with the Land Use and Environment Group to develop the third component of Live Well San Diego, the Thriving initiative, which was approved by the Board of Supervisors in October 2014.
  - Convened the Live Well San Diego Thriving Volunteer Action Team to begin strengthening the quality, functionality and impact of the region's volunteer system.
  - Convened the Live Well San Diego Thriving Housing Action Team to support the availability and affordability of housing for all community members.
  - Distributed information in support of the County's Live Well San Diego strategies using "filler" pages printed in the Sample Ballot and Voter Information Pamphlets provided to all registered voters for the November 4, 2014 Gubernatorial General Election.
  - Increased the number of permanent vote-by-mail voters.
  - Recruited and replaced non-accessible poll sites to comply with federal and State accessibility requirements.

Operational Excellence

- Provide modern infrastructure, innovative technology and appropriate resources to ensure superior service delivery to our customers
  - Improved communications with volunteer firefighters through the continued implementation of the Advanced Situational Awareness for Public Safety Network.
  - Continued projects to improve data sharing and operations while achieving optimal results for County residents.
  - Managed the execution of parks-related capital projects identified in the Capital Improvement Needs Assessment as approved by the Board of Supervisors, in a timely and cost effective manner. For more information see the Capital Program section.
  - The Department of Environmental Health provided four California Electronic Reporting System (CERS) kiosks for facility owners and operators throughout the county that need CERS assistance or may not have access to a computer.
  - Increased efficiency, consistency and accuracy by implementing auto-generated Notices of Proposed Action (NOPA) for Agriculture, Weights and Measures' retail fuel meters and water dispensers, developed associated business practices and conducted staff training.
  - Conducted an analysis of the building permit pre-review process to identify and implement improvements to reduce customer wait and transaction times, while ensuring continued quality review. Phase One deployed in July 2014 and included expanded appointments and revisions to the pre-review process. Phase Two deployed in November 2014 and included the Initial Study Research Report and the Property Summary Report; both automate portions of work previously done by Planning and Development staff.
  - Implemented a new Airport Lease Management System (ALMS), using LUEG's enterprise-wide Business Case Management System as the platform, to track County airport leases and other contracts.
  - Ensured responsible stewardship of resources expended to fulfill Public Records Act requests by identifying the top three requested public

  records and making them available on Agriculture, Weights and Measures' webpage for 24/7 customer access.
  - Reengineered and streamlined the incentive grant application process, moving from a largely paper-based system to an online application process using Accela Citizen Access in the Air Pollution Control District.
  - Expanded online services to reduce transaction times and the need for customers to visit a County office in the Department of Planning and Development Services by deploying Instant Permits to seven of the online available permit types and deployed a Property Summary Report used for the pre-review process and the public as a research tool.
  - Funded the completion of various accessibility improvements in County facilities and pilots for innovative technology programs.
  - Examined the viability and feasibility of installing a 24/7 Library-To-Go kiosk at another County location to provide library services; selected site in Encinitas for installation in Fiscal Year 2015-16.
  - Updated the Library's website to maximize customer usability and access to self-published e-materials and publishers' e-book catalogs.
  - Began design-build construction of the new libraries in Alpine and Imperial Beach.
  - Continued due diligence for donated property, planning and design for a new Borrego Springs Library.
  - Continued construction of the Cedar and Kettner Development Parking Structure for completion and occupancy in October 2015.
  - Initiated replacement/renewal projects with the Health and Human Services Agency for key Family Resource Centers and Levant Adoptions Center.
  - Completed the master plan for capital improvements to the animal shelter in Bonita.
  - Made contracts available to the public through the internet by posting at least 50% of new and amended contracts within five business days of award.
  - Provided enhanced customer service by sharing/disseminating information on the Housing Choice Voucher (HCV) program information via the HCD website, emails, videos, and social media.
  - Modernized and rebuilt the County's Active Directory domain (a repository of County users or accounts that have access to the network) by updating architecture, migrating accounts, integrating existing services (e.g., SharePoint and Virtual Private Network), and converting accounts to agreed identification naming standards. Anticipated completion date for initial phase of this project is the end of October 2015 with subsequent phases to be implemented in Fiscal Year 2015-2016.
  - Upgraded the County's Kronos employee timekeeping application. The Kronos 7.0 upgrade initiative has provided County users with a more supportable timekeeping platform and enhanced functional capabilities.
  - The County Technology Office, Assessor/Recorder/County Clerk, Auditor & Controller and the Treasurer-Tax Collector continued the design and development of the Integrated Property Tax System (IPTS), which will significantly improve property assessment, tax collection and apportionment activities in the County.
  - Provided open access to County business by making 56 audio recordings of Board of Supervisors meetings available on the Internet within three days of the related meeting.
- Strengthen our customer service culture to ensure a positive customer experience.
  - Launched an updated Live Well San Diego website (LiveWellSD.org) to provide access to timely, relevant news and material. The Live Well San Diego website was developed using feedback from focus groups, one-on-one interviews with subject matter experts and survey of 194 community partners. The number of unique visitors to Live Well San Diego website was increased 83% (from 8,838 to 16,144).
  - Completed soft launch of the Live Well San Diego Top 10 Indicators dashboard beta site, an interactive and dynamic tool to encourage positive change toward the vision of a healthy, safe and thriving San Diego County. It communicates progress, provides access to

community-level health/well-being data, research, best practices and helps to drive public engagement.

- "Team LUEG" was created to leverage interdepartmental efforts in the following areas: Workforce Development, Communication and Outreach and Customer and Stakeholder Focus. Comprised of all LUEG departments, "Team LUEG" is about striving to be a "service before self" organization by working together and meeting the varying needs of customers.
- Ensured effective and efficient management of discretionary permit applications from submittal to final decision through the application of case and project management knowledge, skills and techniques.
- Planning & Development Services continued to proactively engage our customers and sought feedback to ensure customer needs were met through bimonthly meetings with three user groups and with 31 additional stakeholder groups.
- Reviewed and updated 219 classification specifications as part of Phase I of the Classification Modernization Project as of June 30, 2015. The goal of reviewing and updating the specifications for Phase II will be completed by June 30, 2016.

- Align services to available resources to maintain fiscal stability
  - Completed Business Process Reengineering (BPR) and identified process changes to realize a 25% cost reduction in delivery costs for street repavement projects. DPW can only control the costs of delivery; not the cost of materials. Revised processes have been implemented and actual savings will be reported next year, the second year for this two year goal.
  - Achieved a collection rate of 99.1% for secured taxes and 98% for unsecured taxes by preparing and mailing property tax bills/notices, and processing tax payments in a timely manner to ensure timely revenue collection on behalf of San Diego County's taxpayers.
  - Resolved 64% (51 of 80) of all lawsuits against the County by a court decision/dismissal, and resolved 36% (29 of 80) by settlement.
  - Negotiated fiscally prudent successor agreements with 11 of 25 bargaining units and 6 of 9 existing employee organizations by June 30, 2015.
- Develop, maintain and attract a skilled, adaptable and diverse workforce by providing opportunities for our employees to feel valued, engaged and trusted
  - Fostered an environment of excellence, innovation and exceptional customer service among County employees who serve the public through the County's intranet site, posting 269 content items (article or video) in support of the County's Strategic Plan during Fiscal Year 2014-15.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial 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.

Other Awards and Recognitions

The County of San Diego workforce continually plans to cut costs, streamline processes, incorporate the newest technology and expand services to improve the lives of residents and save taxpayer dollars. While our goal is to improve communities, it is gratifying to be recognized for those efforts.

Here's a look at the recognition the County received during the past fiscal year for its leadership and excellence in operations.

San Diego County Taxpayers Association

The San Diego County Taxpayers Association recognizes organizations that employ cost-efficient,

smart governing decisions and innovative initiatives with its Watchdog Awards. One of those winners is selected to receive the Grand Golden Watchdog Award. That honor has gone to San Diego County four years in a row. In 2015, the San Diego County Sheriff Department's program for incarcerated veterans which offers tailored in-custody rehabilitative and treatment services was selected. The Veteran's Forward program keeps veterans from reoffending and saves taxpayers at least $550,000 in incarceration costs per year.

This year, the County was also the recipient of two additional awards.

- The County Department of Planning & Development Services received a Golden Watchdog Award for overhauling its building permit process to make it faster, easier and less expensive for applicants.
- The Taxpayers Association presented the County with a Visionary Leadership Award for transforming two parking lots into the Waterfront Park around the County Administration Center. The 12-acre park along the Bayfront downtown uses recirculated water for the fountains, drought resistant native plants and solar lighting.

National Association of Counties (NACo)

The National Association of Counties recognizes innovative county government programs from across the nation each year. This year, the County of San Diego received 43 NACo awards - the third most awards in the nation. One of those awards won "Best of Category" for the County Department of Planning & Development Services' business model improvement program. Learn more about the awards on County News Center athttp://www.countynewscenter.com/news/county-programs-earn-43-national-achievement-awards-0.

- DA's Youth Advisory Board Campaigns: "Respect: Give it, Get it," "The Fight" & "Redefine Success" (District Attorney): The San Diego County District Attorney's Youth Advisory Board created three public service campaigns for their peers and community members to address pressing issues affecting young people in San Diego County and work toward a positive change, through adult mentorship. Lincoln High students' campaign uses kinetic typography to illustrate the importance of respect for self, others, community and the world at large. Mira Mesa High students created a mobile webpage to address anxiety, bullying, and dealing with peer pressure. Scripps Ranch High produced a campaign which encourages students to redefine success, to pursue what they value most and to recognize happiness with oneself.
- First 5 San Diego First 5 Steps (Health & Human Services Agency): The County provides countywide home visitation services using a trauma-informed, evidence-based model for specific, high-risk expectant families that are teens, military, refugees, immigrants, or low-income.
- Growing Opportunities Garden (Probation): Girls in custody learn about healthy foods and gardening in this joint effort between Farm Home Advisor and Probation staff.
- Professional Group Study (Library): The Professional Group Study was established at the County Library El Cajon Branch in 2010 through a partnership with San Diego County Health and Human Services Agency and its Welfare-to-Work contractor, Professional Consulting Group. This program allows refugees to receive their Welfare-to-Work benefits by getting credit for the number of hours they study to recertify in their chosen profession. SDCL recently expanded this program to include an additional branch in Rancho San Diego, broadening the reach for the program and making space at the table for people in need.
- Integrity in Action Program (Chief Administrative Office): The County of San Diego's Office of Ethics and Compliance created the Integrity in Action Program as part of its comprehensive enterprise-wide ethics and compliance function. The program includes several components including an active and responsive Ethics Hotline and several outreach programs and resources.
- Lean Six Sigma - Phase 1 Building Capacity (Health & Human Services Agency): The County's Health & Human Services Agency staff were trained in Lean Six Sigma methodology to streamline processes, eliminate waste, reduce cost, and continually improve products, services and processes to meet customer needs.
- Office of Business Intelligence (Health & Human Services Agency): The County's Office of Business Intelligence uses business intelligence tools to analyze data, create reports, develop dashboards, and provide data visualization tools. The data-

driven methods are aimed at boosting agency-wide performance by transforming data into actionable information to help Health & Human Services Agency make informed business decisions.

- Replacement of Airport Lease Management System (Public Works): The County implemented a new fully-customized Airport Lease Management System to allow for enhancements that will improve administration of the County Airport property contracts. The Accela-based program helps staff and customers with property contracts.
- SMART Building Automation System Project Saves Energy, Lowers Utility Costs (General Services): The program is a real-time automatic sensing and reporting building support system that allows County staff to control irregularities at government facilities remotely to reduce and eliminate high utility costs.
- Veterans Moving Forward (Sheriff): The Sheriff's Department implemented the Veterans Moving Forward Program at the Vista Detention Facility in partnership with the San Diego Veterans Administration to assist incarcerated veterans by providing tailored in-custody treatment and services, links to community programs and re-entry assistance. The program is helping turn around the lives of veterans, many who have post-traumatic stress, traumatic brain injury, and other service-related issues underlying their crimes.
- Regional Realignment Response Group (Probation): The interagency Regional Realignment Response Group partners with Sheriff's crime analysts to keep the whole County safe by conducting joint operations targeting realigned offenders and their associates.
- Mandatory Supervision Court (Probation): The County established a Mandatory Supervision Court as a collaborative process in which the Probation Department, Court, District Attorney, Public Defender, and Sheriff's Department work together with an offender to design and implement a case plan for success and to hold the offender accountable to it. Prior to release and after release from jail, offenders attend hearings to review their plans and discuss progress. The tailored case management and close monitoring of offenders has helped participants break the cycle of crime.
- Mobile Devices Inspire Effective and Efficient Law Enforcement (Sheriff): The San Diego County Sheriff's Department issued iPads to every field deputy which has enabled them to use important tools including facial recognition software to help identify arrestees who will not give the deputy their correct name.
- Cyber Disruption Response Planning Annex (Office of Emergency Services): The County Office of Emergency Services developed the Cyber Disruption Recovery Plan which provides a framework for a County-level team to provide cyber-related expertise and management to affected cyber assets in an effort to lessen the impact of a disruption event.
- AFN Shelter Worker Training Video Project (Office of Emergency Services): The County Office of Emergency Services produced shelter manager and shelter worker training videos which focus on working with people with physical, emotional and cognitive disabilities.
- Risk Communication Plan: Targeted Outreach to Form a Partner-relay System (Office of Emergency Services): The County program engages in targeted outreach to diverse language communities to form a partner-relay communication system for disasters and public health emergencies.
- Food Handler Program Enhancements (Environmental Health): The County Department of Environmental Health worked with stakeholders to identify upgrades to the Food Handler Program. The upgrades included enhancing food safety by requiring food-handler training every three years, reducing the cost of the food handler certificate and offering online food handler training and testing opportunities.
- Classification Modernization Project (Human Resources): The County initiated a six year project plan to modernize the job classification structure to be more progressive, flexible and consistent and better meet workforce needs.
- Veteran Outreach Program (Human Resources): The program, started in 2014, establishes hiring initiatives for the veteran community and transitioning servicemen and women from the local military bases in San Diego County. The County also launched the Veteran Resource webpage on the Department of Human Resources website.

- Fraud and Risk Management Compliance Program (Treasurer-Tax Collector): The County developed a comprehensive Fraud and Risk Compliance Program to improve controls, processes and procedures to mitigate the risk of fraud within the Treasury department in two phases.
- Standardized Bond Documents Saves Thousands in Taxpayer Dollars (Treasurer-Tax Collector): The County streamlined and standardized the school and community college bond documentation process by developing a standardized paying agent and investment management agreement for all school districts. The new process improved the overall efficiency of the process and saved the school districts tax dollars to hire a bond counsel to draft the document.
- Standardized Countywide Escheatment Process (Treasurer-Tax Collector): The County improved its annual Countywide Escheatment Process, which returns unclaimed property held by county departments to rightful owners and transfers any remaining unclaimed property to the County General Fund, by creating standardized documents and training for participants that include a timeline and checklist as well as email updates and reminders about developments and deadlines.
- A Guide to Using Facebook to Prevent Suicide and Reduce Stigma (Health & Human Services Agency): The County developed a comprehensive guide to assess, establish and maintain a Facebook page for suicide prevention and stigma reduction. The guidebook is also listed on the Suicide Prevention Resource Center's Best Practices Registry.
- Using the Affordable Care Act to Increase Healthcare Access for Inmates and Probationers (HHSA, Sheriff, Probation): A program which embeds County Eligibility Workers at Sheriff Detention sites to form an Eligibility Unit for pre-release inmates and those on probation to expedite enrollment into the Medi-Cal Program. This allows for greater access to healthcare benefits and reduced local costs. The program has saved the County more than $4 million of local funds.
- Legacy Corps - Support for Veterans and Military Families (Health & Human Services Agency): The County program matches a volunteer member of AmeriCorps with a veteran or military family to provide respite and support for caregivers. The people who benefit include families with an older veteran dealing with dementia to active duty families needing child care.
- Adult Protective Services Acutely Vulnerable Adult Protocol (Health & Human Services Agency): The County developed the protocol that includes interventions to mitigate the risk and to protect individuals with severe cognitive or communication deficits that prevent them from protecting themselves from maltreatment and are highly dependent on someone who is assessed as being high risk for perpetrating abuse.
- The Alzheimer's Project (Health & Human Services Agency): The County launched the project to develop a regional roadmap to address this crippling disease. The project seeks to search for a cure and improve care for those suffering from the disease and their caregivers.
- The San Diego Care Transitions Partnership (Health & Human Services Agency): The County partnered with more than a dozen local hospitals to form the San Diego Care Transitions Partnership to help provide comprehensive, patient-centered, hospital and community-based care transition services to high risk fee-for-service Medicare patients as they transition across care settings.
- The Amazing Race (Human Resources): Part of the County's comprehensive Employee Wellness Program, the race is an event that is modeled after the television show and sends employees on a physically challenging competition of strength and wit.
- Implementation of Permanency Roundtables (Health & Human Services Agency): The County adopted a process to improve the outcomes for youth and families served by Child Welfare Services. A permanency roundtable is a professional case consultation that is structured, in-depth, non-blaming, and creates a sense of urgency around permanency in the form of adoption or legal guardianship for a child.
- Young Master Chef (Health & Human Services Agency): The County held a Young Master Chef competition in 2014 that supported the Live Well San Diego initiative. Youth from the County's 17 contracted group homes were challenged to create a kid-friendly healthy entree that was low in sodium, fat, and calorie levels, or a dessert with less

sugar and reduced calories per serving. All participants received a gift basket and four were the grand prize winners.

- Embedding Eligibility Workers in Food Banks (Health & Human Services Agency): The County embedded eligibility staff at California Association of Food Banks to assist people through the Medi-Cal application process. This practice helps to ensure timely and accurate issuance of benefits.
- Parenting Time Opportunities for Children (Child Support Services): The Department of Child Support Services recognized the need to provide parents with assistance in obtaining custody and visitation orders as part of the child support process. This process engages parents at the earliest opportunity to encourage them in a positive direction toward meeting the emotional and financial needs of their children.
- A Regional Approach to Administration of First-Time Home Buyer Programs (Housing and Community Development): The County of San Diego Department of Housing and Community Development implemented a new regional model that provides a one-stop-shop for homebuyers, expands eligible jurisdictions to 12 cities, and reduces program delivery costs by 45 percent. In the three months alone, this new regional collaboration provided 23 percent more loans than in any of the previous four fiscal years.
- Taking Program Integrity to the Next Level (Housing and Community Development): The County held a regional collaboration event about fraud investigation best practices as it pertains to housing assistance and federal funding for the Housing Choice Voucher program. Additionally, HCD tries to ensure compliance by methods which include unannounced visits and working with law enforcement.
- Land Use & Environment Group Business Case Management Program (Land Use & Environment Group): The County's Land Use & Environment Group started the Business Case Management Program to reengineer all its permitting IT systems and operations to provide better customer service and create a collaborative working environment. The project has greatly improved the permitting process. Customers can now access up-to-the-minute permit information online.
- Electronic Master File Request (Human Resources): The County has created an electronic employee master file checkout system that allows hiring managers to request the file and review the documents more conveniently.
- Performance Improvement Team (Planning and Development Services): Planning and Development Services developed a team to focus on innovation, continuous improvement, and information technology. The team leverages technology and reengineering to improve business operations. This program won a NACo Best in Category honor.
- County of San Diego Waterfront Park: Parking Lots to Scenic Showpiece (General Services): The County transformed a 12-acre parking lot to the most significant waterfront open space park downtown. The park features two large interactive water fountains, sprawling lawns, and dynamic children's playground equipment.
- Deferred Compensation Retention Campaign (Treasurer-Tax Collector): The County developed a creative outreach campaign to retain County retirees in its Deferred Compensation Program, which provides the administration of tax-deferred supplemental retirement plans. The campaign is trying to keep retirees from switching to private sector compensation plan management companies. The County program has helped more than 15,000 participants save over $1 billion.
- Electronic Training Evaluations (Human Resources): The County Employee Development staff revamped the training evaluation process to incorporate data points that support the County strategic plan in order to provide meaningful data on participant feedback and knowledge gained from the training.
- Learning Management System Upgrade (Human Resources): The County upgraded its online employee training system to deliver required training to employees and to be more learner-centered with on-demand training opportunities.
- Purchase of Agricultural Conservation Easements (PACE) Program (Planning and Development Services): The County established a pilot PACE Program to promote the long term preservation of agricultural land in the County. Under the program, willing agricultural property owners are

compensated for placing a perpetual easement on their agricultural property that limits future uses and extinguishes future development potential.

California State Association of Counties (CSAC)

The CSAC annual awards program honor the most innovative programs developed and implemented by California counties each year. This year the County of San Diego led all other counties receiving seven awards in all including its California Counties Innovation Award, the highest honor given as well as two Challenge Awards and four Merit Awards.

For the Innovation Award, the County Health and Human Services Agency developed and managed protocols for protecting acutely vulnerable adults. These adults typically have severe cognitive or communication deficits that can prevent them from protecting themselves from maltreatment and are highly dependent upon someone, often a family member, who has been assessed as being high risk for perpetrating abuse. As a result, the County does more frequent monitoring and is more involved in these cases. Since being implemented in October 2014, the safety statuses of clients have largely been stable or better.

The two San Diego County Challenge Award winners were:

- The Sheriff's Veterans Moving Forward program is a tailored rehabilitation and treatment program for incarcerated veterans that has reduced recidivism by linking participants with community programs and re-entry assistance programs upon their release. In the first year of the program, 77 inmates were successfully returned to the community from the program, and not one returned to custody on a new charge. That's compared to an expected return-to-jail rate of about 20-45 percent, according to local and state averages one year after release from jail or prison.
- The Utilizing Medi-Cal Expansion to Increase Healthcare Access program was spearheaded by Health and Human Services Agency and Public Safety departments to embed Medi-Cal eligibility workers in jails and probation re-entry facilities to process inmates' applications so that they could receive medical and mental health services upon their release. Over 1,800 individuals are currently active in Medi-Cal through this effort and the County has estimated significant savings.

The other four San Diego County programs to receive Merit Awards include:

- The Online Appointment System for Immunizations is a Health and Human Services Agency program that established an innovative, online and bilingual appointment system for one of its public health centers in 2013. The new system is easy to use and has increased access to vaccinations. In 2014, the County expanded it to two more public health centers. The system showed a significant reduction in wait time for customers. During periods of high demand where the walk-in customer wait time could be over an hour, the online appointment customers received their vaccinations in less than six minutes.
- The Planning and Development Services Template Permits program streamlined the process for minor permits and eliminated repetitive data entry by developing template records for the most common permit types. These templates pre-fill much of the permit data, which has resulted in substantial savings in transaction times during the processing of permits.
- The Protecting Public Health by Getting the Word Out involved the Department of Environmental Health's launch of a mobile web application for sdbeachinfo.com, where anyone can get the most recent water quality information for San Diego County beaches and bays at any time, on their smartphones, tablets or computers. The app was created specifically to allow people to get information on-the-go, even when they're at beaches or away from home. The app's at-a-glance information is available in different formats, including lists and an interactive mapping feature, that identify potentially unhealthy water quality and areas that are more susceptible to poor water quality because of nearby surface water runoff sources.
- Real-Time Invasive Pest Mapping is an Agriculture Weights and Measures program that implements real-time pest mapping using a mobile app for County pest collectors. The increased efficiency in map development allows the County to track invasive pests more accurately and quickly disseminate information about the infestation. It

also allows the County to quickly communicate the extent of the spread of a pest and therefore make better decisions on limiting or eradicating pests. The system has improved the County's contribution to regional pest management.

Additional Honors

- The Department of Purchasing and Contracting received an Achievement of Excellence in Procurement Award for the 14th year in a row from the National Procurement Institute. The award recognizes organizational excellence in procurement by measuring innovation, professionalism, e-procurement, productivity and leadership attributes.
- San Diego County was awarded a second place 2015 Digital Counties Survey Award for its new web site which features responsive design, a clean updated look and links to innovative apps such as Finding Rover which uses facial recognition to find lost pets and the County's emergency mobile app which sent out 2.5 million push notifications and logged nearly 75,000 new users during the May 2014 wildfires.
- The County received the Urban Planning Orchid for the San Diego County Waterfront Park in the San Diego Architectural Foundation Orchids and Onions Awards. The annual awards note hits and misses in local building, landscaping and urban design. The 12-acre park, which opened in May 2014, was transformed from parking lot to what the nomination calls the most significant waterfront open space in downtown, featuring two large fountains, sprawling lawns and dynamic playground equipment.
- The County of San Diego was awarded the San Diego Business Journal's 2015 award for the Healthiest Company in the Mega Company category for the Employee Wellness Program. The County was recognized as a forward-thinking organization that has "moved rapidly from traditional basic health care and retirement benefits to a host of inventive programs that address a holistic approach to employee wellness, satisfaction and retention." The County of San Diego beat out ViaSat, Qualcomm and Welk Resorts Group, Inc. for the number one spot in the Mega Company category. The San Diego Business Journal held an event on May 7 at the Paradise Point Resort & Spa where nearly 440 senior managers from companies around San Diego gathered to honor the 31 exceptional winners from the list of nominations in seven categories.
- San Diego County Library received the Digital Government & Education Achievement Award for Increased Services with Self-Service Technologies, Apps and Kiosks in the Government-to-citizen State government category.
- County News Center won five first place honors at the Annual Conference for the California & Nevada Region of the National Association of Telecommunications Officers & Advisors. The awards were for Best Website, Best Use of Social Media, Magazine Program (for "County Chronicles"), Public Safety (for our Realignment video) and Documentary-Profile. Sheriff's Deputy William Dunford recently received the Charles "Bud" Meeks Valor Award for Deputy Sheriff of the Year, one of the highest honors a deputy sheriff can receive in the nation from the National Sheriff's Association.
- The Fire Safe Council of San Diego County, a nonprofit agency promoting fire prevention and management, presented the County Fire Authority with an Agency Award for providing exceptional service within the community. The award recognized the Fire Authority for funding work that better prepared more than 200 properties in the East County for the 2014 fire season.
- Social Worker Madelyn Ochoa-Wingate, a member of the Lemon Grove/Spring Valley Cluster of East Regions' Neighborhoods for Kids (N4K), was honored in July as the 2014 Juvenile Justice Commission Awardee for her outstanding work with youth and their families. Another honoree, Detective John Whiteman from the Santee Sheriff's Station was presented with the Juvenile Justice Commission Award for Law Enforcement.
- First 5 San Diego received a Bronze award at the 35th Annual Telly Awards for its "Healthy Eating" public service announcement (PSA.) The Telly Awards honor outstanding local, regional and cable TV commercials and programs, as well as web commercials, videos and films. First 5 San Diego's "Healthy Eating" PSA was recognized in the not-for-profit category. More than 12,000 entries came in from all 50 states and other countries. Two Aging and Independence Services (AIS) programs were among only 13 programs nationwide to receive Innovation Awards from the National

Association of Area Agencies on Aging national conference in mid-July. The two programs were the Grandparents Raising Grandchildren Initiative and the Legacy Corps support for veterans and military families. AIS also received two Achievement Awards for the Care Transitions Partnership and the Beacon Care Transitions Pilot.

- The County has excellent ratings with three major rating agencies: Aaa rating with Moody's Investor Service, AAA rating with Standard & Poor's, AAA with Fitch Ratings as of August 2014. County staff meets with the rating agencies on an annual basis to provide an update on County finances and operations. The ratings reflect the county's maintenance of a very strong fiscal position. The county's overall credit quality also benefits from stable and prudent management, which maintained the county's resilient credit strength even during the recession.
- The Director of the San Diego County Behavioral Health Services, Alfredo Aguirre, LCSW, received a prestigious honor of "Outstanding Mental Health Director for 2014" at the NAMI California (National Alliance on Mental Illness) annual conference. Based on nominations received from communities throughout the state, the NAMI California Board of Directors selects a single winner each year based on excellent achievements in the mental health field.
- The Department of Parks and Recreation won three American Inhouse Design Awards in a competition sponsored by Graphic Design USA, a national trade magazine for the graphic design field. DPR was among 500 winners selected out of 5,000 entries that represented every segment of the public and private sectors that employ in-house graphic design teams. The winning entries were for "Embrace the Outdoors," a wedding ad that appeared in Exquisite Weddings magazine; "Brilliance in Nature," a direct-mail postcard promoting our parks as sites for weddings; and an announcement flier for the Rancho Garden Fair at Los Penasquitos.
- The Department of Human Resources was awarded IPMA-HR's 2014 Agency Award for Excellence for a Large Agency in recognition of its exemplary contributions to the efficiency and effectiveness of public sector human resource management. Some of the programs highlighted in the award include the Employee Wellness Program, Work Safe Stay Healthy Strategic Plan, Recruitment and Selection best practices, Veterans Outreach Program, and Employee Development Initiatives.
- The County Communications Office was honored in multiple categories by the National Association of Telecommunications Officers and Advisors (NATOA). The Association recognized the best in government programming at its conference in October 2014. The Communications Office received three first place honors: best website for County News Center; best promotion of a City/ County for a video about the services the County provides to its residents; and best magazine program for County Chronicles. In addition, the CCO received second place for overall excellence; use of social media; in the category of public safety for a video about realignment, which was a collaboration with the Public Safety Group (PSG) and many of its departments; and the category of public health for a video highlighting Live Well San Diego's accomplishments during its third year, another collaboration with the Health and Human Services Agency and PSG.
- The Department of Environmental Health (DEH) was honored for its part in an environmental cleanup by the Industrial Environmental Association at its conference in October 2014. DEH, the City of Encinitas and SCS Engineering - which teamed up to work together on the cleanup at Encinitas Community Park - were collectively given an award for excellence at the conference. Encinitas Community Park prior to its construction had pesticide-contaminated soils that were mitigated under the oversight of DEH through their Voluntary Assistance Program. The DEH Site Assessment and Mitigation program staff found innovative solutions to the cleanup that were protective of public health, the environment and were cost effective. The environmental association also presented Mike Vizzier, Chief of the DEH Hazardous Materials Division, with an Environmental Excellence Award for his work on the CUPA Forum Board. (The CUPA Forum Board is a statewide association of CUPAs and Participating Agencies that implement the Unified Hazardous Materials and Waste programs.)
- The U.S. Department of Housing and Urban Development (HUD) designated the County's Department of Housing and Community Development (HCD) as a "High Performer" for the

last 12-month rating period. Serving as the County's Housing Authority, HCD was recognized for its efficient management of the Section 8 Housing Choice Voucher Program. High Performer is HUD's highest possible designation, which HCD has earned for 13 consecutive years. The ratings are based on 14 key performance indicators, such as the voucher utilization rate and quality control results. This rating demonstrates that HCD is administering the Section 8 Housing Choice Voucher Program at a consistently high level in accordance with HUD's standards.

- The American Institute of Architects, San Diego Chapter recognized two County projects at its 2014 Design Awards ceremony in October 2014. The new Las Colinas Detention and Reentry Facility received a Merit Award in the Interiors category and a Special Recognition in the Institutional Projects category. This project, the first design-build project under AB900, was previously recognized by the national American Institute of Architects with a citation for its design in the 2013 Justice Facilities Review. The Lincoln Acres Library, Park and Community Room project received an award in the Foundation Projects Institutional category. The 4,844 square-foot building housing the new library (2,500 sf) and community room tripled the size of the 53-year-old former library and included expansion of the nearby park. The new building has received LEED Gold certification.
- Planning and Development Services' new Online Building Permits system was recently honored with awards from both the National Association of Counties and the California State Association of Counties. The online building permits were launched in the summer of 2013, and have steadily grown. As of October 2014, over half of the building permit volume is done online. This saves customers time and money by avoiding a drive to the County offices. It also saves staff time. The new online permits include scripting and automation that reduces the staff time required to process the permit. The program improves not only customer service, but also efficiency.
- Planning and Development Services was honored for its work on Ramona Village Center Form Based Code, winning a Certificate of Merit for Outstanding Planning Document from the Association of Environmental Professionals at its awards event in October 2014. The Ramona Village Center FBC is an innovative tool for developing, enhancing and preserving Ramona's Village. Establishing FBCs that promote compact and viable County village areas is a key component of the County General Plan. FBCs have been shown to be successful tools to help improve aesthetics and walkability, and increase the economic value of developments by diversifying properties with mixed uses.
- Planning and Development Services' work on the Campus Park West Project was honored by the Association of Environmental Professionals winning a Certificate of Merit for Outstanding Environmental Analysis - EIR/EIS, specifically for the project's Subsequent EIR (SEIR) in October 2014. The Campus Park West SEIR includes a comprehensive project description for this mixed use project.
- San Diego County Library (SDCL) was named the recipient of the 2014 Digital Government Achievement Award in October 2014. This national award is given out by e.Republic's Center for Digital Government and highlights outstanding agency and department projects at the application and infrastructure level. SDCL was honored for its innovative use of self-service technology in providing library services to the public. The library technology includes SDCL's book sorters, mobile app and the 24/7 Library To Go kiosks.
- The County won three Beacon Spotlight awards at the 2014 annual CSAC conference in November 2014: Gold Level Award for Agency Greenhouse Gas Reductions of 12.2 percent; Platinum Level Award for Agency Electrical Energy Savings of 23.4 percent and Platinum Level Award for Natural Gas Savings of 21.6 percent. The Beacon Spotlight Awards are part of the Beacon Award program, sponsored by the Institute of Local Government and the Statewide Energy Efficiency Collaborative, an alliance helping cities and counties reduce greenhouse gas emissions and save energy.
- Medical Examiner's Office Chaplain Joe Davis received the prestigious 2014 DonorCARE Award from the Musculoskeletal Transplant Foundation in December 2014. The tissue bank selected Davis for the national award, which is presented every other year and commends those who have demonstrated a commitment to donor families above and beyond what is currently recognized as the industry standard of care. Davis' name was

submitted by Lifesharing, another nonprofit and federally-designated tissue and organ recovery organization.

- San Diego's Human Relations Commission honored Chief Deputy District Attorney Summer Stephan in November 2014 with a Commission Partner Award for her efforts in combating human trafficking and for partnering with the Human Relations Commission in its work. The award honors people or organizations that have worked closely with the Human Relations Commission through the year on priority issues, acknowledging that partnerships are key to accomplishing positive change in the community.
- Planning and Development Services (PDS) was recognized for its outstanding best practices in two publications, for its contributions to California's new Solar Permitting Guidebook and for its permitting process to handle Heating, Ventilation and Air Conditioning (HVAC) permit applications. Planning staff participated on a task force to update the California Solar Permitting Guidebook. The guide is the result of a collective effort of stakeholders from local government, the building industry, professional associations, solar companies, utility providers and state regulatory agencies. The guide is intended to help local agencies throughout California navigate the exponentially increasing customer demand for solar and associated permits. In addition, the California Center for Sustainable Energy (CCSE) interviewed PDS as part of a CCSE study of best practices for processing HVAC permits. The study highlighted many of the processes that are in place at PDS.
- First 5 San Diego's Healthy Development Services Project (HDS) received the prestigious designation as a Bright Idea from Harvard University's Ash Center for Democratic Governance and Innovation at the John F. Kennedy School of Government. HDS received national recognition for the program's innovative approaches to treating children with mild to moderate developmental and behavioral concerns. The Bright Idea initiative recognizes and promotes innovative and promising government programs and practices.
- First 5 San Diego's website received the Web Marketing Association's 2014 Award for Outstanding Achievement in Web Development. Since 1997, the Web Marketing Association's annual competition has been setting the standard of excellence for website development. The award is the premier award recognition program for web developers and marketers worldwide.
- The County's Department of General Services is one of 45 winners of the 2014 Public Facility Award of Excellence from the California Counties Facilities Services Association. All recipient organizations demonstrated exceptional dedication to facilities excellence through best practices, process innovation, staff development, department automation and energy program improvements. The outstanding leadership of these organizations continues to advance the development of programs and processes that extend the life of California public facilities.
- The San Diego Regional Climate Collaborative (Climate Collaborative) was recognized by the U.S. Environmental Protection Agency (EPA) in February 2015 at the annual climate leadership award ceremony. The Climate Collaborative is a member-based network that supports regional public agencies to share expertise, leverage resources, and advance comprehensive solutions to facilitate climate change planning. The eight-member Steering Committee includes a representative from Planning and Development Services. The EPA recognized the collaborative for being an innovative partnership that works collaboratively on leading edge climate initiatives that are above and beyond business-as-usual. The award acknowledges the Climate Collaborative as a replicable model for other regions, highlighting its demonstrated leadership and success.
- The District Attorney's DNA Hit Integration Program was recognized with a Bright Idea Award from the Ash Center for Democratic Governance and Innovation at Harvard University. The DNA Hit Integration Program helps prosecutors link defendants to other crimes they have committed.
- The Waterfront Park received five awards in March 2015. These include a Project Achievement award for Public Works projects over $15 million from the Construction Management Association of America; Project of the Year from the American Public Works Association; the Grand Award and Project of the Year from the California Counties Architects and Engineers Association; the Award of Excellence

from California Parks and Recreation Society; and the Best Landscape/Urban Development Project from Engineering News-Record California.

- First 5 San Diego earned the Certificate of Achievement for Excellence in Financial Reporting Program (CAFR Program) from the Government Finance Officers Association (GFOA) for its Comprehensive Annual Financial Report for fiscal year ending June 30, 2014. The CAFR Program recognizes state and local governments that go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure. This is the first award of its class for First 5 San Diego.
- Department of Public Works (DPW) Airports was honored in February with an award from the American Association of Airport Executives (AAAE) for the department's efforts in training excellence at Palomar Airport. AAAE recognized 92 airports nationwide with the ANTN Digicast Excellence in Airport Training award. The award signifies that airport employees and others working at the facility have completed a specific amount of federally-mandated airport-specific continuing education using the Webbased Digicast training system.
- McClellan-Palomar Airport was presented with a plaque marking the achievement in the non-hub category.
- The Department of Child Support Services (DCSS) received the State Department of Child Support Service's Innovation Award at a statewide meeting in March 2015. The award recognized the department for their development and implementation of the Legal Paperless System, which is the first paperless application in the State to fully integrate all external agency calendaring systems to the department's queue management system.
- Emergency dispatchers at the Sheriff's Communications Center in Kearny Mesa save lives everyday by answering 9-1-1 calls and making sure help gets to those in need. The San Diego Association of Public Safety Dispatchers (APSD) recently recognized these dispatchers' hard work and dedication by honoring the Sheriff's Communications Center with its "Communications Center of the Year" award. The nonprofit association develops and presents training courses for public safety dispatchers in the region.
- The Department of Purchasing and Contracting (DPC) is the recipient of the 2015 National Institute of Governmental Purchasing's (NIGP) Innovation in Public Procurement Award. This award recognizes non-standard, forward-thinking approaches for the public procurement profession. It promotes public procurement's unique and critical contributions as an invaluable strategic partner within the public organization. The award recognized DPC's implementation of its Realignment of Purchasing & Contracting for Customer Service Excellence over the last two years which set up procurement teams to provide dedicated support by County Group and Department. NIGP is a national non-profit organization of public sector purchasing professionals.
- The County of San Diego was selected as one of the Director's Recycling Award winners by the City of San Diego, San Diego Environmental Services Department in April. The City recognizes businesses and organizations that have successful and innovative programs resulting in significant waste reduction, recycling and economic benefits. The County was recognized in the 2015 Waste Reduction and Recycling Awards as an environmental leader through our combined efforts in waste reduction and recycling.
- Agriculture, Weights and Measures team members were recognized by the California Department of Food and Agriculture (CDFA) for keeping their detection routes in excellent condition during a recent quality control check. County staff are challenged daily by weather, finding "host sites" that fit State protocol and aggressive dogs. Keeping the staff's challenges in mind, CDFA recognized County team members for setting very good insect trap placements; keeping wicks properly baited; making sure insect traps were clean and clearly identified; and for making very good efforts to keep trap servicing on schedule. All of these recognizable qualities mean staff are more likely to find exotic insect pests easier and earlier.

Acknowledgments

We would like to express our appreciation to the accounting staff of County departments and the staff of the Auditor and Controller's department whose coordination, dedication and professionalism are responsible for the preparation of this report. We would also like to thank Vavrinek, Trine, Day & Co., LLP for their professional support in the preparation of the CAFR. Lastly, we thank the members of the Board of Supervisors, the Chief Administrative Officer, Group/Agency General Managers and their staff for using sound business practices while conducting the financial operations of the County.

Respectfully,

DONALD F. STEUER
Assistant CAO/
Chief Operating Officer

TRACY M. SANDOVAL
Deputy CAO/
Auditor and Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

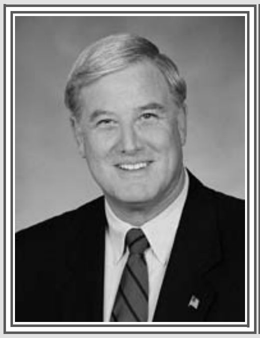
County of San Diego
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

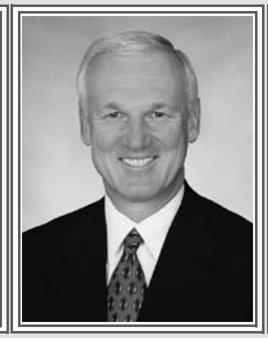
Board of Supervisors



Greg Cox
District 1

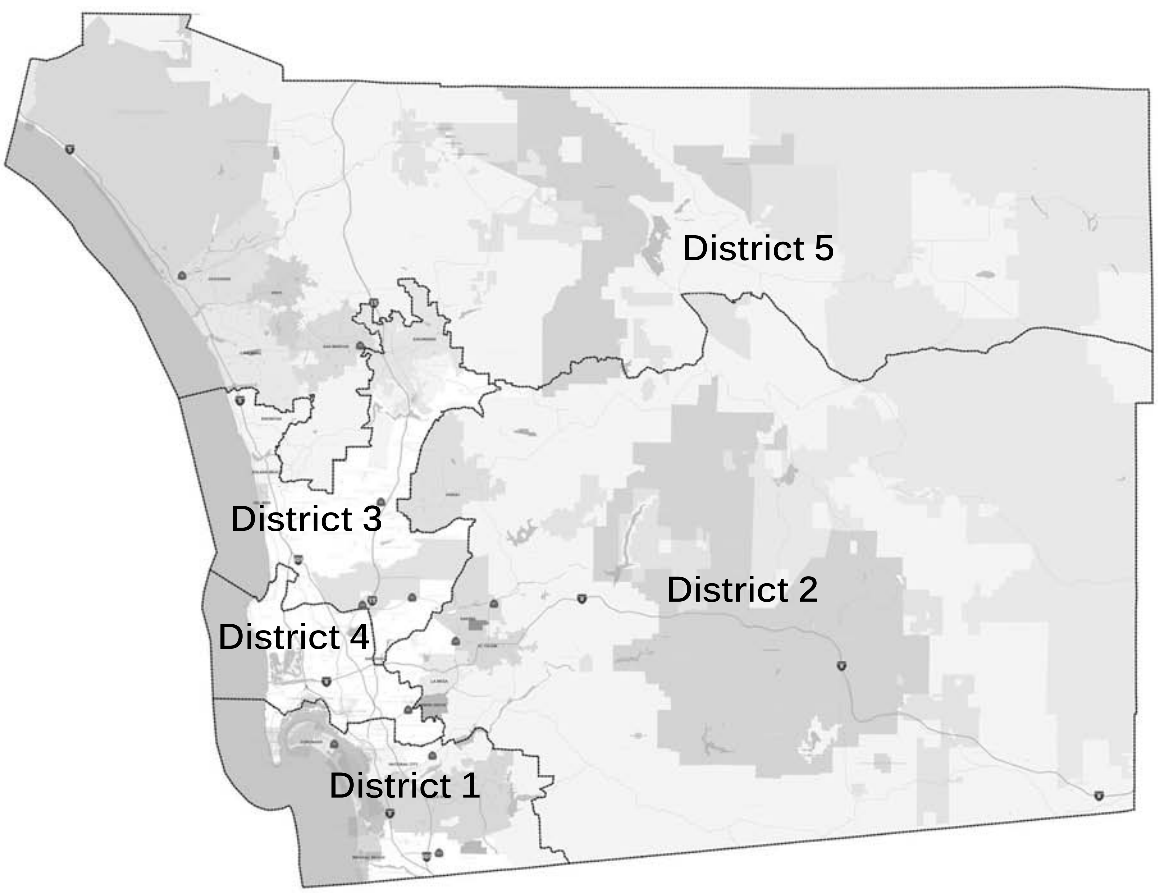
Dianne Jacob
District 2

Dave Roberts
District 3
Vice Chair



Ron Roberts
District 4

Bill Horn
District 5
Chair



- **Citizens of San Diego County**
  - **Board of Supervisors ***
    - **Chief Administrative Officer**
      - **Community Services Group**
        - Executive Office
        - Animal Services
        - General Services
        - Housing & Community Development
        - County Library
        - Purchasing & Contracting
        - Registrar of Voters
        - County Successor Agency
      - **Finance & General Government Group**
        - Executive Office
        - Assessor/Recorder/ County Clerk *
        - Auditor & Controller
        - Civil Service Commission
        - Clerk of the Board of Supervisors
        - County Communications Office
        - County Counsel
        - County Technology Office
        - Grand Jury
        - Human Resources
        - Treasurer - Tax Collector *
      - **Health & Human Services Agency**
        - Administrative Support
        - Aging & Independence Services
        - Behavioral Health Services
        - Child Welfare Services
        - Public Health Services
        - Regional Operations
      - **Land Use & Environment Group**
        - Executive Office
        - Agriculture, Weights & Measures
        - Air Pollution Control District
        - Environmental Health
        - Farm & Home Advisor
        - Parks & Recreation
        - Planning & Development Services
        - Public Works
      - **Public Safety Group**
        - Executive Office
        - Child Support Services
        - Citizens' Law Enforcement Review Board
        - District Attorney *
        - Emergency Services
        - Medical Examiner
        - Probation
        - Public Defender
        - San Digeo County Fire Authority
        - Sheriff *

* Elected officials

Chief Administrative Office

Chief Administrative Officer	Helen N. Robbins-Meyer
Assistant Chief Administrative Officer/Chief Operating Officer	Donald F. Steuer

Elected Officials

Assessor/Recorder/County Clerk	Ernest Dronenburg
District Attorney	Bonnie Dumanis
Treasurer - Tax Collector	Dan McAllister
Sheriff	Bill Gore

General Managers

Community Services Group	David Estrella
Finance & General Government Group	Tracy Sandoval
Health & Human Services Agency	Nick Macchione
Land Use & Environment Group	Sarah Aghassi
Public Safety Group	Ron Lane

Department Heads

Agriculture, Weights & Measures	Ha Dang
Air Pollution Control District	Bob Kard
Animal Services	Dawn Danielson
Auditor and Controller	Tracy Sandoval
Behavioral Health Services	Alfredo Aguirre
Chief of Staff/CAO	Nicole J. Alejandre
Child Support Services	Jeff Grissom
Child Welfare Services	Debra Zanders-Willis
Civil Service Commission	Todd Adams
Clerk of the Board of Supervisors	David Hall
County Communications Office	Michael Workman
County Counsel	Tom Montgomery
County Technology Office	Mikel D. Haas
Emergency Services	Holly Crawford
Environmental Health	Vacant
Ethics & Compliance	Joe Cordero
Farm & Home Advisor	James Bethke
General Services	April Heinze
Health & Human Services Agency (HHSA) Operations	Dean Arabatzis
HHSA - East & North Central Regions	Marie Brown-Mercadel
HHSA - Aging & Independent Services, Public Administrator/Guardian/Conservator	Ellen Schmeding
HHSA - Central & South Regions/ACCESS	Barbara Jimenez
HHSA - North Inland & North Coastal Regions	Chuck Matthews
HHSA - Strategy & Innovation	Dale Fleming
Housing & Community Development	Todd Henderson
Human Resources	Susan Brazeau
Library	Jose Aponte
Medical Examiner	Glenn Wagner
Parks & Recreation	Brian Albright
Planning & Development Services	Mark Wardlaw
Probation	Mack Jenkins
Public Defender	Henry C. Coker
Public Health Services	Wilma Wooten, M.D.
Public Works	Rich Crompton
Purchasing & Contracting	Jack Pellegrino
Registrar of Voters	Michael Vu
Strategy & Intergovernmental Affairs	Geoff Patnoe

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants
VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Diego, California (County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the First 5 Commission of San Diego (Commission), the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is solely based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, based on our audit and the report 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 1, 28, and 30 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective July 1, 2014. 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 on pages 36 through 57, the schedule of revenues, expenditures, and changes in fund balance - budget to actual for the General Fund, Public Safety Fund, and Tobacco Endowment Fund on pages 138 through 142, the schedules of the County's proportionate share of net pension liability and contributions on page 143, and related notes on 144, 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 non-major fund information and other supplementary information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and other supplementary information is 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 non-major fund information and other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

San Diego, California
November 18, 2015

This section of the County of San Diego's (County) Comprehensive Annual Financial Report provides a narrative overview and analysis of the basic financial activities of the County as of and for the year ended June 30, 2015.

The intent of the information presented here, in conjunction with the Letter of Transmittal is to provide the reader with a clearer picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

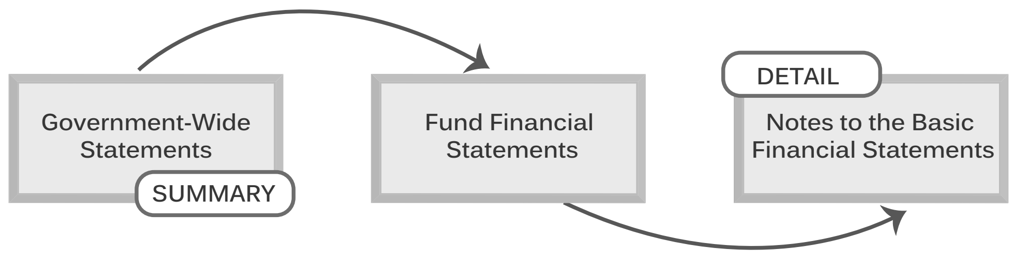
Financial Highlights

- The assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources at the close of the fiscal year 2015 by $2.63 billion (net position). Of this amount, $3.21 billion represents net investment in capital assets (capital assets net of related debt); $620 million is restricted for specific purposes (restricted net position); and the remaining portion represents negative unrestricted net position of $(1.20) billion.
- Total net position increased by $286.9 million as follows:
    - Governmental activities net position increased by $292.1 million. Current and other assets, capital assets, and deferred outflows of resources increased by $122.5 million, $23.8 million, and $372.4 million, respectively; while other liabilities and deferred inflows of resources increased by $38.8 million and $526.2 million, respectively; offset by a $49.3 million decrease in long-term liabilities (without regard to the net pension liability). The net pension liability portion of the long-term liabilities also increased by $1.9498 billion. This overall decrease in net position of $1.9468 billion was offset by a $2.2389 billion restatement to (decrease in) beginning net position associated with reporting the beginning net pension liability as a result of the fiscal year 2015 implementation of Governmental Accounting Standards Board (GASB) Statement 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment to GASB 68*.
    - Business-type activities net position decreased by $5.2 million. Current and other assets and deferred outflows of resources increased by $400 thousand and $1.6 million, respectively; while capital assets decreased by $4.8 million. This net decrease in net position was coupled with increases in other liabilities and deferred inflows of resources of $1.7 million and $2.3 million, respectively; offset by a $300 thousand decrease in long-term liabilities (without regard to the net pension liability). The net pension liability portion of the long-term liabilities also increased by $8.6 billion. This overall decrease in net position of $15.1 million was offset by a $9.9 million restatement to (decrease in) beginning net position associated with reporting the beginning net pension liability as a result of the fiscal year 2015 implementation of the previously mentioned GASBs 68 and 71.
- General revenues for governmental activities were $1.14 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for $981 million or 86%; while transient occupancy tax, real property transfer tax, miscellaneous taxes, sales and use taxes, investment earnings and other general revenues accounted for $159 million or 14%.
- Program revenues for governmental activities were $3.0 billion. Of this amount, $2.47 billion or 82% was attributable to operating grants and contributions while charges for services accounted for $505 million or 17%.
- Total expenses for governmental activities were $3.86 billion. Public assistance accounted for $1.33 billion or 34%, while public protection accounted for $1.31 billion or 34% of this amount. Additionally, health and sanitation accounted for $640 million or 17%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) *Government-wide* financial statements 2) *Fund* financial statements, and 3) *Notes* to the basic

The illustration below depicts the required components of the basic financial statements.



financial statements. Required supplementary information is included in addition to the basic financial statements.

The Government-wide financial statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all County assets and deferred outflows of resources, offset by 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* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the aforementioned government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (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 general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural. The business-type activities of the County include airport operations, jail stores commissary operations and sanitation districts.

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

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. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Public Safety Special Revenue Fund and the Tobacco Endowment Special Revenue Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining and individual fund information and other supplementary information section in this report.

Proprietary funds are generally used to account for services for which the County charges customers - either outside customers, or internal departments of the County. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The County maintains the following types of proprietary 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 airport operations, jail stores commissary operations, and sanitation services. These nonmajor enterprise funds are combined and aggregated. Individual fund data for each nonmajor enterprise fund is provided in the combining and individual fund information and other supplementary information section in this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Internal service funds are used to account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); for start up services for new and existing county service districts; for the County's public liability and employee benefits activities; the financing of fleet services; for facilities management activities; and for the financing of information technology services. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The County's *internal service funds* are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the combining and individual fund information and other supplementary information section in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

Required supplementary information (RSI) is also presented. It provides budgetary comparisons for the General Fund, Public Safety Special Revenue Fund and the Tobacco Endowment Special Revenue Fund (all major funds) in separate Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual. It also provides information about the County's proportionate share of the San Diego County Employees Retirement Association pension plan (SDCERA_PP) collective net pension liability and information regarding the County's contributions to the SDCERA-PP.

Combining financial statements/schedules and supplementary information section of this report presents combining and individual fund statements and schedules referred to earlier that provide information for nonmajor governmental funds, enterprise funds, internal service funds and fiduciary funds and are presented immediately following the required supplementary information section of this report.

Government-wide Financial Analysis
Table 1

Net Position
June 30, 2015 and 2014
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	$ 3,573,751	3,451,265	80,991	80,628	3,654,742	3,531,893
Capital assets	3,388,558	3,364,716	167,928	172,677	3,556,486	3,537,393
Total assets	6,962,309	6,815,981	248,919	253,305	7,211,228	7,069,286
DEFERRED OUTFLOWS OF RESOURCES						
Total deferred outflows of resources	377,274	4,883	1,647		378,921	4,883
LIABILITIES						
Long-term liabilities	3,891,460	1,990,919	9,531	1,204	3,900,991	1,992,123
Other liabilities	518,283	479,411	3,319	1,643	521,602	481,054
Total liabilities	4,409,743	2,470,330	12,850	2,847	4,422,593	2,473,177
DEFERRED INFLOWS OF RESOURCES						
Total deferred inflows of resources	535,522	9,343	2,315		537,837	9,343
NET POSITION						
Net investment in capital assets	3,042,782	3,015,405	167,453	171,911	3,210,235	3,187,316
Restricted	619,565	669,832			619,565	669,832
Unrestricted	(1,268,029)	655,954	67,948	78,547	(1,200,081)	734,501
Total net position	$ 2,394,318	4,341,191	235,401	250,458	2,629,719	4,591,649

Analysis of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources by $2.63 billion at the close of fiscal year 2015, an increase of $286.9 million or 12% over fiscal year 2014. This included a $22.9 million increase in net investment in capital assets, (a .72% increase over fiscal year 2014), and a decrease of approximately $50.2 million in the County's restricted net position (a 7.5% decrease over fiscal year 2014). Additionally, net unrestricted net position increased by $314.2 million in unrestricted net position, (a 21% increase over fiscal year 2014).

Unrestricted net position decreased by $1.9346 billion. The aforementioned implementation of GASB 68 had the effect of reporting a beginning net pension liability of $2.2488 billion, which resulted in reducing the beginning net position (via a restatement of beginning net position) and reducing the 2015 unrestricted net position by $2.2488 billion as well.

The aforementioned increase of $286.9 million in net position was composed of the $2.2488 billion restatement of net position referred to above, coupled with the following changes in total assets, deferred outflows of resources, liabilities, and deferred inflows of resources:

- Total assets increased by $141.9 million. This included an increase of $122.8 million in current and other assets and a $19.1 million increase in capital assets. The net increase of $122.8 million in current and other assets was primarily attributable to an increase in cash and investments (including restricted and unrestricted cash and investments with fiscal agents) of $222.5 million, a decrease of $91.9 million in receivables, net (excluding property taxes), a $7.6 million decrease in property taxes receivables, net, and a $200 thousand decrease in other assets. The $222.5 million net increase in cash is principally due to a $91.9 million decrease in receivables, net (excluding property taxes), a $7.6 million decrease in property taxes receivables, net, a $7.5 million increase in accrued payroll, a $44.7 million increase in unearned revenue, offset by a $9.6 decrease in accounts payable coupled with $2.1 decrease in accrued interest; all of which have the net effect of increasing cash; coupled with increases to cash mainly attributable to $29 million and $19 million in secured property taxes and property taxes in lieu of vehicle license fees, respectively, coupled with $18.5 million in pre-2004 Senate Bill 90 claims payments from the State, and $16 million for the implementation of the affordable care act. The $91.9 million decrease in receivables, net is principally due to a decrease of $92.4 million in amounts due from other governments, offset by a $500 thousand increase in other receivables. The $7.6 million decrease in property taxes receivables, net was principally attributable to a decrease in delinquent secured taxes. The $19.1 million increase in capital assets was due in part to $6 million towards improvements at various parks; $5.7 million towards various land acquisitions for the Multiple Species Conservation Program, $4.7 million towards construction of the Crime Lab at the County Operations Center, and $2.7 million towards the construction of the Boulevard Fire Station.

- Deferred outflows of resources increased by $374 million attributable to the fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68 that resulted in reporting Deferred outflows of resources of $356.7 million of County contributions made to the retirement plan subsequent to the measurement date, and $17.3 million for the County's change in proportionate share of contributions to the retirement plan.
- Total liabilities increased by $1.9493 billion, principally due to the implementation of GASB 68 which resulted in an ending net pension liability of $1.9584 billion coupled with a $40.5 million increase in other liabilities, offset by a decrease in non-net pension liability long-term liabilities of $49.6 million. The increase in other liabilities of $40.5 million was primarily due to a $44.7 million increase in unearned revenue coupled with an increase in accrued payroll of $7.5 million, offset by decreases in accrued interest and accounts payable of $2.1 million and $9.6 million, respectively. The $9.6 million decrease in accounts payable was comprised of a $13.2 million decrease in vendors payable offset by a $3 million increase in due to other government agencies coupled with a $600 thousand increase in other payables. The $49.6 million decrease in non-net pension liability long-term liabilities was mainly due to a $20.1 million increase in claims and judgments, offset by a $68 million decrease in long-term debt (see Long-Term Liabilities discussion), coupled with a $1.7 million decrease in other long-term liabilities (including a $1.2 million increase in compensated absences offset by decreases in landfill postclosure and pollution remediation liabilities of $700 thousand and $2.2 million, respectively).
- Deferred inflows of resources increased by $528.5 million chiefly attributable to the fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68 that resulted in reporting Deferred inflows of resources of $387.1 million for the net difference between projected and actual earnings on retirement plan investments, and $139 million for the differences between expected and actual experience in the total pension liability. These increases are coupled with increases in property taxes received in advance and gain on refunding of long-term debt of $684 thousand and $185 thousand, respectively; and increases in Air Quality Moyer Program, Affordable Housing Project, and Housing Administrative Cost Allowance of $1.566 million, $4 thousand, and $130 thousand, respectively; offset by decreases in deferred housing loans and housing program advances of $147 thousand and $22 thousand, respectively.

The largest portion of the County's net position reflects its investment of $3.21 billion in capital assets, net of related debt (which includes: land, easements, buildings and improvements, equipment, software and infrastructure; less any related outstanding debt used to acquire those assets). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net position (restricted net position), equaled $620 million and represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws and/or regulations of other governments. The remaining portion of the County's net position includes ($1.20) billion in negative unrestricted net position. This amount is comprised of the beginning net pension liability of $2.25 billion resulting from implementing the previously mentioned GASB

68, which resulted in $2.25 billion negative unrestricted net position, offset by positive remaining unrestricted net position of $1.05 billion.

Table 2

Changes in Net Position

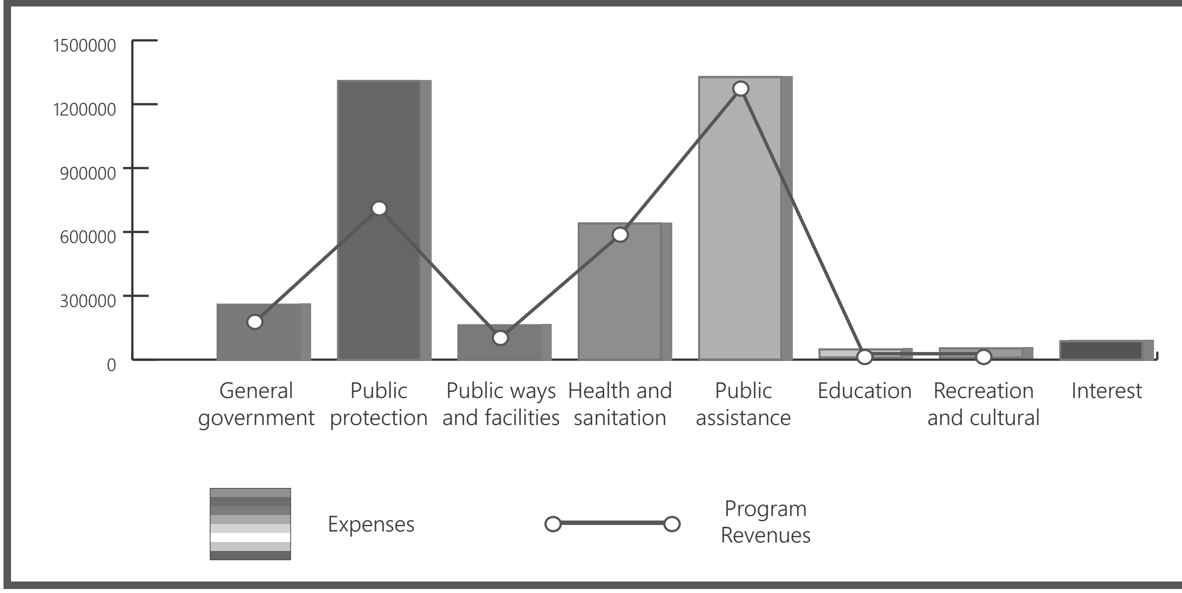
For the years ended June 30, 2015 and 2014
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues						
Charges for services	$ 504,741	510,452	43,353	43,343	548,094	553,795
Operating grants and contributions	2,467,817	2,519,619	702	3,793	2,468,519	2,523,412
Capital grants and contributions	39,224	114,310			39,224	114,310
General Revenues						
Property taxes	648,974	627,709			648,974	627,709
Transient occupancy tax	4,166	3,404			4,166	3,404
Real property transfer tax	21,049	20,074			21,049	20,074
Miscellaneous taxes	15	14			15	14
Property taxes in lieu of vehicle license fees	332,928	313,844			332,928	313,844
Sales and use taxes	27,847	24,871			27,847	24,871
Investment earnings	12,250	16,635	336	502	12,586	17,137
Other	93,889	132,612	3,055	2,565	96,944	135,177
Total revenues	4,152,900	4,283,544	47,446	50,203	4,200,346	4,333,747
Expenses:						
Governmental Activities:						
General government	258,169	249,066			258,169	249,066
Public protection	1,309,087	1,312,074			1,309,087	1,312,074
Public ways and facilities	161,341	148,209			161,341	148,209
Health and sanitation	640,020	631,543			640,020	631,543
Public assistance	1,327,664	1,418,703			1,327,664	1,418,703
Education	37,686	35,647			37,686	35,647
Recreation and cultural	42,748	38,903			42,748	38,903
Interest	86,816	92,709			86,816	92,709
Business-type Activities:						
Airport			14,664	14,118	14,664	14,118
Jail Stores Commissary			4,506	4,816	4,506	4,816
Sanitation District			30,745	28,291	30,745	28,291
Total expenses	3,863,531	3,926,854	49,915	47,225	3,913,446	3,974,079
Changes in net position before transfers	289,369	356,690	(2,469)	2,978	286,900	359,668
Transfers	2,693	7,086	(2,693)	(7,086)		
Change in net position	292,062	363,776	(5,162)	(4,108)	286,900	359,668
Net position at beginning of year (restated)	2,102,256	3,977,415	240,563	254,566	2,342,819	4,231,981
Net position at end of year	$ 2,394,318	4,341,191	235,401	250,458	2,629,719	4,591,649

Analysis of Changes in Net Position

At June 30, 2015, changes in net position before transfers equaled $286.9 million, a $72.8 million or 20% decrease from the previous year. Principal revenue sources contributing to the change in net position were operating grants and contributions of $2.47 billion and taxes of $982 million (including: property taxes and property taxes in lieu of vehicle license fees.) These revenue categories accounted for 82% of total revenues. Principal expenses were in the following areas: public assistance, $1.33 billion; public protection, $1.31 billion; and health and sanitation, $640 million. These expense categories accounted for 84% of total expenses.

Chart 1
Expenses and Program Revenues – Governmental Activities
(In Thousands)



Governmental activities

At the end of fiscal year 2015, total revenues for the governmental activities were $4.15 billion, while total expenses were $3.86 billion. Governmental activities increased the County's net position by $292.1 million, while the business-type activities' change in net position equaled $(5.2) million.

Expenses:

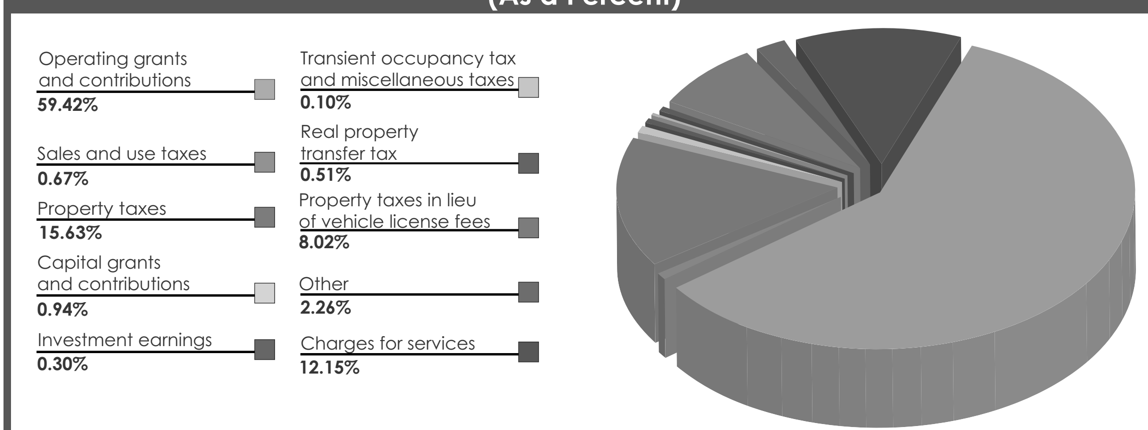
Total expenses for governmental activities were $3.86 billion, a decrease of $63 million or 2% ($57 million decrease in functional expenses and $6 million decrease in interest expense). Public protection (34%) and public assistance (34%) were the largest functional expenses, followed by health and sanitation (17%).

The $57 million net decrease in functional expenses consisted of the following:

- $94 million increase in overall salaries and benefit costs;
- $355 million decrease in retirement contributions expenses recognized due to the implementation of GASB 68 which requires that all retirement contributions made to the pension plan after the measurement date to be deferred, and as such are classified as Deferred Outflows of Resources - County contributions to the retirement plan subsequent to the measurement date on the County's government-wide governmental activities statement of net position;
- $218 million increase in pension expense due to the implementation of GASB 68; and,
- $14 million net decrease in contracted services including: $21 million increase due to increased caseload in the In-Home Support Services (IHSS) program; $14 million increase in various Fire Authority contracted services; $14 million increase in contracted Road Services; $13 million increase associated with Behavioral and Mental Health Services program expenditures; $10 million increase primarily due to Intergovernmental Transfer (IGT) agreement with the Department of Health Care Services; $10 million increase in various consultant contracts; $9 million increase associated with the information technology contracted costs for the design, development and implementation phase of the KIP project; $6 million increase in Sheriff Department Homeland Security

grant and AB 109 funded one-time projects as well as grant expenditures that are pass-through funds to reimburse allied law enforcement agencies for their participation in grant programs in the Sheriff's Department; $6 million increase associated with caseload levels and grant increases for CalWORKS, Welfare to Work and Child Care assistance payments; $6 million increase primarily due to one-time expenditure for CalFresh enhancements to the CalWIN system; $5 million increase in various Probation Department contracted services costs in Juvenile Diversion, Center for Employment Opportunities and Social Advocate for Youth in Probation Department; $4 million increase in participant benefits; $4 million increase due to caseload increase in General Relief program; $3 million increase in Emergency Medical Services; $3 million increase primarily due to major maintenance projects, guard costs and moving services associated with new facilities; $3 million increase due to the implementation of Work Incentive Nutritional Program (WINS) and State Utility Assistance Subsidy (SUAS) which replaced the Low Income Home Energy Assistance Program (LIHEAP); $2 million increase in Sheriff's department support and care of persons; $2 million increase in Planning and Development Department professional services largely due to Watershed Program services for studies conducted in compliance with Bacteria TMDL and development of related programs that were new requirements related to the storm water permits; $1 million increase in various Office of Emergency Services contracted services; $148 million decrease primarily due to the end of the Low Income Health Program (LIHP); and, a $2 million decrease due to one-time prior year adjustment associated with Assembly Bill 12 (AB 12), the California Fostering Connections to Success Act.

Chart 2
Revenues By Source - Governmental Activities
(As a Percent)



Revenues:

Total revenues for governmental activities were $4.15 billion, a decrease of 3% or $131 million from the previous year. This decrease consisted of a decrease in program revenue of $133 million offset by an increase in general revenues of $2 million as follows:

The $133 million decrease in program revenue was chiefly due to increases of $181.7 million and decreases of $314.7 million noted below:

Increases in program revenues of $181.7 million were principally composed of the following:

- $34 million federal aid Behavioral and Mental Health revenues primarily due to increased expenditures;

- $32 million in pre-2004 Senate Bill 90 claim payments from the State;
- $23.6 million in federal aid primarily due to implementation of Affordable Care Act (ACA);
- $21.3 million in In Home Supportive Services revenues primarily due to increased caseloads and personal care;
- $12.4 million in state aid mental health services act revenues;
- $12.3 million in CalWORKs assistance revenues due to final federal funding ratios to meet Single Audit Reporting requirements;
- $10.9 million in state aid community corrections;
- $10.3 million in state aid protective services realignment;
- $8 million in increase charges for services institutional care associated with the Intergovernmental Transfer (IGT) agreement with the Department of Health Care Services;
- $6.4 million in state administration MediCal;
- $4.3 million in foster care assistance revenues;
- $2.5 million in federal aid Community Care Transitions Program (CCTP) revenue primarily due to increased client services;
- $1.6 million increase in recovered expenditures;
- $1.3 million increase in Assembly Bill 2890 recovered costs; and
- $800 thousand in services to property owners.

Decreases in program revenue of $314.7 million were principally attributable to:

- $103.6 million in federal aid associated with the end of the Low Income Health Program (LIHP) and prior year adjustments;
- $71.1 million in state aid for corrections;
- $66 million in Aid From Redevelopment Successor Agencies mainly due to Long Range Property Management Plan (LRPMP) distributions, Due Diligence Review (DDR) remittances and residual balances in Aid from Redevelopment Successor Agencies;
- $26.3 million in state aid California Local Revenue Fund 2011 - amounts were fully spent in the prior year;
- $15.4 million in realignment revenues due to Assembly Bill (AB) 85 Redirection of 1991 State Health Realignment;
- $13.1 million in state aid State highway users tax revenues;
- $9.2 million in CalWORKs assistance revenues due to Assembly Bill (AB) 85 Redirection of 1991 State Health Realignment;
- $6.3 million in third party reimbursements associated with the end of Low Income Health Program (LIHP); and,
- $3.7 million in federal aid Public Health Services revenue primarily due to ending of Community Transformation Grant (CTG) grant.

General revenues increased overall by approximately $2 million. This increase was the result of increases of approximately $51 million and decreases of $49 million noted below.

Increases in general revenues of approximately $51 million were mainly due to the following:

- $48 million in secured property taxes and property taxes in lieu of vehicle license fees attributable to the county-wide growth in assessed valuation; and,
- $3 million in sales and use tax revenues.

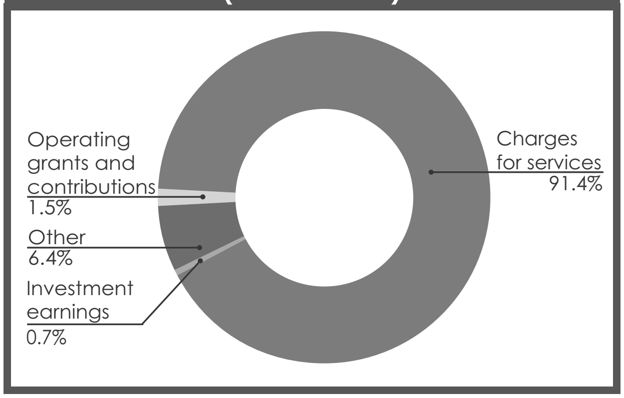
Decreases in general revenues of $49 million were primarily due to the decrease in gain on sale or disposal of capital assets.

The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown in Chart 2, operating grants and contributions of $2.47 billion accounted for 59.4%, the largest share of this revenue. These monies are received from parties outside the County and are generally restricted to one or more specific programs. Examples of operating grants and contributions include State and federal revenue for public assistance programs and health and sanitation programs.

Property taxes and property taxes in lieu of vehicle license fees are not shown by program, but are effectively used to support program activities county-wide. Combined, these general revenues equaled $982 million and accounted for 24% of governmental activities. Additionally, charges for services were $505 million and accounted for 12.2% of revenues applicable to governmental activities.

Other factors concerning the finances of the County's major governmental funds are discussed in the governmental funds section of the "Financial Analysis of County Funds."

Chart 3
Revenues By Source - Business-type Activities
(As a Percent)



Business-type Activities

Business-type activities, which are exclusively comprised of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. As shown in Chart 3, charges for services represent $43.4 million or 91.4% of total revenues, operating grants and contributions of $702 thousand represent 1.5% of total revenues, other revenues of $3.1 million represent 6.4% of total revenues, and investment earnings of $336 thousand represent 0.7% of total revenues.

The aforementioned implementation of GASB 68 had the effect of reporting a beginning net pension liability of $9.9 million, which resulted in reducing the beginning net position (via a restatement of beginning net position) and reducing the 2015 unrestricted net position by $9.9 million as well. From a year over year comparison of the change in net position, these amounts offset each other. Therefore, after restatement of the business-type activities beginning net position, the net position of business-type activities decreased by $5.2 million or 2%.

This net decrease primarily included the following:

- $1.6 million increase in Sanitation District Fund charges for services attributable to sanitation sewer service charges and sanitation service connections;
- $3.0 million decrease in Airport Fund operating grants;
- $1.1 million decrease in charges for services in the Jail Stores Commissary Fund;
- $1 million increase in sewage processing expenses in the Sanitation District Fund;
- $700 thousand decrease in charges for services in the Airport Fund;
- $700 thousand increase in Airport Fund contracted services;
- $500 thousand increase in depreciation/amortization ($300 thousand for the Airport Fund and $200 thousand for the Sanitation District Fund); and
- $200 thousand decrease in cost of materials in the Jail Stores Commissary Fund.

Financial Analysis of County Funds

The County uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the County include the General Fund, the Public Safety Special Revenue Fund, and the Tobacco Endowment Special Revenue Fund. Nonmajor governmental funds include special revenue funds, debt service funds, and capital projects funds.

At June 30, 2015, the County's governmental funds had combined ending fund balances of $2.70 billion, an increase of $110 million in comparison to the prior fiscal year. Of the total June 30, 2015 amount, $798.14 million constituted unassigned fund balance, which is

available for spending at the County's discretion. $328.8 million of fund balance is assigned, $858.7 million is committed, $697 million is restricted, and $18.5 million is nonspendable. (Please refer to Note 1 in the notes to the financial statements for more details regarding fund balance classifications.)

Governmental revenues overall totaled $4.16 billion representing a .4% decrease. Governmental expenditures totaled $4.05 billion, a 1.1% decrease from the fiscal year ended June 30, 2014.

General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2015, its unassigned fund balance was $798 million, while total fund balance was $1.89 billion, an increase of $156.7 million from fiscal year 2014.

This $156.7 million increase in fund balance was composed of $270 million in increases and $113.3 million in decreases as follows:

Increases to fund balance of $270 million were composed of:

- $48 million in secured property taxes and property taxes in lieu of vehicle license fees attributable to the county-wide growth in assessed valuation;
- $34 million federal aid Behavioral and Mental Health revenues primarily due to increased expenditures;
- $33 million decrease in contracted services, including: $21 million increase due to increased caseload in the In-Home Support Services (IHSS) program; $14 million increase in various Fire Authority contracted services; $13 million increase associated with Behavioral and Mental Health Services program expenditures; $10 million increase primarily due to Intergovernmental Transfer (IGT) agreement with the Department of Health Care Services; $9 million increase associated with the information technology contracted costs for the design, development and implementation phase of the KIP project; $6 million increase in Sheriff Department Homeland Security grant and AB 109 funded one-time projects as well as grant expenditures that are pass-through funds to reimburse allied law enforcement agencies for their participation in grant programs in the Sheriff's Department; $6 million increase associated with caseload levels and grant increases for CalWORKS, Welfare to Work and Child Care assistance payments; $6 million increase primarily due to one-time expenditure for CalFresh enhancements to the CalWIN system; $5 million increase in various Probation Department contracted services costs in Juvenile Diversion, Center for Employment Opportunities and Social Advocate for Youth in Probation Department; $4 million increase in participant benefits; $4 million increase due to caseload increase in General Relief program; $3 million increase in Emergency Medical Services; $3 million increase primarily due to major maintenance projects, guard costs and moving services associated with new facilities; $3 million increase due to the implementation of Work Incentive Nutritional Program (WINS) and State Utility Assistance Subsidy (SUAS) which replaced the Low Income Home Energy Assistance Program (LIHEAP); $3 million increase in food stamps; $2 million increase in temporary contract help; $2 million increase in Sheriff's department support and care of persons; $2 million increase in Planning and Development Department professional services largely due to Watershed Program services for studies conducted in compliance with Bacteria TMDL and development of related programs that were new requirements related to the storm water permits; $1 million increase in various Office of Emergency Services contracted services; $148 million decrease primarily due to the end of the Low Income Health Program (LIHP); and, a $2 million decrease due to one-time prior year adjustment associated with Assembly Bill 12 (AB 12), the California Fostering Connections to Success Act;
- $32 million in pre-2004 Senate Bill 90 claim payments from the State;
- $23.6 million in federal aid primarily due to implementation of Affordable Care Act (ACA);
- $21.3 million in In Home Supportive Services revenues primarily due to increased caseloads and personal care;
- $12.4 million in state aid mental health services act

revenues;

- $12.3 million in CalWORKs assistance revenues due to final federal funding ratios to meet Single Audit Reporting requirements;
- $10.9 million in state aid community corrections;
- $10.3 million in state aid protective services realignment;
- $8.1 million in charges for services institutional care associated with the Intergovernmental Transfer (IGT) agreement with the Department of Health Care Services;
- $6.4 million in state administration MediCal;
- $4.3 million in foster care assistance revenues;
- $2.5 million in federal aid Community Care Transitions Program (CCTP) revenue primarily due to increased client services;
- $2.2 million decrease in equipment rental costs;
- $1.9 million in recording fees;
- $1.8 million decrease in printing costs;
- $1.6 million increase in recovered expenditures;
- $1.3 million in Assembly Bill 2890 recovered costs;
- $1.3 million decrease in fuel costs; and,
- $800 thousand in services to property owners.

Decreases to fund balance of $113.3 million were composed of:

- $89 million net increase in salaries and benefit costs principally due to approximately $45.4 million in overall increases in base salaries and wages due to one-time and ongoing costs attributable to negotiated labor agreements, and an increased number of positions; $6.9 million in increased overtime incurred in various departments; an overall $17.9 million increase in retirement costs, coupled with an $11.9 million increase in flexible benefits and a $3.9 million increase in workers compensation, and $3 million in various other increases;
- $10.3 million increase in capital outlay expenditures;
- $6 million increase in repairs and maintenance costs;
- $4.1 million decrease in rents and concessions revenues;
- $2.7 million increase in utility costs; and,
- $1.2 million decrease in hazardous material base fee revenues.

Public Safety Special Revenue Fund:

This fund was established to account for Proposition 172 half-cent sales taxes collected and apportioned to the County by the State Board of Equalization to fund public safety activities. Per Government Code Section 30052, a "maintenance of effort" (pre-Proposition (Prop) 172 public safety funding level) must be maintained by the County to comply with the statute's spending requirements. In accordance with the Code, funds are allocated to the Sheriff, District Attorney, and Probation departments. Transfers-out of this fund subsidize the following types of public safety activities: juvenile detention services; facilities maintenance and support; capital projects, equipment and other one-time expenditures; on-going technology initiatives; and various region-wide services.

As of June 30, 2015, the total (restricted) fund balance in the Public Safety Special Revenue Fund was $73.3 million, a $7.1 million increase from the previous fiscal year; chiefly due to a $13 million increase in Prop 172 revenues due to improvements in the local economy.

Tobacco Endowment Special Revenue Fund:

This special revenue fund is used to account for the $411 million the County received from the Tobacco Asset Securitization Corporation (Corporation) related to the sale of 25 years of tobacco settlement revenue in fiscal year 2002; and an additional $123 million the County received from the Corporation resulting from the issuance of the San Diego County Tobacco Asset Securitization Corporation refunding bonds in fiscal year 2006. At the end of fiscal year 2015, fund balance was $312 million, a decrease of $13 million from fiscal year 2014, principally due to investment income of $500 thousand offset by $13.5 million in transfers out to the General Fund for the support of health related program expenditures.

Other Governmental Funds:

Other governmental funds consist of nonmajor funds, which include special revenue funds, debt service funds, and capital projects funds. Individual fund data for each of these nonmajor governmental funds is provided in the combining and individual fund information and other supplementary information section in this report.

As of the end of fiscal year 2015, the fund balances of the other governmental funds totaled $427 million, a net decrease of $41 million from the prior year. This $41 million net decrease consisted of $49 million in decreases, offset by increases of $8 million as follows.

$49 million decrease to Other Governmental Funds' fund balance:

- $20 million decrease to the SANCAL Capital Project Fund's fund balance due to construction costs incurred for the 2012 Cedar and Kettner Development Project;
- $12 million decrease to the Tobacco Securitization Joint Special Revenue Fund's fund balance primarily due to a $9 million increase in principal debt payments and a $2 million decrease in interest income; coupled with a $300 thousand decrease tobacco securitization revenues;
- $6 million decrease to the Housing Authority - Other Special Revenue Fund's fund balance resulting from a $5 million decrease in federal aid for the Section 8 Housing Choice Voucher Program coupled with a $3 million decrease in revenue from port-in housing assistance payments due to the County's absorption of port-in tenants, offset by a $2 million decrease in tenant assistance expenditures;
- $4 million decrease to the Edgemoor Development Special Revenue Fund's fund balance consisting of a $9 million transfer to reimburse the General Fund for lease payments offset by $5 million of Distinct Part Skilled Nursing Facility Construction Program (SB 1128) revenue from the State of California;
- $3 million decrease in Inactive Wastesites Special Revenue Fund's fund balance resulting from a $2 million increase in charges for services and rents and concessions, offset by increases in contracted services, and salaries and benefits expenditures of $3.4 million and $1.6 million respectively;
- $2 million decrease to the Air Pollution Special Revenue Fund's fund balance due to a $3 million net increase in Proposition 1B Goods Movement Emission Reduction Program (GMERP) - Heavy-Duty Trucks expenditures offset by a $1 million decrease in contracted services expenditures for the Air Pollution Mitigation Program;
- $1 million decrease to the Inmate Welfare Program Special Revenue Fund's fund balance primarily due to an $800 thousand increase in the Sheriff Inmate Welfare Program's maintenance expenditures; coupled with a $112 thousand increase in correctional education costs and an $85 thousand increase in public transit expenditures; and,
- $1 million decrease to the Lighting Maintenance District Special Revenue Fund's fund balance principally resulting from a $1 million increase in expenditures to retrofit streetlights to energy-saving LED lights.

$8 million increase to Other Governmental Funds' fund balance:

- $2 million increase to the Road Special Revenue Fund's fund balance chiefly due to a $15 million increase in TransNet ½ percent sales and use tax revenues offset by $13 million decrease in highway user tax revenues;
- $2 million increase to the County Service District Special Revenue Fund's fund balance consisting of a $1 million increase in charges for current services mainly comprised of an increase in institutional care transportation and park and recreation fees; coupled with a $1 million decrease in current expenditures chiefly due to a decrease in ambulance services and repair and maintenance expenditures;
- $1 million increase to the Asset Forfeiture Program Special Revenue Fund's fund balance substantially due to an increase in asset forfeitures and penalties revenue for the Sheriff and District Attorney Asset Forfeiture Programs;
- $1 million increase in the Flood Control District Special Revenue Fund's fund balance primarily due to a $2 million decrease in contracted services expenditures; offset by a $1 million decrease in federal aid from the U.S. Department of Homeland Security's Hazard Mitigation Grant Program;
- $1 million increase to the Park Land Dedication Special Revenue Fund's fund balance resulting

from an overall $2 million increase in park land dedication fees offset by a $1 million increase in contracted services primarily for Park Land Dedication Area 19 (Jamul) and Area 28 (Ramona); and,

- $1 million increase to the SANCAL Debt Service Fund's fund balance due to the issuance of the 2014 Edgemoor and Regional Communications System Refunding Bonds Series 2014 A and 2014B. This $1 million increase consists of the $94 million face value of these bonds, a $15 million premium on the refunding bonds, offset by approximately $1 million in bond issuance costs coupled with $107 million in payments made to the refunded bond escrow agent to advance refund the 2005 Edgemoor Project and 1996 Regional Communications System Refunding certificates of participation.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The nonmajor enterprise funds and the internal service funds are combined into single, aggregated presentations in the proprietary fund financial statements. Individual proprietary fund data is presented in the combining financial statements/schedules and supplemental information section of this report.

Enterprise Funds:

See previous discussion above regarding business-type activities.

Internal Service Funds:

Net positions of the internal services funds (ISF) totaled $29.5 million. The aforementioned implementation of GASB 68 had the effect of reporting a beginning net pension liability of $49.4 million, which resulted in reducing the beginning net positions (via a restatement of beginning net positions) of the Facilities Management Fund ($35.3 million), Fleet Services Fund ($6.7 million), and the Purchasing Fund ($7.4 million), and reducing the 2015 unrestricted net position by $49.4 million as well. From a year over year comparison of the change in net position, these amounts offset each other. Therefore, after restatement of the internal service funds beginning net positions, the net positions of the internal service funds decreased by $4.7 million or 14% from the prior year. This net decrease of $4.7 million consisted of $7.9 million of increases, offset by decreases of $12.6 million as follows:

$7.9 million increases to internal service funds' net positions were comprised of:

- $3 million increase in the Facilities Management Fund mainly due to $11 million increase in charges for current services coupled with a $2 million increase in grants, offset by increases in repairs and maintenance of $5 million, contracted services of $2 million and utilities of $3 million;
- $3.4 million increase in the Fleet Services Fund chiefly due to a $1.1 million increase in charges for current services, and a $300 thousand increase in gain on disposal of assets, coupled with a decrease in fuel costs of $2 million;
- $1.5 million increase in the Road and Communication Equipment Fund primarily due to $1.3 million in transfers in from the General and Road funds and an increase of $200 thousand in charges for current services; and,

$12.6 million of decreases to internal service funds' net positions were comprised of:

- $10 million decrease in the Public Liability Insurance Fund chiefly due to a $5 million increase in settlement payments coupled with an increase of $7 million in claims and judgments liability as calculated by an actuary for the reporting period ending June 30, 2015, offset by an increase of approximately $2 million in charges for current services;
- $1.6 million decrease in the Information Technology Fund mainly due to a $2 million increase in charges for services coupled with a $400 thousand increase in transfers in from the General Fund, offset by a $4 million increase in contracted services; and,
- $1 million decrease in the Employee Benefits Fund primarily due to an increase in cash of $11 million due in part to an increase in charges for services, coupled with a $1 million increase in due from other funds; offset by a $13 million increase in claims and judgments liability for workers

compensation claims as calculated by an actuary for the reporting period ending June 30, 2015.

Fiduciary Funds

The County maintains fiduciary funds for the assets of the *Pooled Investments-Investment Trust Funds, Private Purpose Trust Fund and the Agency Funds*.

Pooled Investments - Investment Trust Funds:

These funds were established for the purpose of reporting pooled investments. The Pooled Investments - Investment Trust Funds' net position totaled $4.42 billion, an increase of $9 million, from the previous year. This increase was substantially due to contributions to investments of $9.29 billion coupled with investments earnings of $19 million, offset by distributions from investments of $9.3 billion.

Private Purpose Trust Fund:

The private purpose trust fund reports the assets, liabilities, and activities of the County of San Diego Successor Agency formed pursuant to California Assembly Bill x1 26 on February 1, 2012 upon dissolution of the San Diego County Redevelopment Agency (SDCRA). The County of San Diego Successor Agency Private Purpose Trust Fund's net position had a deficit balance of approximately $14.2 million at June 30, 2015, an increase of $600 thousand. This increase was mainly due to $1.8 million of property taxes - Successor Agency Redevelopment Property Tax Trust Fund distribution, offset by contributions to other agencies and interest charges of approximately $1.2 million.

Agency Funds:

Agency funds maintain assets held in an agent capacity for other governments, organizations and individuals. These assets do not support the County's programs or services. Any portion of the agency funds' assets held at fiscal year end for other County funds are reported in those funds rather than in the agency funds.

General Fund Budgetary Highlights

The County's final budget differs from the original budget (see Notes to required supplementary information) in that it contains supplemental appropriations approved during the fiscal year for various programs and projects, as well as transfers of appropriations, budget corrections, re-budgets, and account reclassifications. For the fiscal year ended June 30, 2015 net expenditure appropriations increased by $47.8 million and appropriations for transfers-out increases by $5.4 million for a net increase of $53.2 million.

Appropriation changes of note to the original budget were the following:

- Increases in all Groups resulting from negotiated one-time salary and benefit payments.
- $16.8 million appropriation increase in the Public Safety Group for various programs funded by the Department of Homeland Security through the California Governor's Office of Emergency Services (CalOES).
- $13.2 million appropriation increase for projects contained the County's Drought Response Action Plan (DRAP).
- $3.0 million increase in Capital Outlay for improvements to the East County Resource Center.
- $2.7 million increase in Capital Outlay for the CAC Waterfront Park Development Project

Actual revenues exceeded final budgeted amounts by $73.7 million, while actual expenditures were less than the budgeted amount by $384.4 million. The combination of the revenue and expenditure shortfalls resulted in a revenue/expenditure operating variance of $458.1 million. Other financing sources and uses of funds resulted in a net sources versus uses variance from budget of $249.9 million. These combined amounts resulted in a variance in the net change in fund balance of $708.0 million.

Highlights of actual expenditures compared to final budgeted amounts are as follows:

Salaries and Benefits:

The final budget over expenditure variance across all functions in this category was $53.9 million. A significant portion of these savings were in the Public Safety Group and the Health and Human Services Agency but also in the Land Use and Environment Group, Community Services Group and Finance and

General Government Group from lower than budgeted salaries and employee benefit costs due to staff turnover and department management of vacancies.

Services and Supplies:

The final budget over expenditure variance across all County groups in this category was $110.7 million. Overall, these expenditure variances primarily resulted from a lower demand for services than budgeted levels and lower cost than expected for various projects.

Delayed Expenditures:

Many County projects, such as maintenance and information technology, take place over more than one fiscal year. However, at inception they are budgeted at full expected cost, resulting in budgeted over expenditure variances that are rebudgeted in the new fiscal year. For example, a positive expenditure variance of approximately $1.22 million for Purchase of Agriculture Conservation Easements (PACE) and $0.82 million associated with the General Plan Amendment for Property Specific Requests.

Management and Contingency Appropriations:

The County annually sets up management and contingency appropriations based on both ongoing general purpose revenues and prior years' fund balance for a variety of one-time capital and operating expenditures as well as potential emergencies. Unexpended Management and Contingency Reserve appropriations resulted in budget over actual variances of $8.4 million and $20.7 million, respectively. Note that the Management Reserves are included within various functional activities.

Capital Assets and Commitments

Capital Assets

At June 30, 2015, the County's capital assets for both governmental and business-type activities were $3.39 billion and $168 million, respectively, net of accumulated depreciation/amortization. Investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure (including roads, bridges, flood channels, and traffic signals), equipment, software and easements. Significant increases to capital assets in fiscal year 2015 included:

Governmental Activities:

- $43.3 million towards construction of the Las Colinas Detention and Reentry Facility in Santee. Total project costs are estimated at $303.6 million.
- $37.9 million towards construction and improvements of County maintained roads, bridges and other road related infrastructure.
- $31.9 million towards acquisition of equipment.
- $19.8 million towards construction of the parking garage at Cedar and Kettner. Total project costs are estimated at $36.1 million.
- $18.4 million in infrastructure donated by developers.
- $16.3 million towards development of various software applications.
- $6 million towards improvements at various parks.
- $5.7 million towards various land acquisitions for the Multiple Species Conservation Program (MSCP).
- $4.7 million towards construction of the Crime Lab at the County Operations Center. Total project costs are estimated at $49.9 million.
- $3.9 million towards construction of the County Administration Center Waterfront Park. Total project costs are estimated at $53.9 million.
- $2.9 million towards the construction of the East Mesa Detention Facility. Total project costs are estimated at $38.8 million.
- $2.7 million towards the construction of the Boulevard Fire Station. Total project costs are estimated at $3.7 million.
- $2.4 million towards the construction of the Alpine Library. Total project costs are estimated at $10.2 million.

Business-type Activities:

- $.7 million towards improvements at various airports.
- $.4 million towards various sewer improvements.

For the government-wide governmental activities financial statement presentation, depreciable capital assets are depreciated from the acquisition date to the end of the current fiscal year. Governmental funds financial statements record capital asset purchases as expenditures.

Capital Commitments

As of June 30, 2015, capital commitments included the following:

Governmental Activities:

- $144 million for the construction of: Women’s Detention Facility, Crime Lab, parking garage at Cedar & Kettner, Imperial Beach Library, Alpine Library, Regional Communications System, San Vicente Road, Bear Valley Parkway Road, Flood Control Improvements at Woodside Ave., Improvements of County Roads, development of the Integrated Property Tax System, development of Knowledge Integration Program, and vehicle acquisitions.

Business-type Activities:

- $2.8 million for improvements at various airports and Sanitation District sewers.

(Please refer to Note 7 in the notes to the financial statements for more details concerning capital assets and capital commitments.)

Long-Term Liabilities

Governmental Activities:

At June 30, 2015, the County's governmental activities had outstanding long-term liabilities of $1.94 billion.

Of this amount, approximately $1.62 billion pertained to long-term debt outstanding. Principal debt issuances included: $692 million in taxable pension obligation bonds; $555 million in Tobacco Settlement Asset-Backed Bonds; $356 million in certificates of participation (COPs) and lease revenue bonds (LRBs); $5 million in loans; and, $10 million in unamortized issuance premiums and discounts.

Other long-term liabilities included: $205 million in claims and judgments; $99 million in compensated absences; $18 million for landfill postclosure costs; $2 million in pollution remediation; and, $84 thousand in capital leases.

During fiscal year 2015, the County's total principal amount of COPs and lease revenue bonds, other bonds, and loans for governmental activities decreased by $67.705 million.

The $67.705 million decrease was due to the following increases and decreases:

Increases to debt were $112.423 million and included:

- $93.750 million of fixed interest rate certificates of participation (County of San Diego Certificates of Participation (Edgemoor and RCS Refunding) Series 2014A and Series 2014B)), issued by the San Diego County Capital Asset Leasing Corporation to advance refund $108.205 million of outstanding County of San Diego Certificates of Participation (2005 Edgemoor Project and 1996 Regional Communications System Refunding) and County of San Diego Certificates of Participation (2006 Edgemoor Completion Project);
- $5.617 million of principal was accreted (added) to the outstanding Tobacco Settlement Asset-Backed Bonds' Capital Appreciation Bonds principal;
- $1.202 million of principal was accreted (added) to the outstanding Taxable Pension Obligation Bonds' principal balances outstanding;
- $732 California Energy Commission loan for the Street Lighting and Maintenance District Special Revenue Fund;
- $68 thousand loan to purchase land for the Sheriff's Regional Communications System;
- $843 thousand of San Diego Gas and Electric On-bill Financing loans; and,
- $10.211 million due to the effects of unamortized issuance premiums and unamortized issuance discounts.

Decreases to debt were $180.128 million and included:

- $108.205 million to advance refund the aforementioned outstanding County of San Diego Certificates of Participation (2005 Edgemoor Project and 1996 Regional Communications System Refunding) and County of San Diego Certificates of Participation (2006 Edgemoor Completion Project); and,
- $71.923 million in principal debt service payments.

Business-type Activities:

Long-term liabilities for business-type activities totaled $914 thousand and consisted of $475 thousand for capital loans and $439 thousand for compensated absences.

Long-term liabilities for business-type activities decreased by $290 thousand. This was due to a combination of $291 thousand in debt service payments on capital loans and a net increase of $1 thousand in compensated absences.

(Please refer to Notes 13 through 15 in the notes to the financial statements for more details concerning long-term debt; changes in long-term liabilities; and funds used to liquidate liabilities.)

Credit Ratings

The County's issuer and credit ratings on its bonded program are as follows:

Table 3

Credit Ratings

	Moody's	Standard & Poor's	Fitch
Issuer Rating	Aaa	AAA	AAA
Certificates of Participation San Diego County Capital Asset Leasing Corporation (SANCAL)	Aa2	AA+	AA+
Certificates of Participation San Diego Regional Building Authority (SDRBA) Metropolitan Transit System Towers	Aa2	AA+	AA+
Lease Revenue Bonds SDRBA County Operations Center 1A	Aa2	AA+	AA+
Refunding Lease Revenue Bonds SDRBA San Miguel	A2	AA+	not rated
Pension Obligation Bonds	Aa2	AA+	AA+
Tobacco Settlement Asset-Backed Bonds - Series 2006A1 (Senior)	Ba3	BBB	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006A2 (Senior)	B2	BB+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006A3 (Senior)	B2	B+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006B (First Subordinate)	not rated	CCC+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006C (Second Subordinate)	not rated	CCC	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006D (Third Subordinate)	not rated	CCC	not rated
San Diego County Redevelopment Agency Bonds	not rated	not rated	not rated

The County's ratings are assigned by three of the major rating agencies: Moody's Investors Service (Moody's), Standard and Poor's Ratings Services (Standard & Poor's), and Fitch Ratings (Fitch). In August 2014, the County's existing Issuer Ratings were affirmed by

Standard & Poor’s and Fitch. The County’s Issuer Rating was upgraded to triple A (Aaa) by Moody's, which also performed the attendant upgrade on the County's individual financings to Aa2. The County now holds triple A Issuer Ratings from Moody's, Standard & Poor's, and Fitch. All three rating agencies noted the County's strong financial management, which effects a very strong fiscal position, and large and diverse tax base, which bolsters the County's strong economy.

Economic Factors and Next Year's Budget and Rates

- The fiscal year 2016 General Fund adopted budget utilizes as funding sources for one-time expenditures $198.7 million out of $798.135 million in unassigned fund balance and $1.4 million out of $478.980 million committed fund balance.
- The fiscal year 2016 General Fund adopted budget contains total appropriations of $4.12 billion. This is an increase of $253.1 million or 6.5% from the fiscal year 2015 General Fund adopted budget. A few indicators demonstrate that the economy is continuing to improve after recovering from the great recession. A number of risk factors are continuously being monitored: employment growth, recovery in the housing market, and the national economy as a whole.
- The U.S. economy's revised Gross Domestic Product (GDP) for 2014 increased by 2.4% compared to a 2.2% increase for 2013. According to UCLA Anderson Forecast, real GDP is forecast to grow 2.4% in 2015 and 3.0% in 2016, bringing a sense of economic recovery and growth. The unemployment rate fell to 5.3% in July 2015, the lowest since April 2008. The rate of unemployment is expected to trend downward to 5.0% by the end of 2015.
- California accounts for over 13% of the nation's GDP, which is by far the largest of any state. The state's economy is growing and gaining momentum. In 2014, California's gross state product grew 3.3%, outperforming the nation's growth rate of 2.4%. In June 2014, the state recovered all the wage and salary jobs that were lost during the recession. With the continued progress in the labor market affecting growth in personal income, taxable sales are also expected to accelerate.
- San Diego's economic outlook continues to be moderately positive. The region's economic stability is based on federal spending, innovation clusters, tourism and real estate. Regional GDP increased by 3.1% in 2014, faster than the U.S. (2.4%). San Diego is home to the largest concentration of military in the world, making the military presence an important driver of the region's economy. San Diego is a thriving hub for the technology-oriented industries and an important manufacturing center as well as a popular travel destination. The quality of life attracts a well-educated, talented workforce and well-off retirees which contributes to a positive outlook in consumer spending.
- Another indicator of economic health is county taxable sales. Taxable sales began to decline overall in the county in 2007 and continued through 2009. Taxable sales grew 6.2% in 2013 and moderate growth is expected to continue in 2014 and 2015 in the region.
- The state of the economy plays a significant role in the County's ability to fund and provide many of the services that county residents have come to expect. General purpose revenue (GPR), is relied upon to fund local discretionary services, as well as to fund the County's share of costs for services that are provided in partnership with the State and federal government.

The County's GPR is projected to increase by 5.1% (with budgeted revenue of $1,086.2 million in fiscal year 2016 compared to $1,033.5 million budgeted in fiscal year 2015).

The largest source of general purpose revenue is property taxes ($592.9 million budgeted in fiscal year 2016), representing 54.6% of the total. In fiscal year 2016, property taxes are expected to increase by $29.3 million, or 5.2%, from fiscal year 2015. The budgeted property tax revenue factors in the current commercial and residential real estate conditions as evidenced by the improving level of building permits; improving median price of homes; the relatively low level of foreclosures; and the improvement in total deeds recorded. Current property tax revenue consists of four components: current secured property taxes, current supplemental property taxes, current unsecured property taxes and current unsecured supplemental property taxes.

- Current secured property tax revenue ($572.5 million) assumes a net local assessed secured property value increase of 4.0% from the actual local assessed secured property value figure for fiscal year 2015, and makes certain assumptions regarding the County's share of countywide property tax revenues, the delinquency rate, and the amount of tax roll corrections and refunds on prior year assessments. In fiscal year 2017, the projected amount of revenues from current secured property taxes assumes a 3.0 % increase in local assessed secured property values.
- Current supplemental property tax revenue ($2.6 million budgeted in fiscal year 2016) is derived from net increases to the tax roll from either new construction or changes in ownership that occur subsequent to the January 1 lien date and are, therefore, more difficult to predict. The slowdown in new construction and the decline in real estate prices have been acutely felt in supplemental property tax revenues. In many change of ownership transactions, a refund was due to the owner since the value of the property is lower than it was on the lien date instead of a bill for an additional amount of property tax, because the property value is higher than the value as of the lien date. During the period of recession, refunds on current supplemental property tax reached a high $38.3 million in fiscal year 2009, compared to a low of $4.0 million in fiscal year 2006 prior to the housing market surge. Refunds are anticipated to continue to decline gradually over time as activities in residential and commercial properties and assessed values improve.
- Current unsecured property tax revenue ($17.8 million budgeted in fiscal year 2016), increased slightly from fiscal year 2014. Based on trends and the most up-to-date information, a slight increase is projected for the next two fiscal years.
- Current unsecured supplemental property tax revenue ($0.1 million budgeted in fiscal year 2016) remains unchanged from fiscal year 2015. It is derived from supplemental bills that are transferred to the unsecured roll when a change of ownership occurs and a tax payment is due from the prior owner. Or, there may be a subsequent change in ownership following the initial change in ownership which occurs prior to the mailing of the initial supplemental tax bill. Historically, this revenue category has not been budgeted because the actual amount of revenue received has been low.
- Property tax in lieu of vehicle license fees (VLF) comprises 31.8% (an estimated $345.7 million) of budgeted general purpose revenue in fiscal year 2016. This revenue source was established by the State in fiscal year 2005 to replace the previous distribution of vehicle license fees to local governments. The annual change in this revenue source is based on the growth or decline in the net taxable unsecured and local secured assessed value. A 4% increase is projected in the combined taxable unsecured and local secured assessed value in fiscal year 2016 which is $19.3 million higher than budgeted for fiscal year 2015.
- Teeter revenue represents 1.8% (an estimated $19.1 million) of budgeted general purpose revenue. In fiscal year 1994, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the Revenue and Taxation Code of the State of California (also known as the "Teeter Plan"). Under this plan, the County advances funds to participating entities to cover the unpaid (delinquent) taxes (the "Teetered Taxes"). The County's General Fund benefits from this plan by being entitled to future collections of penalties and interest that are also due once the delinquent taxes are paid. A legal requirement of the Teeter Plan requires the County to maintain a tax loss reserve fund to cover losses that may occur if delinquent taxes are not paid and the property goes into default and is sold for less than the outstanding taxes and assessments. Throughout the year, all interest and penalties collected on Teetered secured and supplemental property taxes are first deposited into the Teeter Tax Loss Reserve Fund. Any excess amounts above 25% of the total delinquent secured taxes and assessments may be

transferred to the General Fund. For fiscal year 2016, collections from previous years' receivables are budgeted to remain at the same level as in fiscal year 2015. Excess amounts from the Teeter Tax Loss Reserve Fund are projected at $13.1 million in fiscal years 2016 and 2017.

- Sales and use tax revenue and in lieu local sales and use tax ($26.8 million in fiscal year 2016) represents about 2.5% of budgeted general purpose revenue. These revenues are derived from taxable sales by retailers who sell or rent tangible personal property in unincorporated areas of the county or from use taxes from consumers who purchase tangible personal property from out of state. Use taxes are also imposed on the storage, use, lease or other consumption of tangible personal property at any time a sales tax has not been paid by the retailer. The growth in this funding source is generally impacted by population growth, new retail business formation and consumer spending trends. The in lieu local sales and use tax revenue replaces regular sales and use tax revenue with monies transferred from the Educational Revenue Augmentation Fund (ERAF) under the provisions of AB7 X1, one of the 2004 State budget bills. This legislation enabled the State to redirect one-quarter cent of the local sales and use tax to the State to repay up to $15 billion in bonds authorized by Proposition 57 (March 2004) to help the State refinance its past debt. In turn, the redirected local sales and use tax revenues are replaced on a dollar-for-dollar basis with countywide property tax revenues shifted back from the ERAF. This funding mechanism is known as the "Triple Flip."
- The effect of the recession on the housing market and unemployment negatively impacted taxable sales at the Statewide, Southern California and San Diego regional levels. Improvements in taxable sales began in calendar year 2010. Fiscal year 2015 Sales and Use Tax revenue is projected to increase by $1.9 million or 7.6% compared to budget. The budgeted amount includes the winding down of the Triple Flip with a final payment in fiscal year 2016. Based on current trends and sales activities, Sales and Use Tax Revenue in fiscal year 2016 is estimated to be $2.4 million or 9.8% higher than the fiscal year 2015 Adopted Operational Plan and is estimated to be $0.8 million or 2.9% higher in fiscal year 2017.
- Intergovernmental revenue ($45.6 million budgeted in fiscal year 2016) is approximately 4.2% of the total GPR in fiscal year 2016 and represents funding the County receives from various intergovernmental sources, including redevelopment successor agencies, the City of San Diego (pursuant to a memorandum of understanding related to the County's Central Jail), the federal government (Payments in Lieu of Taxes (PILT) for tax-exempt federal lands administered by the Bureau of Land Management, the National Park Service, and the U.S. Fish and Wildlife Service), and the State of California (reimbursement to the County for the Homeowner's Property Tax Relief (HOPTR) program). The largest portion of this funding is from redevelopment property tax revenues. Redevelopment agencies were dissolved by the California legislature pursuant to ABx1 26. The California Supreme Court upheld the constitutionality of the dissolution on December 29, 2011. The Court extended the date of dissolution from October 1, 2011 to February 1, 2012. Based on Health and Safety (HSC) Code Section 34183 (a)(1), the County Auditor-Controller shall remit from the Redevelopment Property Tax Trust Fund to each local agency and school entity an amount of property tax revenues in an amount equal to that which would have been received under HSC Code Sections 33401, 33492.140, 33607, 33607.5, 33607.7 or 33676. Residual funds not allocated for specific purposes will be distributed to local taxing agencies under HSC Code Section 34183 (a)(4). The County General Fund and Library Fund, as affected taxing entities, receive a share of this tax distribution but this has not been included in the projection for fiscal year 2015. For fiscal year 2016, the amount budgeted in intergovernmental revenue is $4.6 million or 11.3% higher than what was projected for fiscal year 2015.
- Other revenues ($56.1 million budgeted in fiscal year 2016) are approximately 5.2% of the total GPR and various revenue sources make up this category

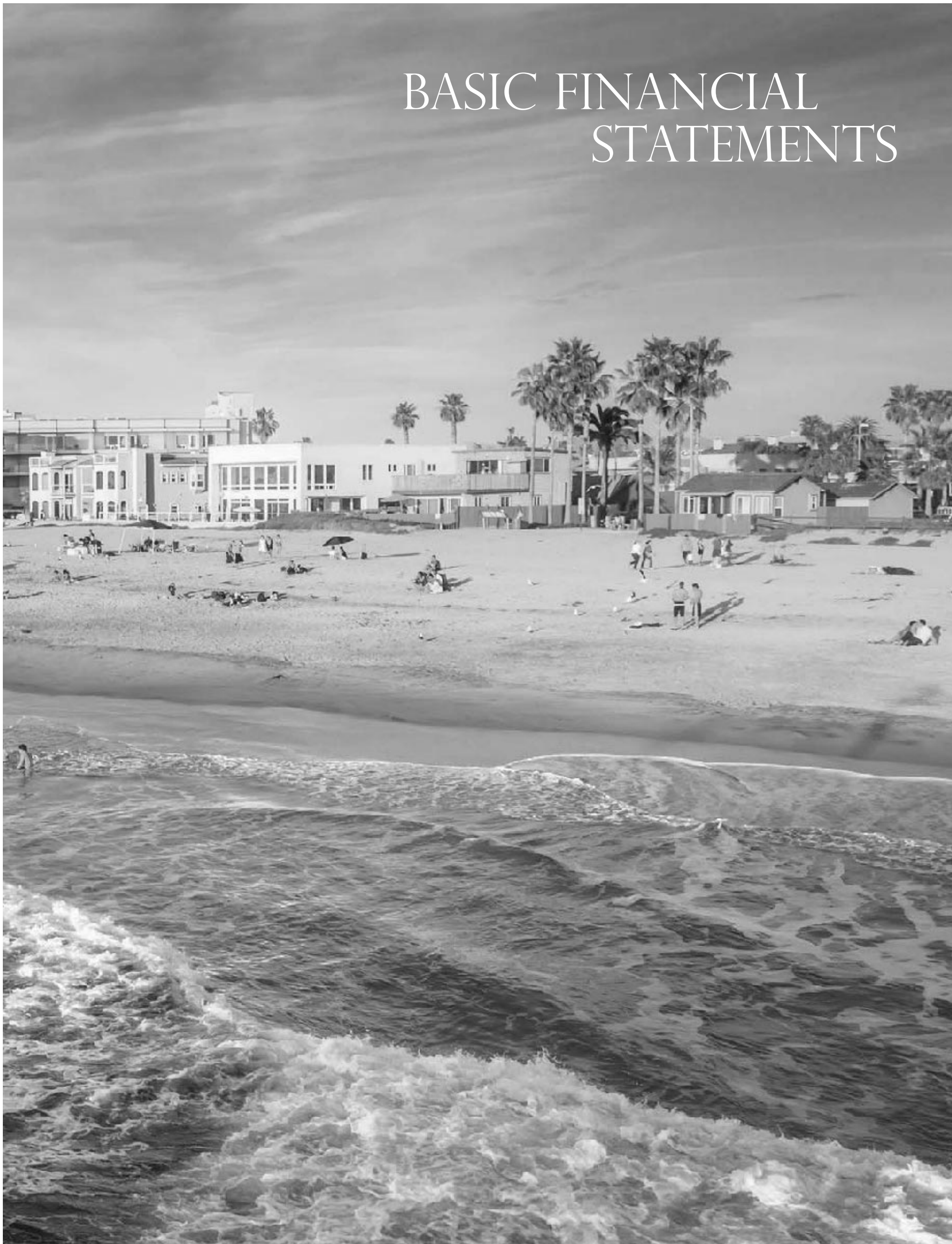
including: Real Property Transfer Tax (RPTT), interest on deposits, fees, fines, forfeitures, prior year property taxes, penalties and cost on delinquency taxes, franchise fees, media licenses and other miscellaneous revenues.

The County's Operational Plan for fiscal years 2016 and 2017 can be found on the internet at http://www.sdcounty.ca.gov/auditor/budinfo.html.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's *accountability* for the money it receives. If you have questions about this report or need additional financial information, please contact the Auditor and Controller's Office, County of San Diego, located at 1600 Pacific Highway, San Diego, California 92101.

BASIC FINANCIAL STATEMENTS



Waves in the Pacific Ocean & view from the fishing pier in Imperial Beach

STATEMENT OF NET POSITION

June 30, 2015
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
ASSETS				
Pooled cash and investments	$ 2,591,271	73,581	2,664,852	64,649
Cash with fiscal agents	11		11	
Investments with fiscal agents	319,022		319,022	25,060
Receivables, net	490,574	7,624	498,198	5,168
Property taxes receivables, net	96,464		96,464	
Internal balances	438	(438)		
Due from component unit	165		165	
Inventories	14,705	224	14,929	
Deposits with others	16		16	
Prepaid items	436		436	3
Restricted assets:				
Cash with fiscal agents	5,371		5,371	
Investments with fiscal agents	47,496		47,496	
Lease receivable	7,782		7,782	
Capital assets:				
Land, easements and construction in progress	538,275	19,121	557,396	
Other capital assets, net of accumulated depreciation/ amortization	2,850,283	148,807	2,999,090	
Total assets	6,962,309	248,919	7,211,228	94,880
DEFERRED OUTFLOWS OF RESOURCES				
Non-pension:				
Unamortized loss on refunding of long-term debt	4,887		4,887	
Pension:				
Changes in proportionate share of contributions	17,226	76	17,302	
Contributions to the pension plan subsequent to the measurement date	355,161	1,571	356,732	
Total deferred outflows of resources	377,274	1,647	378,921	

Continued on next page

STATEMENT OF NET POSITION

June 30, 2015
(In Thousands)

(Continued)	Primary Government Governmental Activities	Primary Government Business-type Activities	Primary Government Total	Component Unit First 5 Commission of San Diego
LIABILITIES				
Accounts payable	162,757	2,932	165,689	15,077
Accrued payroll	65,769	302	66,071	
Accrued interest	22,138		22,138	
Due to primary government				165
Unearned revenue	267,619	85	267,704	197
Noncurrent liabilities:				
Due within one year	151,251	483	151,734	87
Due in more than one year - other	1,790,370	431	1,790,801	24
Due in more than one year - Net pension liability	1,949,839	8,617	1,958,456	
Total liabilities	4,409,743	12,850	4,422,593	15,550
DEFERRED INFLOWS OF RESOURCES				
Non-pension:				
Property taxes received in advance	9,858		9,858	
Air Quality State Moyer Program	1,566		1,566	
Affordable Housing Project	4		4	
Housing Administrative Cost Allowance	133		133	
Gain on refunding of long-term debt	185		185	
Pension:				
Differences between expected and actual experience in the total pension liability	138,366	612	138,978	
Net difference between projected and actual earnings on pension plan investments	385,410	1,703	387,113	
Total deferred inflows of resources	535,522	2,315	537,837	
NET POSITION				
Net investment in capital assets	3,042,782	167,453	3,210,235	
Restricted for:				
Creditors - Capital projects	2,306		2,306	
Grantors - Housing assistance	80,222		80,222	
Donations	3,844		3,844	
Laws or regulations of other governments:				
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	48,583		48,583	
Future road improvements	133,534		133,534	
Construction, maintenance and other costs for justice, health, and social facilities and programs	47,177		47,177	
Road, park lighting maintenance, fire protection and ambulance service	21,997		21,997	
Air pollution activities	20,397		20,397	
Defray administrative costs, other general restrictions	19,586		19,586	
Teeter tax loss	8,287		8,287	
Mental health	2,277		2,277	
Vector control	14,064		14,064	
Improvement and maintenance of recorded document systems	23,343		23,343	
Flood Control future drainage improvements	19,742		19,742	
Public safety activities	73,312		73,312	
Other purposes	100,894		100,894	
First 5 Commission of San Diego				79,330
Unrestricted	(1,268,029)	67,948	(1,200,081)	
Total net position	$ 2,394,318	235,401	2,629,719	79,330

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
Governmental Activities:								
General government	$ 258,169	92,109	100,464	1,609	(63,987)		(63,987)	
Public protection	1,309,087	250,054	469,224	18,728	(571,081)		(571,081)	
Public ways and facilities	161,341	19,439	77,679	18,887	(45,336)		(45,336)	
Health and sanitation	640,020	104,483	520,828		(14,709)		(14,709)	
Public assistance	1,327,664	28,522	1,295,368		(3,774)		(3,774)	
Education	37,686	876	4,254		(32,556)		(32,556)	
Recreation and cultural	42,748	9,258			(33,490)		(33,490)	
Interest	86,816				(86,816)		(86,816)	
Total governmental activities	3,863,531	504,741	2,467,817	39,224	(851,749)		(851,749)	
Business-type activities:								
Airport	14,664	11,984	702			(1,978)	(1,978)	
Jail Stores Commissary	4,506	4,538				32	32	
Sanitation District	30,745	26,831				(3,914)	(3,914)	
Total business-type activities	49,915	43,353	702			(5,860)	(5,860)	
Total primary government	3,913,446	548,094	2,468,519	39,224	(851,749)	(5,860)	(857,609)	
Component Unit:								
First 5 Commission of San Diego	$ 57,877		35,869					(22,008)

Continued on next page

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015
(In Thousands)

(Continued)	Net (Expense) Revenue & Changes in Net Position — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: First 5 Commission of San Diego
Changes in net position:				
Net (expense) revenue	$ (851,749)	(5,860)	(857,609)	(22,008)
General Revenues				
Taxes				
Property taxes	648,974		648,974	
Transient occupancy tax	4,166		4,166	
Real property transfer tax	21,049		21,049	
Miscellaneous taxes	15		15	
Property taxes in lieu of vehicle license fees	332,928		332,928	
Sales and use taxes	27,847		27,847	
Total general tax revenues	1,034,979		1,034,979	
Investment earnings	12,250	336	12,586	440
Other	93,889	3,055	96,944	
Total general revenues	1,141,118	3,391	1,144,509	440
Transfers	2,693	(2,693)		
Total general revenues and transfers	1,143,811	698	1,144,509	440
Change in net position	292,062	(5,162)	286,900	(21,568)
Net position at beginning of year (restated, see Note 30 to the financial statements)	2,102,256	240,563	2,342,819	100,898
Net position at end of year	$ 2,394,318	235,401	2,629,719	79,330

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015
(In Thousands)

	General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Pooled cash and investments	$ 1,929,939	44,106	5,150	374,593	2,353,788
Cash with fiscal agents	11				11
Investments with fiscal agents	2		314,034	4,986	319,022
Receivables, net	352,561	45,439	1,836	88,169	488,005
Property taxes receivables, net	95,989			475	96,464
Due from other funds	42,746			18,151	60,897
Inventories	12,257			1,370	13,627
Deposits with others				16	16
Prepaid items	90			346	436
Restricted assets:					
Cash with fiscal agents	151			5,220	5,371
Investments with fiscal agents				47,496	47,496
Lease receivable	3,331			4,451	7,782
Total assets	2,437,077	89,545	321,020	545,273	3,392,915

Continued on next page

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015
(In Thousands)

(Continued)	General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	100,706			26,112	126,818
Accrued payroll	61,313			2,915	64,228
Due to other funds	37,143	16,235	8,848	18,945	81,171
Unearned revenue	263,547			3,653	267,200
Total liabilities	462,709	16,235	8,848	51,625	539,417
DEFERRED INFLOWS OF RESOURCES					
Non-pension:					
Property taxes received in advance	9,317			541	9,858
Air Quality State Moyer Program				1,566	1,566
Affordable Housing Project				4	4
Housing Administrative Cost Allowance				133	133
Unavailable revenue	76,675			64,095	140,770
Total deferred inflows of resources	85,992			66,339	152,331
FUND BALANCES					
Nonspendable:					
Not in spendable form:					
Loans, due from other funds and prepaids	1,122			3,763	4,885
Inventories and deposits with others	12,257			1,386	13,643
Restricted for:					
Creditors - Debt service				75,420	75,420
Creditors - Capital projects				4,318	4,318
Grantors - Housing assistance	57,681			22,541	80,222
Donations	3,844				3,844
Laws or regulations of other governments:					
Public safety activities	2	73,310			73,312
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	48,583				48,583
Improvement and maintenance of recorded document systems	23,343				23,343
Defray administrative costs, other general restrictions	19,586				19,586
Future road improvements				133,534	133,534
Construction, maintenance and other costs for justice, health, and social facilities and programs	47,177				47,177
Fund purpose				98,758	98,758
Other purposes	69,078			19,822	88,900
Committed to:					
Realignment health, mental health and social services	65,297				65,297
Landfill closure, postclosure and landfill maintenance				60,902	60,902
Unforeseen catastrophic events	55,500				55,500
Capital projects' funding	300,959			6,637	307,596
Health			312,172		312,172
Other purposes	57,224				57,224
Assigned to:					
Subsequent one-time expenditures	198,748				198,748
Legislative and administrative services	66,526			228	66,754
Other purposes	63,314				63,314
Unassigned	798,135				798,135
Total fund balances	1,888,376	73,310	312,172	427,309	2,701,167
Total liabilities, deferred inflows of resources and fund balances	$ 2,437,077	89,545	321,020	545,273	3,392,915

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2015
(In Thousands)

Total fund balances - governmental funds	$	2,701,167
Capital assets used in governmental activities (excluding internal service funds) are not current financial resources and, therefore, are not reported in the balance sheet. This amount represents capital assets net of accumulated depreciation.		3,327,309
Unamortized gain on refundings (to be amortized as interest expense).		(185)
Unamortized loss on refundings (to be amortized as interest expense).		4,887
Accrued interest on long-term debt.		(22,137)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds and recognized as revenue in the statement of activities.		140,770
Deferred outflows of resources - contributions to the pension plan subsequent to the measurement date.		347,320
Deferred outflows of resources - Changes in proportionate share of contributions.		16,846
Deferred inflows of resources - Differences between expected and actual experience in the total pension liability.		(135,311)
Deferred inflows of resources - Net difference between projected and actual earnings on pension plan investments.		(376,901)
Long-term liabilities, including bonds, notes, loans payable, and net pension liability are not due and payable in the current period and, therefore, are not reported in the balance sheet. (See Note 2 to the financial statements; **Table 3**.)		(3,638,820)
Internal service funds are used by management to charge the costs of information technology, vehicle operations and maintenance, employee benefits, public liability, road and communications services, materials and supplies (purchasing), and facilities services to individual funds; and, to make loans for start-up services for new and existing county service districts. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. (See Note 2 to the financial statements; **Table 3**.)		29,373
Net position of governmental activities	$	2,394,318

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015
(In Thousands)

	General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 997,904			40,648	1,038,552
Licenses, permits and franchise fees	44,987			9,194	54,181
Fines, forfeitures and penalties	45,823			3,377	49,200
Revenue from use of money and property	14,624	11	452	7,946	23,033
Aid from other governmental agencies:					
State	1,123,373	260,974		106,256	1,490,603
Federal	792,723			125,178	917,901
Other	87,506			19,185	106,691
Charges for current services	355,607			32,181	387,788
Other	50,455			41,448	91,903
Total revenues	3,513,002	260,985	452	385,413	4,159,852
Expenditures:					
Current:					
General government	227,978		126	9,771	237,875
Public protection	1,343,026	609		10,075	1,353,710
Public ways and facilities	3,462			70,529	73,991
Health and sanitation	599,112			45,753	644,865
Public assistance	1,212,417			133,661	1,346,078
Education	900			36,195	37,095
Recreation and cultural	34,217			2,621	36,838
Capital outlay	28,674			131,800	160,474
Debt service:					
Principal	13,718			53,824	67,542
Interest	17,298			68,375	85,673
Bond issuance costs				583	583
Payment to refunded bond escrow agent	5,454			3,007	8,461
Total expenditures	3,486,256	609	126	566,194	4,053,185
Excess (deficiency) of revenues over (under) expenditures	26,746	260,376	326	(180,781)	106,667
Other financing sources (uses):					
Sale of capital assets	111			873	984
Issuance of bonds and loans:					
Face value of loans issued				732	732
Premium on issuance of refunding bonds				15,070	15,070
Refunding bonds issued				93,750	93,750
Payment to refunded bond escrow agent				(103,771)	(103,771)
Transfers in	282,392			152,149	434,541
Transfers out	(153,653)	(253,287)	(13,500)	(19,217)	(439,657)
Total other financing sources (uses)	128,850	(253,287)	(13,500)	139,586	1,649
Net change in fund balances	155,596	7,089	(13,174)	(41,195)	108,316
Fund balances at beginning of year	1,731,672	66,221	325,346	468,187	2,591,426
Increase (decrease) in nonspendable inventories	1,108			317	1,425
Fund balances at end of year	$ 1,888,376	73,310	312,172	427,309	2,701,167

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015
(In Thousands)

Net change in fund balances - total governmental funds	$	108,316
Governmental funds accrue property tax revenue which is deemed collectible within 60 days. However, for the statement of activities the total amount estimated to ultimately be collected is accrued.		(3,573)
Revenues that do not provide current financial resources are not reported as revenues in the funds (deferred inflows) but are recognized as revenue in the statement of activities.		(37,202)
Adjustment to nonspendable inventories.		1,425
Change in accounting estimate for postclosure costs - (public protection function) - San Marcos landfill.		652
Change in accounting estimate for pollution remediation - (general function).		2,215
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. (See Note 2 to the financial statements; **Table 4**.)		28,871
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (See Note 2 to the financial statements; **Table 4**.)		(6,825)
Contributions to the pension plan subsequent to the measurement date.		347,320
The issuance of long-term debt (e.g., bonds, notes, and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (See Note 2 to the financial statements; **Table 4**.)		73,177
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 governmental funds. (See Note 2 to the financial statements; **Table 4**.)		(217,760)
Internal service funds are used by management to charge the costs of centralized services to individual funds. The net revenue (expense) of internal service funds is reported within governmental activities. (See Note 2 to the financial statements; **Table 4**.)		(4,554)
Change in net position - governmental activities	$	292,062

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015
(In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Pooled cash and investments	$ 73,581	237,483
Receivables, net	3,859	1,702
Due from other funds	28	27,084
Inventories	224	1,078
Total current assets	77,692	267,347
Noncurrent assets:		
Due from other funds	3,765	
Capital assets:		
Land	11,593	
Construction in progress	7,528	
Buildings and improvements	126,409	2,963
Equipment	1,685	145,250
Software		4,418
Road infrastructure	9,679	
Sewer infrastructure	99,091	
Accumulated depreciation/amortization	(88,057)	(91,382)
Total noncurrent assets	171,693	61,249
Total assets	249,385	328,596
DEFERRED OUTFLOWS OF RESOURCES		
Pension:		
Changes in proportionate share of contributions	76	380
Contributions to the pension plan subsequent to the measurement date	1,571	7,841
Total deferred outflows of resources	1,647	8,221

Continued on next page

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2015
(In Thousands)

(Continued)	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable	2,932	35,939
Accrued payroll	302	1,541
Accrued interest		1
Due to other funds	592	5,214
Unearned revenue	85	419
Loans payable	304	721
Capital lease payable		36
Compensated absences	179	940
Claims and judgments		43,562
Total current liabilities	4,394	88,373
Noncurrent liabilities:		
Loans payable	171	1,702
Capital lease payable		48
Compensated absences	260	1,365
Claims and judgments		161,221
Net pension liability	8,617	43,045
Total noncurrent liabilities	9,048	207,381
Total liabilities	13,442	295,754
DEFERRED INFLOWS OF RESOURCES		
Pension:		
Differences between expected and actual experience in the total pension liability	612	3,055
Net difference between projected and actual earnings on pension plan investments	1,703	8,509
Total deferred inflows of resources	2,315	11,564
NET POSITION		
Net investment in capital assets	167,453	61,165
Unrestricted net position	67,822	(31,666)
Total net position	$ 235,275	29,499

Reconciliation between net position - enterprise funds and net position of business-type activities as reported in the government-wide statement of net position	
Total net position	$ 235,275
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	126
Net position of business-type activities	$ 235,401

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015
(In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Operating revenues:		
Charges for current services	$ 43,353	362,245
Other	3,059	2,846
Total operating revenues	46,412	365,091
Operating expenses:		
Salaries and employee benefits	7,398	38,079
Repairs and maintenance	6,112	39,247
Equipment rental	1,167	198
Sewage processing	15,440	
Contracted services	8,291	192,511
Depreciation/amortization	6,023	14,055
Utilities	328	27,025
Cost of material	2,041	4,333
Claims and judgments		53,398
Fuel	6	11,424
Other	2,884	5,545
Total operating expenses	49,690	385,815
Operating income (loss)	(3,278)	(20,724)
Nonoperating revenues (expenses):		
Grants	702	5,280
Investment earnings	336	929
Interest expense	(43)	(80)
Gain (loss) on disposal of assets	(4)	441
Total nonoperating revenues (expenses)	991	6,570
Income (loss) before capital contributions and transfers	(2,287)	(14,154)
Capital contributions		1,609
Transfers in	359	9,929
Transfers out	(3,052)	(2,120)
Change in net position	(4,980)	(4,736)
Net position at beginning of year (restated, see Note 30 to the financial statements)	240,255	34,235
Net position at end of year	$ 235,275	29,499

Reconciliation between change in net position - enterprise funds and change in net position of business-type activities as reported in the government-wide statement of activities	
Change in net position	$ (4,980)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(182)
Change in net position of business-type activities	$ (5,162)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2015
(In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	$ 39,451	6,056
Cash received from other funds	6,857	361,669
Cash payments to suppliers	(30,014)	(257,345)
Cash payments to employees	(7,983)	(40,899)
Cash payments to other funds	(9,435)	(31,734)
Cash paid for claims and judgments		(33,277)
Other payments		(97)
Net cash provided (used) by operating activities	(1,124)	4,373
Cash flows from noncapital financing activities:		
Operating grants	428	4,563
Transfers from other funds	359	9,929
Transfers to other funds	(3,052)	(2,120)
Principal paid on long-term debt		(1,427)
Interest paid on long-term debt		(75)
Proceeds from loans		843
Other noncapital increases	98	15
Net cash provided (used) by noncapital financing activities	(2,167)	11,728
Cash flows from capital and related financing activities:		
Capital contributions		871
Acquisition of capital assets	(999)	(14,362)
Proceeds from sale of assets		1,243
Principal paid on long-term debt	(291)	
Principal paid on capital lease		(35)
Interest paid on long-term debt	(43)	(6)
Net cash provided (used) by capital and related financing activities	(1,333)	(12,289)
Cash flows from investing activities:		
Investment earnings	334	921
Net increase (decrease) in cash and cash equivalents	(4,290)	4,733
Cash and cash equivalents - beginning of year	77,871	232,750
Cash and cash equivalents - end of year	73,581	237,483
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(3,278)	(20,724)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Decrease (increase) in accounts receivable	(78)	104
Decrease (increase) in due from other funds	22	2,563
Decrease (increase) in inventory	7	44
Increase (decrease) in accounts payable	1,421	(7,842)
Increase (decrease) in accrued payroll	25	169
Increase (decrease) in due to other funds	(4,610)	(1,142)
Increase (decrease) in unearned revenue	(47)	(32)
Increase (decrease) in compensated absences	1	98
Increase (decrease) in claims and judgments		20,120
Pension expense	(610)	(3,040)
Depreciation/amortization	6,023	14,055
Total adjustments	2,154	25,097
Net cash provided (used) by operating activities	(1,124)	4,373
Non-cash investing and capital financing activities:		
Capital acquisitions included in accounts payable	277	1,486
Governmental contributions of capital assets	$	738

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2015
(In Thousands)

	Pooled Investments - Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund	Agency Funds
ASSETS			
Pooled cash and investments	$ 4,410,919	2,185	390,084
Cash with fiscal agents			856
Investments with fiscal agents		1,155	
Receivables:			
Accounts receivable			11
Investment earnings receivable	4,525	1	8,219
Other receivables	681		
Total assets	4,416,125	3,341	399,170
LIABILITIES			
Accounts payable	768	6	28,242
Warrants outstanding			194,389
Accrued interest		58	
Noncurrent liabilities:			
Due within one year		453	
Due in more than one year		12,183	
Due to other funds		4,797	
Due to other governments			176,539
Total liabilities	768	17,497	399,170
NET POSITION			
Held in trust for pool participants	4,415,357		
Held in trust for private purpose		(14,156)	
Total net position held in trust (deficit)	$ 4,415,357	(14,156)	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2015
(In Thousands)

	Pooled Investments - Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund
ADDITIONS		
Contributions:		
Contributions to investments	$ 9,294,760	
Total contributions	9,294,760	
Investment earnings:		
Net increase (decrease) in fair value of investments	1,753	1
Investment earnings	17,105	6
Total investment earnings	18,858	7
Property taxes - Successor Agency Redevelopment Property Tax Trust Fund Distribution		1,805
Total additions	9,313,618	1,812
DEDUCTIONS		
Administrative expenses		55
Distributions from investments	9,304,821	
Contributions to other agencies		550
Interest		601
Total deductions	9,304,821	1,206
Change in net position	8,797	606
Net position at beginning of year	4,406,560	(14,762)
Net position (deficit) at end of year	$ 4,415,357	(14,156)

NOTE 1
Summary of Significant Accounting Policies

The Reporting Entity

The County of San Diego (the "County" or "CoSD"), is a political subdivision of the State of California (the "State") and as such can exercise the powers specified by the Constitution and laws of the State of California. The County operates under a charter and is governed by an elected five-member Board of Supervisors (the "Board").

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, inactive waste management, airport management and general financial and administrative support.

The County reporting entity includes all significant organizations, departments, and agencies over which the County is considered to be financially accountable. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationships with the County. As required by generally accepted accounting principles in the United States of America (GAAP), the financial statements present the financial position of the County and its component units.

These are entities for which the County is considered to be financially responsible and has a potential financial benefit/burden relationship.

Blended component units, although legally separate entities are, in substance, part of the County's operations and data from these component units are combined with the data from the primary government.

A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

Blended Component Units

The blended component units listed below are agencies and special districts whose governing board is the County Board of Supervisors. The County Board of Supervisors therefore has the ability to impose its will. These component units have a direct financial benefit/burden relationship with the County, are fiscally dependent on the County, and as such financial actions including the setting of rates, issuance of debt and the adoption of the annual budget remain with the County.

Air Pollution Control District (APCD) - The *APCD* was established to protect people and the environment from the harmful effects of air pollution. Air quality is continuously monitored throughout the San Diego Air Basin, and programs are developed to bring about the emission reductions necessary to achieve clean air. The *APCD* issues permits to limit air pollution, ensures that air pollution control laws are followed, and administers funding that is used to reduce regional mobile source emissions. *APCD* is reported as a *special revenue fund*.

County of San Diego In-Home Supportive Services Public Authority (IHSSPA) - The *IHSSPA* was established to assist eligible low-income elderly and persons with disabilities in San Diego County to live high quality lives in their own homes. The *IHSSPA* program is mandated by the State. As the employer of record, *IHSSPA* recruits, screens, and trains home care workers who are available to assist eligible consumers in their own homes. *IHSSPA* is reported as a *special revenue fund*.

County Service Area Districts (CSAD) - The *CSADs* were established to provide authorized services such as road, park, fire protection and ambulance to specific areas in the County. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties. The *CSADs* are reported as *special revenue funds*.

Flood Control District (FCD) - The *FCD* was established to provide flood control in the County's unincorporated area. It is financed primarily by ad valorem property taxes and charges to property owners. The *FCD* is reported as a *special revenue fund*.

Lighting Maintenance District (LMD) - The *LMD* was established to provide street and road lighting services to specified areas of the County. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners. The *LMD* is reported as a *special revenue fund*.

San Diego County Housing Authority (SDCHA) - The

SDCHA was established to provide decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources. *SDCHA* is reported in two *special revenue funds*.

Sanitation District (SD) - The *SD* was established to construct, operate and maintain reliable and sustainable sanitary sewer systems. Revenue sources include charges to property owners and grants. The *SD* is reported as an *enterprise fund*.

Blended component units governed by boards other than the CoSD Board of Supervisors are listed below. These component units are, in substance, part of the County's operations due to their relationship with the County and the nature of their operations. Specifically, the CoSD Board appoints either all or a majority of their board members and the services they provide solely benefit the County.

San Diego County Capital Asset Leasing Corporation (SANCAL) - *SANCAL* was established to finance the acquisition of County buildings and equipment. It is a nonprofit corporation governed by a five-member Board of Directors, which is appointed by the CoSD Board. *SANCAL* financial activities are reported in a *debt service fund and a capital projects fund.*

San Diego County Tobacco Asset Securitization Corporation (SDCTASC) - The *SDCTASC* was created under the California Nonprofit Public Benefit Corporation Law and was established to purchase tobacco settlement payments allocated to the County from the State of California, pursuant to a Tobacco Master Settlement Agreement.

SDCTASC is governed by a Board of Directors consisting of three members, two of which are employees of the County and one independent director who is not an employee of the County. The *SDCTASC* is reported as a *special revenue fund*.

San Diego Regional Building Authority (*SDRBA*) - The *SDRBA* was established under the Mark-Roos Local Bond Pooling Act of 1985 and authorized to issue bonds for the purpose of acquiring and constructing public capital improvements and to lease them to its members, the County and the San Diego Metropolitan Transit Development Board (MTDB). The services provided by the SDRBA to the MTDB are insignificant.

The *SDRBA* is governed by a Commission consisting of three members, two of which are County Supervisors appointed by the County Board of Supervisors and concurrently serve on the Board of Directors of the San Diego Trolley, Inc and the Board of Directors of MTDB. The third Commissioner is a member of MTDB and is appointed by the MTDB Board. The SDRBA's financial activities are reported in a *debt service fund* and a *capital projects fund*.

The Tobacco Securitization Joint Powers Authority of Southern California (TSJPA) - The *TSJPA* was created by a joint exercise of powers agreement between the County and the County of Sacramento pursuant to Government Code Sections 6500 et seq. The *TSJPA*'s purpose is to finance a loan to the San Diego County Tobacco Asset Securitization Corporation (the Corporation) via the sale of tobacco asset-backed bonds. The *Corporation* in turn uses the loan proceeds to purchase the County's future tobacco settlement revenues under a purchase and sale agreement. The *TSJPA* is administered by a Board of Directors consisting of three members, two members who are appointed by the CoSD Board and the third member is appointed by the Sacramento County Board of Supervisors. The *TSJPA* is reported as a *special revenue fund*.

Separately issued financial reports for IHSSPA, SDCTASC, SDRBA, and TSJPA can be obtained from the County Auditor and Controller's Office located at 1600 Pacific Highway, Room 166, San Diego, California 92101.

Discrete Component Unit

The *First 5 Commission of San Diego (Commission)* was established by the Board as a separate legal entity under the authority of the California Children and Families First Act and Sections 130100 et seq. of the Health and Safety Code. The Commission administers the County's share of tobacco taxes levied by the State for the purpose of implementing early childhood development programs. The County appoints all of the Commission's board and can remove appointed members at will.

The Commission is discretely presented because its Board is not substantively the same as the County's, and it does not provide services entirely or almost

entirely to the County. A separately issued financial report can be obtained by writing to The First 5 Commission, 2750 Womble Road, Suite 201, (MS-A211), San Diego, CA 92106.

Financial Reporting Structure

Basic Financial Statements

The basic financial statements include both government-wide financial statements and fund financial statements. The reporting model, based on GASB Statement No. 34, *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,"* focuses on the County as a whole in the government-wide financial statements and major individual funds in the fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) display information about the County as a whole and the change in aggregate financial position resulting from the activities of the fiscal period, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the County (including its blended component units) as well as its discretely presented component unit. In the statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on a full accrual, economic resource basis, which incorporates capital assets as well as long-term debt and obligations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the primary government total column. The statement of activities presents functional revenue and expenses of governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. In the statement of activities, internal service funds' revenue and expenses related to interfund services have been eliminated. Revenue and expenses related to services provided to external customers have not been eliminated and are presented within governmental activities.

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (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 general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural activities. The business-type activities of the County include airport, jail stores commissary, and sanitation.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are presented after the government-wide financial statements. They display information about major funds individually and in the aggregate for governmental and proprietary funds. In governmental and fiduciary funds, assets and liabilities are presented in order of relative liquidity. In proprietary funds, assets and liabilities are presented in a classified format that distinguishes between all current and noncurrent assets and liabilities. Current assets in the classified format are those considered available to generate or use cash within twelve months of the end of the fiscal period. Examples include cash, various receivables and short-term investments. All other assets are considered noncurrent. Current liabilities are obligations to be paid within the next fiscal year. Examples include payables and the current portion of long-term liabilities. For all fund types, deferred outflows of resources are presented after assets; and deferred inflows of resources are presented following liabilities. For further information see Deferred Outflows and Inflows of Resources.

Major individual governmental funds are reported as separate columns in the fund financial statements and are presented on a current financial resources and modified accrual basis of accounting. 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 County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for and reports all financial resources of the County not accounted for and reported 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 expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural activities. Expenditures also include capital outlay and debt service.

The *Public Safety Special Revenue Fund* accounts for Proposition 172 half-cent sales taxes collected and apportioned to the County by the State Board of Equalization and are restricted for funding public safety activities. Per Government Code Section 30052, a “maintenance of effort” (pre-Proposition 172 public safety funding level) must be maintained by the County to comply with the statute’s spending requirements. In accordance with the Code, these funds are allocated to the Sheriff, District Attorney and Probation departments. Transfers out of this fund subsidize the following types of public safety activities: juvenile detention services; facilities maintenance and support; capital projects, equipment and other one-time expenditures; on-going technology initiatives; and various region-wide services.

The *Tobacco Endowment Special Revenue Fund* accounts for tobacco settlement payments 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. According to Board of Supervisors Policy E-14, tobacco settlement monies are to be used for healthcare-based programs.

The County reports the following additional funds and fund types:

Enterprise Funds account for airport, jail stores commissary and sanitation district activities; including operations and maintenance, financing of clothing and personal sundry items for persons institutionalized at various county facilities, and sewage collection and treatment services.

Internal Service Funds account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); start up services for new and existing County service districts; the County's public liability and employee benefits activities; the financing of fleet services; facilities management activities; and the financing of information technology services. Goods or services provided by servicing County departments are paid for on a cost reimbursement basis by receiving departments.

The following *fiduciary funds* account for resources that are held by the County as a trustee or agent for outside parties and cannot be used to support the County's programs.

Pooled Investments - Investment Trust Funds account for investment activities on behalf of external entities and include the portion of the County Treasurer's investment pool applicable to external entities. In general, external entities include school districts, independent special districts and various other governments.

County of San Diego Successor Agency Private Purpose Trust Fund is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund

reports the assets, liabilities, and activities of the County of San Diego Successor Agency; formed pursuant to California Assembly Bill ABx1 26.

Agency Funds are custodial in nature, and have no measurement focus, but do employ the accrual basis of accounting for purposes of asset and liability recognition. Agency funds account for assets held by the County as an agent for various local governments, organizations and individuals. Included are funds for child support payments; payroll taxes; public administrator and public guardian accounts; and apportioned taxes for other local governments.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal 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.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are susceptible to accrual when measurable and available. Sales taxes, investment earnings, state and federal grants, and charges for services are accrued when their receipt occurs within 180 days following the end of the fiscal year. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due. General capital assets acquisitions and principal payments on general long-term debt are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both *restricted and unrestricted resources* are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and Investments

The County's cash and cash equivalents for cash flow reporting purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held in the County's Investment Pool (the "Pool").

The Pool is available for use by all funds. Each fund type's portion of the Pool is displayed on the statements of net position/balance sheets as "pooled cash and investments." The share of each fund's pooled cash and investments account is separately accounted for and interest earned, net of related expenses, is apportioned quarterly based on the fund's average daily balance in proportion to the total pooled cash and investments based on amortized cost. $859 thousand of interest earned by certain funds has been assigned to and reported as revenue of another fund. For fiscal year 2015, the General Fund was assigned $798 thousand and the Other Governmental Funds were assigned $61 thousand.

Investments are stated at fair value. The fair value of investments is determined monthly and is based on quoted market prices.

Receivables and Payables

The major receivables for governmental and business-type activities are taxes, due from other governmental agencies and loans. All property taxes and accounts receivable are shown net of an allowance for uncollectibles ($11.228 million and $3.995 million, respectively). Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Noncurrent interfund receivables between funds are reported as a nonspendable fund balance account in the General Fund; and as a restricted, committed or assigned fund balance account in other governmental funds, as applicable.

Secured property taxes are levied based upon the assessed valuation as of the previous January 1st, (lien date) and the tax levy is recorded on July 1st (levy date). They are payable in two equal installments due on November 1st and February 1st and are considered delinquent with ten percent penalties after December 10th and April 10th, respectively. An additional penalty of one and one-half percent per month begins to accrue on July 1st on defaulted secured property taxes. Unsecured property taxes are due as of the January 1st lien date and become delinquent, with 10 percent penalties, after August 31st. An additional penalty of one and one-half percent per month begins to accrue after October 31st on delinquent unsecured property taxes.

Governmental funds' 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.

County Leased Property

The County and its blended component units lease real property to the private sector and other governmental agencies. Direct financing lease receivables are shown as restricted assets on the government-wide statement of net position - governmental activities and governmental funds balance sheets. Revenue from direct financing and non-cancelable operating leases is reported in the applicable government-wide statement of activities - governmental activities, governmental funds statements of revenues, expenditures, and changes in fund balances and proprietary funds, statements of revenues, expenses, and changes in net position, as applicable.

Inventories and Prepaid Items

Inventories include both inventories on hand for sale and consumable inventories. Inventories are valued at average cost. They are accounted for as expenditures at the time of purchase and reported in governmental funds as an asset with an offsetting nonspendable amount. Proprietary fund types are carried at average cost and are expended when consumed. Prepaid items reflect payments for costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements, with expenditures recorded when consumed. Inventories and prepaid items recorded in the governmental funds are not in spendable form and thus, an equivalent portion of fund balance is reported as nonspendable.

Capital Assets

Capital assets are of a long-term character and include: land, easements, construction in progress, buildings and improvements, equipment, software and infrastructure.

Infrastructure assets include roads, bridges and sewers.

Capital assets are recorded at *historical cost* if purchased or constructed. Donated capital assets are recorded at *estimated fair value* at the date of donation. Capital assets with original unit costs equal to or greater than the *capitalization thresholds* shown in **Table 1** are reported in the applicable *governmental activities* or *business-type activities* columns in the government-wide financial statements.

(Amounts expressed in thousands unless otherwise noted)

Table 1 Capitalization Thresholds	
Land	$ 0
Easements	50
Buildings and improvements	50
Equipment	5
Software	50-100
Infrastructure	25-50

Depreciation and amortization are charged over the capital assets' estimated useful lives using the straight-line method for proprietary and governmental fund types. Governmental fund type depreciation and amortization are only shown in the statement of activities. Proprietary fund type depreciation and amortization are shown both in the fund statements and the government-wide statement of activities. Estimated useful lives are shown in **Table 2**.

Table 2 Estimated Useful Lives	
Buildings and improvements	10-50 years
Equipment	5-20 years
Software	3-10 years
Infrastructure	10-50 years

Unearned Revenue

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue. Unearned revenue can be found in government-wide financial reporting as well as in the governmental, proprietary, and fiduciary funds' financial statements.

Deferred Outflows and Inflows of Resources

The County reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position by the government that is applicable to a future period.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual; it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

Examples of deferred outflows and inflows of resources include property taxes received in advance, unavailable revenue, unamortized losses and gains on refunding of long-term debt (discussed below), and pension related deferrals. Pension related deferred outflows and inflows of resources include changes in proportionate share contributions, contributions to the pension plan subsequent to the measurement date, differences between expected and actual experience in the total pension liability and net difference between projected and actual earnings on pension plan investments.

Occasionally, the County refunds some of its existing debt. When this occurs, the difference between the funds required to retire (reacquisition price of) the refunded debt and the net carrying amount of refunded debt results in a deferred amount on refunding. If there is an excess of the reacquisition price of refunded debt over its net carrying amount, it is treated as a deferred outflow of resources (a deferred loss on refunding). If there is an excess net carrying value amount of refunded debt over its reacquisition price, it is treated as a deferred inflow of resources (a deferred gain on refunding).

Lease Obligations

The County leases various assets under both operating and capital lease agreements. In the government-wide and proprietary funds financial statements, capital lease obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net position.

Long-Term Obligations

Long-term liabilities reported in the statement of net position include the amount due in one year (current) and the amount due in more than one year (noncurrent).

General long-term liabilities consist of the noncurrent portion of claims and judgments, compensated absences, landfill postclosure and other noncurrent liabilities. General long-term liabilities are not reported as liabilities in governmental funds but are reported in the governmental activities column in the government-wide statement of net position. General long-term debt is not limited to liabilities arising from debt issuances but may also include noncurrent liabilities on other commitments that are not current liabilities properly recorded in governmental funds.

Debt may be issued at par (face) value, with a premium (applicable to debt issued in excess of face value) or at a discount (applicable to debt issued at amounts less than the face value).

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued and premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds (CABs) issued by the County represent bonds that are issued at a deep discount, pay no current interest but accrete or compound in value from the date of issuance to the date of maturity. CABs are presented at their maturity value less the unaccreted appreciation. Unaccreted appreciation represents the difference between the maturity value of the debt and their par (face) value. The unaccreted appreciation is accreted as interest over the life of the CABs.

Pension

In fiscal year 2015, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. As a result, the County recognizes its proportionate share of the San Diego County Employees Retirement Association Pension Plan's (SDCERA-PP) collective net pension liability. Essentially, the net pension liability represents the excess of the total pension liability over the fiduciary net position of the SDCERA-PP reflected in the actuarial report provided by the SDCERA-PP actuary. The net pension liability is measured as of the County's prior fiscal year-end. Changes in the net pension liability are recorded in the period incurred, as pension expense or as deferred outflows of resources or deferred inflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources are those that arise from changes in actuarial assumptions or other inputs, changes in proportionate share of contributions, differences between expected and actual experience in the total pension liability, and the net difference between projected and actual earnings on San Diego County Employees Retirement Association pension plan (SDCERA-PP) investments.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources or resources relating to pension expense, information about the fiduciary net position of the SDCERA-PP and additions to/deductions from the SDCERA-PP fiduciary net position have been determined on the same basis as they are reported by SDCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Employees' Compensated Absences

The County's policy is to permit employees to accumulate *earned* but *unused* vacation, compensatory time, holiday and sick leave benefits. Each of these benefits is subject to certain limits based on employee

class, except for sick leave and compensatory time that is subject to Fair Labor Standards Act (FLSA) rules or the California Labor Code. All vacation pay and a certain portion of compensatory and sick pay for specified employee classes is accrued in the government-wide and proprietary funds financial statements. Except for specified employee classes, there is no liability for *unpaid accumulated* sick leave since the County does not cash out unused sick leave when employees separate from service with the County. However, employees eligible for retirement benefits that meet minimum balance requirements may apply unused sick leave toward determining their length of service for the purpose of calculating retirement benefits.

Accumulated leave benefits including vacation, sick leave, and compensatory time worked are recorded in the government-wide statement of net position. Amounts recorded as accumulated leave benefits include the employer's share of Social Security and Medicare taxes. These amounts would not be expected to be liquidated from expendable available financial resources, but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

County employees in the unclassified service and certain employees hired prior to 1979 may receive up to 50% and 25%, respectively, of the cash value of all or a portion of their sick leave balances upon termination or retirement. The cash value of these benefits is included in the accumulated leave benefits noted above. This liability has been recorded in the current and long-term portion of compensated absences in the appropriate proprietary funds and government-wide statement of net position.

California Labor Code Section 4850 entitles safety officers who meet certain criteria to receive full salary in lieu of temporary disability payments for the period of disability, not exceeding 365 days, or until such earlier date as he or she is retired on permanent disability pension. This liability is accrued in the current and long-term portion of compensated absences.

All County employees who have completed at least five years of continuous service in the County retirement system, and have a sick leave balance of at least one hundred hours, may convert, at retirement, all or a portion of their sick leave balance to retirement service credits on a hour-for-hour basis. The conversion of these balances to retirement service credits is included in the County's actuarial accrued liability, as part of the annual actuarial valuation which includes assumptions regarding employee terminations, retirement, death, etc.

General Budget Policies

An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Annual budgets are not required to be adopted for the Tobacco Securitization Joint Special Revenue Fund; and the Debt Service and Capital Projects Funds (other governmental funds). Please refer to the notes to required supplementary information for more details regarding the County's general budget policies.

Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These classifications include: nonspendable; restricted; and the unrestricted classifications of committed, assigned and unassigned. When both restricted and unrestricted resources are available for use, fund balance is generally depleted by restricted resources first, followed by unrestricted resources in the following order: committed, assigned and unassigned. The fund balance classifications are defined as follows:

Nonspendable **fund balance** - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted **fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed **fund balance** - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Supervisors. The Board of Supervisors may establish fund balance commitments by adoption of an ordinance, resolution, or formal board action memorialized by minute orders as may be required by law. All are equally binding. Those committed amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned **fund balance** - amounts that are constrained by the County's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the highest level of decision making authority (the Board of Supervisors), or by a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. This intent is expressed by the Board of Supervisors approval of the use of fund balance to fund non-capital related expenditures and via Board Policy B-71, which provides that fund balance may be committed by the Board and/or assigned by the Chief Administrative Officer for specific purposes.

Unassigned **fund balance** - the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Net Position

Net investment in capital assets - consists of capital assets net of accumulated depreciation reduced by the outstanding principal of capital related debt (adjusted by any unamortized premiums, discounts and unspent proceeds related to debt), incurred by the County to buy or construct capital assets shown in the statement of net position. Capital assets cannot readily be sold and converted to cash.

Restricted net position - consists of restricted assets reduced by liabilities related to those assets. Constraints placed on net position are externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted net position - consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Indirect Costs

County indirect costs are allocated to benefiting departments and are included in the program expense reported for individual functions and activities. Cost allocations are based on the annual *County-wide Cost Allocation Plan* which is prepared in accordance with Federal Office of Management and Budget (OMB) Circular A-87.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles 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.

(Amounts expressed in thousands unless otherwise noted)

NOTE 2

Reconciliation of Government-Wide and Fund Financial Statements

Balance Sheet/Statement of Net Position

Explanations of certain differences between the governmental funds balance sheet and the government-wide statement of net position are detailed below:

Table 3

Governmental Funds Balance Sheet / Government-Wide Statement of Net Position Reconciliation
At June 30, 2015

Long-term liabilities, including bonds, notes, loans payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds. The details of this $(3,638,820) difference are as follows:		
Bonds, notes and loans payable		
Certificates of participation and lease revenue bonds	$	(355,565)
Taxable pension obligation bonds		(692,338)
Tobacco settlement asset-backed bonds		(554,594)
Loans - non-internal service funds		(2,765)
Unamortized issuance premiums (to be amortized as interest expense)		(21,548)
Unamortized issuance discounts (to be amortized as interest expense)		11,869
Compensated absences (excluding Internal Service Funds)		(97,182)
Landfill postclosure - San Marcos landfill		(18,340)
Pollution remediation		(1,563)
Subtotal	$	(1,732,026)
Net pension liability		(1,906,794)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	$	(3,638,820)
Internal Service Funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. The details of this $29,373 difference are as follows:		
Net position of the internal service funds	$	29,499
Less: Internal payable representing charges in excess of cost to business-type activities - prior years		(308)
Add: Internal payable representing costs in excess of charges to business-type activities - current year		182
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	29,373

(Amounts expressed in thousands unless otherwise noted)

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

Explanations of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are detailed below:

Table 4
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities Reconciliation
For the Year Ended June 30, 2015

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. The details of this $28,871 difference are as follows:		
Capital outlay	$	160,474
Depreciation/amortization expense		(131,603)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	28,871
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. The details of this $(6,825) difference are as follows:		
The proceeds from the sale of capital assets provide current financial resources but have no effect on net position	$	(984)
The loss on the disposal of capital assets does not affect current financial resources but decreases net position		(24,755)
Donations of assets to the County do not provide current financial resources but increase net position		18,914
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(6,825)
The issuance of long-term debt (e.g., bonds, notes, and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this $73,177 difference are as follows:		
Debt issued or incurred		
Refunding bonds issued	$	(93,750)
Plus: Premiums		(15,070)
Payment to refunded bond escrow agent		112,232
Face value of loans issued		(732)
Principal repayments		67,542
Accreted interest paid		2,955
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	73,177
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 governmental funds. The details of this $(217,760) difference are as follows:		
Change in net pension lliability - pension expense	$	(212,655)
Compensated absences		(1,090)
Accrued interest		2,153
Accretion of capital appreciation bonds		(6,819)
Amortization of premiums		1,730
Amortization of discounts		(590)
Amortization of gain on refundings		47
Amortization of loss on refundings		(536)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(217,760)
Internal Service Funds. The net revenue (or expense) of certain activities of internal service funds is reported with governmental activities. The details of this $(4,554) difference are as follows:		
Change in net position of the internal service funds	$	(4,736)
Add: Gain from charges to business activities		182
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(4,554)

NOTE 3

Deposits and Investments

The Treasurer is responsible for authorizing all County bank accounts and pursuant to Government Code Sections 27000.1 - 27000.5, 27130 - 27137, and 53600 - 53686 is responsible for conducting County investment activities of the County's investment pool (the "Pool") as well as various individual investment accounts outside of the Pool. Additionally, the Treasurer has oversight responsibilities for investments with fiscal agents.

The Pool is a County sponsored "external investment pool" wherein moneys 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.

Pursuant to Sections 27130-27137 of the California Government Code, the Board of Supervisors has established the Treasury Oversight Committee ("TOC") that monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public, having expertise in, or an academic background in public finance. The TOC requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The Investment Pool is not registered with the Securities and Exchange Commission ("SEC") as an investment company. The Investment Pool does not have any legally binding guarantees of share values.

A separately issued annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 152, San Diego, California, 92101 and can also be accessed at http://www.sdtreastax.com.

Total pooled cash and investments totaled $7,532,689 consisting of: $7,451,742 investments in the County pool; $76.102 million in demand deposits; $4.345 million of collections in transit; and, $500 thousand in imprest cash.

Deposits

Government Code Section 53652 et. seq. and the Treasurer's Pool Investment Policy (Pool Policy) prescribe the amount of collateral that is required to secure the deposit of public funds.

Federal Depository Insurance Corporation (FDIC) insurance is available for funds deposited at any one financial institution up to a maximum of $250,000 for demand deposits, time and savings deposits. The aforementioned Government Code and Pool Policy require that depositories collateralize public funds with securities having a market value of at least 10% in excess of the total amount of the deposits. These securities shall be placed in the institution's pooled collateral account and monitored by the State Treasurer of California or a mutually agreed upon third party custodian bank.

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 Investment Pool does not have a formal policy regarding sweep (deposit) accounts, but the practice is to utilize national or state chartered banks where the excess over FDIC insurance is invested in repurchase agreements that are collateralized by U.S. Treasury and Federal Agency securities equal to or greater than the deposit amount in accordance with California Government Code.

California Government Code Section 53652 et. seq. requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. At June 30, 2015, the County's deposits were not exposed to custodial credit risk as these deposits were either covered by FDIC insurance or collateralized with securities held by a named agent depository as noted below:

a. Cash in banks is defined as short-term, highly liquid deposits with an original maturity of three months or less. Deposits consist of cash in banks as well as non-negotiable certificates of deposit. At year-end, the carrying amount of the Investment Pool's deposits was $76.102 million, and the bank balance at June 30, 2015 was $78.738 million, consisting of demand deposits and non-negotiable certificates of deposit with various financial institutions. The difference between the carrying amount and the bank balance includes temporary reconciling items such as cash on hand, outstanding checks, and deposits in transit. Of the bank balance, $14.613 million was covered by federal deposit insurance and $64.125 million was collateralized with securities held by a depository agent on behalf of the Investment Pool as required by California Government Code Section 53656. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Also, a financial institution may, in accordance with the California Government Code, secure local agency deposits using first trust deed mortgages; however, the market value of the first trust deed mortgages collateral must be at least 150% of the total amount deposited.

b. The carrying amount of demand deposits with Fiscal Agents (outside of the Pool) was $6.238 million and the bank balance per various financial institutions was $6.299 million. Of the total bank balance, $687 thousand was covered by federal deposit insurance; $1.130 million was collateralized by a named agent depository; and $4.482 million was uncollateralized.

Investments

Government Code Section 53601 governs the types of investments that may be purchased and makes certain restrictions on investment maturity, maximum portfolio percentages, term, value, credit quality and timing to minimize the risk of loss.

Permitted types of investments and financial instruments include: U.S. treasuries, U.S. Federal agencies and local agency obligations; banker's acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; medium-term notes; money market mutual funds; mortgage pass-through securities; supranationals; mortgage backed securities; local agency investment funds; collateralized mortgage obligations; and shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7.

Investments in the Investment Pool are stated at fair value. Securities, which are traded on a national exchange, are valued at the last reported sales price at current exchange rates. The fair value of investments is determined monthly and is provided by the custodian bank. Repurchase agreements and institutional money market funds are carried at portfolio book value (carrying cost). All purchases of investments are accounted for on a trade-date basis.

Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The calculation of realized gains and losses is independent of the calculation of net change in the fair value of investments. Realized gains and losses on investments that were held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

In addition to the above, the Board annually adopts a Pooled Money Fund Investment Policy. This policy is based on the criteria in Government Code Section 53601 but adds further specificity and restrictions to permitted investments.

No policies have been established for investments with fiscal agents, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements.

In conjunction with the discussion below concerning investment risks, please refer to **Tables 7** and **8,** respectively, which provide details on pooled investments and those held with fiscal agents at fiscal year-end. Additionally, **Table 9** provides a comparison of Investment Pool policy restrictions with Government Code Section 53601 requirements.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in market 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.

To mitigate the effect of interest rate risk, the Investment Pool maintains a laddered portfolio in compliance with the Investment Policy, which requires at least 25% of securities to mature within 90 days, at

(Amounts expressed in thousands unless otherwise noted)

least 25% of securities to mature within one year, and no more than 50% of securities to mature within one to five years. In addition, the Investment Pool limits the maximum effective duration of the portfolio to 18 months. As of June 30, 2015, the Investment Pool was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with California Government Code. Actual weighted average days to maturity by investment type is presented in **Table 7**.

California Government Code Section 53601 indicates where the Code does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

Generally, investments with fiscal agents are structured in such a way that securities mature at the times and in the amounts that are necessary to meet scheduled expenditures and withdrawals.

Credit Risk - Investments

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations.

The Investment Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Investment Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long-term or "A1" for short-term. Non-rated securities include sweep accounts, collateralized certificates of deposit and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by California Government Code Section 53601, having a market value of at least 102% of the amount of the repurchase agreement. Credit quality based on Standard and Poor's Fund Credit Quality Rating is noted below and on **Table 7**.

Table 5
S & P Investment Rating

	Investment Pool	Investments with Fiscal Agents
Overall credit rating	AAAf/S1	
Short-term	A-1	A-1
Long-term	A	A

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

To mitigate this risk, the Investment Policy limits the amount of exposure to any one single issuer to the percentages listed in **Table 9**. As noted in **Table 9**, the Investment Pool's Investment Policy is more restrictive, in most cases, than the California Government Code. As of June 30, 2015, all Pool investments were in compliance with State law and with the Investment Policy.

The Investment Pool's holdings of the securities of the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) are issued by agencies that remain under conservatorship by the Director of the Federal Housing Agency. The U.S. government does not guarantee, directly or indirectly, the securities of the Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), FNMA, or FHLMC. The Investment Pool's investments in FHLB, FNMA and FHLMC securities as of June 30, 2015 comprised 13.69%, 10.10%, and 6.75% of the total County Investment Pool's investments, respectively.

No general policies have been established to limit the amount of exposure to any one single issuer, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements. Instruments in any one issuer that represent 5% or more of the County investments with fiscal agents by individual major fund or nonmajor funds in the aggregate at June 30, 2015 are shown in **Table 6**. Any investments explicity guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from **Table 6**.

(Amounts expressed in thousands unless otherwise noted)

Table 6
Concentration of Credit Risk - Investments With Fiscal Agents

Issuer	Tobacco Endowment Fund	Percent	Nonmajor Governmental Funds	Percent
BlackRock MuniFund	$ 204,000	65		
Federal farm credit bank			$ 4,986	9

Custodial Credit Risk - Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of another party.

The Investment Policy requires securities not insured by FDIC insurance, including appropriate collateral, be placed with an independent third party for custodial safekeeping. Securities purchased by the Investment Pool are held by a third-party custodian, Citibank, in their trust department to mitigate custodial credit risk.

Table 7
Pooled Investments
At June 30, 2015

	Fair Value	Book Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
U.S. government agencies:							
Federal home loan mortgage corporation notes	$ 503,709	502,982	0.42% - 4.88%	9/15 - 6/20	1008	AA+	6.75%
Federal home loan bank notes	1,020,413	1,019,468	0.13% - 3.13%	9/15 - 12/19	460	A-1+/AA+	13.69%
Federal national mortgage association notes	752,846	751,739	0.38% - 5.38%	7/16 - 11/18	791	AA+	10.10%
Federal farm credit bank notes	294,823	294,758	0.28% - 1.38%	3/16 - 10/18	511	A-1+/AA+	3.96%
U.S. treasury notes	456,320	454,564	0.50% - 4.50%	8/15 - 5/20	1036	AA+	6.12%
Repurchase agreement	8,999	8,999	0.01%	7/15	1	A-1	0.13%
Supranational	174,995	174,912	1.00% - 1.23%	11/17 - 6/18	964	AAA	2.35%
Commercial paper	1,867,577	1,868,505	0.18% - 0.53%	7/15 - 2/16	84	A-1/A-1+	25.06%
Money market mutual funds	242,255	242,255	0.01% - 0.39%	N/A	29	A-1+/AAA	3.25%
Negotiable certificates of deposit	2,094,700	2,094,703	0.14% - 0.42%	7/15 - 2/16	73	A-1/A-1+	28.12%
CalTRUST	35,105	35,000	0.51%	N/A	489	AA	0.47%
Total investments	$ 7,451,742	7,447,885			360		100.00%

(Amounts expressed in thousands unless otherwise noted)

Table 8

Investments with Fiscal Agents
At June 30, 2015

	Fair Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
County investments with fiscal agents						
Unrestricted:						
Fixed income tax exempt bonds	$ 16,116	0% - 7%	8/15 - 2/27	3147	AA	4.40%
Fixed income tax exempt bonds	5,810	5.00%	8/27	4429	AA-	1.59%
Fixed income tax exempt bonds	40,163	0% - 8%	9/15 - 11/36	2242	AA+	10.96%
Fixed income tax exempt bonds	3,780	5.00%	8/16 - 7/17	643	AAA	1.03%
Fixed income tax exempt bonds	2,738	5.00%	11/19	1585	AA-/NR	0.75%
Fixed income tax exempt bonds	1,353	7.50%	9/22	2620	NA	0.37%
Fixed income tax exempt bonds	40,076	5% - 6.13%	11/17 - 2/37	4294	NR	10.93%
Federal farm credit bank notes	4,986	0.69%	5/17	686	AA+	1.36%
MuniFunds	204,000	0.02%	7/15	28	AAA	55.66%
Subtotal	319,022					
Restricted:						
Federal home loan mortgage corporation notes	331	0.50%	5/16	318	AA+	0.08%
Federal national mortgage association notes	555	0.88% - 1.13%	4/17 - 12/17	792	AA+	0.15%
Corporate bonds	83	5.40%	5/18	1050	AA	0.02%
Medium-term notes	27	5.63%	9/17	808	AA+	0.01%
Money market mutual funds	46,500	0% - 0.01%	8/15	33-55	AAA	12.69%
Subtotal	47,496					
Total County investments with fiscal agents	366,518					100.00%
Private Purpose investments:						
Money market mutual funds	1,155	0.00%	8/15	38	AAA	100.00%
Total Private Purpose investments	1,155					100.00%
Total investments with fiscal agents	$ 367,673					

(Amounts expressed in thousands unless otherwise noted)

Table 9
Investment Pool Policy Restrictions versus California Government (Gov) Code Section 53601 Requirements

Investment Type	Maximum Maturity		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
U.S. Treasury obligations	5 years	5 years	No limit	No limit	No limit	No limit	No limit	No limit
U.S. Agency obligations	5 years	5 years	No limit	No limit	No limit	35%	No limit	No limit
State and Local agency obligations	5 years	5 years	No limit	15%	No limit	10%	No limit	A
Bankers' acceptances	180 days	180 days	40%	40%	30%	5%	No limit	A-1
Commercial paper (1)	270 days	270 days	40%	40%	10%	5%	A	A
Negotiable certificates of deposit	5 years	5 years	30%	30%	30%	5%	No limit	A
Repurchase agreements	1 year	1 year	No limit	40%	No limit	(2)	No limit	No limit
Reverse repurchase agreements	92 days	92 days	20%	20%	No limit	10%	No limit	No limit
Corporate medium-term notes	5 years	5 years	30%	30%	30%	5%	A	A
Collateralized certificates of deposit	N/A	13 months	No limit	10%	No limit	(4)	No limit	No limit
Money market mutual funds	N/A	N/A	20%	15%	10%	10%	AAAm	AAAm
CalTrust (JPA Mutual Funds)	N/A	N/A	No limit	2.5%	No limit	2.5%	No limit	No limit
Pass-through mortgage securities (3)	5 years	5 years	20%	20%	No limit	5%	A/AA	A/AA
Supranationals (5)	5 years	5 years	30%	30%	10%	10%	AA	AA

(1) Government Code Section 53635 (a)(1-2) specifies percentage limitations for this security type for county investment pools.

(2) Maximum exposure per issue - The maximum exposure to a single Repurchase Agreement (RP) issue shall be 10% of the portfolio value for RPs with maturities greater than 5 days, and 15% of the portfolio for RPs maturing in 5 days or less. The maximum exposure to a single broker/dealer of RPs shall be 10% of the portfolio value for maturities greater than 5 days, and 15% of the portfolio value for maturities of 5 days or less.

(3) Rating of "A" required for issuer, if rated; and rating of "AA" required for issue.

(4) May not exceed total paid-up capital and surplus of depository.

(5) The following institutions are considered "Supranationals": International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Inter-American Development Bank (IADB).

NOTE 4
Restricted Assets

Restricted assets include monies or other resources required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements. For fiscal year 2015 restricted assets were as follows:

Table 10
Restricted Assets

Fund	Legal or Contractual Requirements	Debt Covenants
General Fund	$ 151	$ 3,331
Nonmajor Governmental Funds		
Housing Authority - Other Special Revenue Fund	425	
Tobacco Securitization Joint Special Revenue Fund		45,503
San Diego Regional Building Authority Debt Service Fund		5,433
Capital Outlay- Capital Projects Fund	5,806	

NOTE 5
Receivables

Details of receivables reported in the government-wide Statement of Net Position are presented in **Table 11**. Amounts that are not expected to be collected within the next fiscal year are identified below:

Due from Other Governmental Agencies - Governmental activities - $27.461 million.

This amount represents Senate Bill (SB) 90 cost reimbursements due the County for the provision of State mandated programs and services mostly for Handicapped & Disabled Students II/Seriously Emotionally Disturbed Students (SEDS) and Absentee Ballots. The State Constitution requires reimbursement for these costs and interest will accrue on the reimbursement claims until they are paid according to Government Code Section 17617.

Loans - Governmental activities- $84.183 million

This amount includes: $38.822 million in housing

(Amounts expressed in thousands unless otherwise noted)

rehabilitation loan programs for low-income or special needs residents, and loans for low income housing down payments; $26.591 million in community development block grant loans; $13.831 million owed to the Housing Authority - Low and Moderate Income Housing Asset Fund for Affordable Housing Development and Single-Family Rehabilitation Loans; $3.417 million in low income housing developer loans; and $1.032 million owed to the General Fund from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to provide funding for project improvements for the Upper San Diego River Project. At the fund level, in the General Fund, this loan is presented as “Due From Other Funds”. See Note 8 to the financial statements, “Interfund Balances”. The remaining balance represents various other loans totaling $490 thousand.

Loans- Business-type activities- $5.944 million

This amount includes $2.179 million in Airport Enterprise Fund (AEF) loans to Airport lessees for the purchase of AEF reversionary interests in leasehold improvements existing at the expiration of previous leases; and $3.765 million owed to the AEF from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to fund airport projects. In the Airport Enterprise Fund, this loan is presented as “Due From Other Funds”. See Note 8 to the financial statements, “Interfund Balances”.

Table 11

Receivables
Primary Government and Discretely Presented Component Unit
At June 30, 2015

	Accounts	Investment Earnings	Due From Other Government Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:								
General Fund	$ 6,034	1,855	285,567	58,188	917	352,561		$ 352,561
Public Safety Special Revenue Fund			45,439			45,439		45,439
Tobacco Endowment Fund		1,836				1,836		1,836
Other Governmental Funds	19,602	3,913	43,704	24,945		92,164	(3,995)	88,169
Internal Service Funds	195	204	1,267	18	18	1,702		1,702
Total governmental activities - fund level	$ 25,831	7,808	375,977	83,151	935	493,702	(3,995)	$ 489,707
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				1,032		1,032		1,032
Less: Due from Component Unit					(165)	(165)		(165)
Total governmental activities - Statement of Net Position	$ 25,831	7,808	375,977	84,183	770	494,569	(3,995)	$ 490,574
Business-type activities:								
Enterprise Funds	$ 737	69	870	2,179	4	3,859		$ 3,859
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				3,765		3,765		3,765
Total business-type activities - Statement of Net Position	$ 737	69	870	5,944	4	7,624		$ 7,624
Component Unit:								
First 5 Commission of San Diego	$		5,050		118	5,168		$ 5,168

(Amounts expressed in thousands unless otherwise noted)

NOTE 6

County Property on Lease to Others

The County's blended component unit - SDRBA has a direct financing lease with the San Miguel Consolidated Fire Protection District (District) for two District fire stations. Additionally, the County has a sublease of a share of the Metropolitan Transit System (MTS) Towers. The share of the County's property under the MTS Towers' sub lease is an estimated $12.74 million in structures and improvements with accumulated depreciation of $6.69 million at June 30, 2015. The lease revenue received by the County and the SDRBA for the year ended June 30, 2015 was approximately $751 thousand and $886 thousand, respectively.

The County also has noncancelable operating leases for certain properties which are not material to the County's governmental operations. Additionally, the Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires. The Airport Enterprise Fund's property under operating leases includes an estimated $2.71 million in land at June 30, 2015.

Lease revenue from noncancelable operating leases for the year ended June 30, 2015 was approximately $12.09 million. Future minimum lease payments to be received under the direct financing and noncancelable operating leases are noted in **Table 12**.

Table 12
Lease Revenue
County Property Leased To Others

Fiscal Year	Direct Financing Leases	Operating Leases
2016	$ 1,624	$ 11,904
2017	1,627	10,667
2018	1,632	10,235
2019	1,633	9,252
2020	1,266	8,237
2021-2025		35,498
2026-2030		32,370
2031-2035		27,727
2036-2040		19,900
2041-2045		15,444
2046-2050		11,609
2051-2055		8,708
2056-2060		4,216
2061-2065		2,919
2066-2070		450
Total	$ 7,782	$ 209,136

(Amounts expressed in thousands unless otherwise noted)

NOTE 7

Capital Assets

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:

Table 13

Capital Assets - Governmental Activities

	Beginning Balance at July 1, 2014	Increases	Decreases	Ending Balance at June 30, 2015
Capital assets, not being depreciated/amortized:				
Land	$ 398,288	5,838	(1,654)	$ 402,472
Easements	8,085	233		8,318
Construction in progress	217,534	106,252	(196,301)	127,485
Total capital assets, not being depreciated/ amortized	623,907	112,323	(197,955)	538,275
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,624,194	186,295	(14,322)	1,796,167
Equipment	276,218	31,889	(21,534)	286,573
Software	70,096	7,605	(15,864)	61,837
Road infrastructure	2,581,864	55,292	(17,725)	2,619,431
Bridge infrastructure	71,408	1,530		72,938
Total capital assets, being depreciated/ amortized	4,623,780	282,611	(69,445)	4,836,946
Less accumulated depreciation/amortization for:				
Buildings and improvements	(390,348)	(38,166)	6,135	(422,379)
Equipment	(162,940)	(23,319)	19,415	(166,844)
Software	(40,181)	(12,860)	15,750	(37,291)
Road infrastructure	(1,269,412)	(69,897)	666	(1,338,643)
Bridge infrastructure	(20,090)	(1,416)		(21,506)
Total accumulated depreciation/ amortization	(1,882,971)	(145,658)	41,966	(1,986,663)
Total capital assets, being depreciated/ amortized, net	2,740,809	136,953	(27,479)	2,850,283
Governmental activities capital assets, net	$ 3,364,716	249,276	(225,434)	$ 3,388,558

Table 14

Capital Assets - Business-type Activities

	Beginning Balance at July 1, 2014	Increases	Decreases	Ending Balance at June 30, 2015
Capital assets, not being depreciated:				
Land	$ 11,593			$ 11,593
Construction in progress	16,382	1,097	(9,951)	7,528
Total capital assets, not being depreciated	27,975	1,097	(9,951)	19,121
Capital assets, being depreciated:				
Buildings and improvements	119,494	6,915		126,409
Equipment	1,543	181	(39)	1,685
Road infrastructure	9,569	110		9,679
Sewer infrastructure	96,165	2,926		99,091
Total capital assets, being depreciated	226,771	10,132	(39)	236,864
Less accumulated depreciation for:				
Buildings and improvements	(39,799)	(3,663)		(43,462)
Equipment	(946)	(83)	35	(994)
Road infrastructure	(721)	(329)		(1,050)
Sewer infrastructure	(40,603)	(1,948)		(42,551)
Total accumulated depreciation	(82,069)	(6,023)	35	(88,057)
Total capital assets, being depreciated, net	144,702	4,109	(4)	148,807
Business-type activities capital assets, net	$ 172,677	5,206	(9,955)	$ 167,928

(Amounts expressed in thousands unless otherwise noted)

Depreciation/Amortization

Depreciation/amortization expense was charged to governmental activities and business-type activities as shown below.

Table 15
Depreciation/Amortization Expense - Governmental Activities

General government	$	13,862
Public protection		28,359
Public ways and facilities		70,653
Health and sanitation		6,944
Public assistance		3,172
Education		1,822
Recreation and cultural		6,791
Internal Service Funds		14,055
Total	$	145,658

Table 16
Depreciation Expense - Business-type Activities

Airport Fund	$	3,798
Jail Store Commissary Fund		5
Sanitation District Fund		2,220
Total	$	6,023

Capital and Other Commitments

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year or years. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned are included within committed or assigned fund balance, as appropriate. At June 30, 2015, the County General Fund's outstanding encumbrances totaled $316.060 million; the Public Safety Fund's outstanding encumbrances totaled $3.075 million; and, Nonmajor governmental funds' outstanding encumbrances totaled $42.177 million.

At June 30, 2015, major contracts entered into for structures and improvements and other commitments within governmental and business-type activities are noted in **Table 17**.

Table 17
Capital Commitments
At June 30, 2015

		Remaining Commitments
Governmental Activities		
General Fund:		
Construction of Crime Lab	$	30,081
Construction of Women's Detention Facility		24,257
Development of Integrated Property Tax System		17,237
Construction of Imperial Beach Library		7,427
Construction of Alpine Library		6,367
Development of Knowledge Integration Program		6,116
Construction of parking garage at Cedar and Kettner		4,685
Regional Communications System		1,481
Subtotal		97,651
Nonmajor Governmental Funds:		
Construction of San Vicente Road		14,673
Flood Control improvements at Woodside Ave.		14,149
Construction of Bear Valley Parkway Road		9,641
Improvement to County Roads		2,900
Subtotal		41,363
Internal Service Funds:		
Vehicle acquisitions		5,037
Subtotal		5,037
Governmental Activities Subtotal		144,051
Business-type Activities		
Enterprise Funds:		
Improvements at various airports		2,325
Sanitation District sewer improvements		428
Business-Type Activities Subtotal		2,753
Total	$	146,804

(Amounts expressed in thousands unless otherwise noted)

NOTE 8
Interfund Balances

Interfund balances at fiscal year-end consisted of the following amounts:

Table 18

Interfund Balances
At June 30, 2015

	DUE FROM							
DUE TO	General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Private Purpose Trust Fund	Total
General Fund		16,235	8,848	12,210	436	3,985	1,032	$ 42,746
Nonmajor Governmental	$ 12,587			5,470	70	24		18,151
Nonmajor Enterprise	27					1	3,765	3,793
Internal Service	24,529			1,265	86	1,204		27,084
Total	$ 37,143	16,235	8,848	18,945	592	5,214	4,797	$ 91,774

Descriptions of amounts not due to be repaid in the subsequent year are discussed below:

a) $1.032 million is due to the General Fund from the County of San Diego Successor Agency Private Purpose Trust Fund (Upper San Diego River Project) as a result of a loan to provide funding for Project improvements.

b) $3.765 million is due from the County of San Diego Successor Agency Private Purpose Trust Fund to the Airport Enterprise Fund as a result of a loan to fund airport projects.

For further discussion of the loans to the County of San Diego Successor Agency Private Purpose Trust Fund, refer to Note 31 to the financial statements, "County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency". Note that on the Statement of Net Position, the "Due from other funds" for the General Fund's $1.032 million Upper San Diego River Project loan and the "Due from other funds" for the $3.765 million Airport Enterprise Fund's airport projects loan, are included in the governmental activities' and business-type activities' "Receivables, net", respectively. See Note 5 to the financial statements, "Receivables."

All remaining balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and, 3) payments between funds are made.

(Amounts expressed in thousands unless otherwise noted)

NOTE 9
Interfund Transfers

Interfund transfers at fiscal year-end consisted of the following amounts:

Table 19
Transfers In/Transfers Out
At June 30, 2015

TRANSFERS IN	TRANSFERS OUT: General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund		253,287	13,500	14,490	710	405	$ 282,392
Nonmajor Governmental	$ 144,415			3,677	2,342	1,715	152,149
Nonmajor Enterprise	309			50			359
Internal Service	8,929			1,000			9,929
Total	$ 153,653	253,287	13,500	19,217	3,052	2,120	$ 444,829

In general, transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and, (3) use unrestricted revenues collected in the General Fund to finance programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10
Payables

The County's payables at fiscal year-end are shown below for the General Fund, other governmental funds, internal service funds, enterprise funds, and the discrete component unit:

Table 20
Payables
At June 30, 2015

	Vendors	Due to Other Government Agencies	Other	Total Payables
Governmental Activities:				
General Fund	$ 80,567	16,392	3,747	$100,706
Other Governmental Funds	24,406	1,451	255	26,112
Internal Service Funds	35,172	765	2	35,939
Total governmental activities	$140,145	18,608	4,004	$162,757
Business-type activities:				
Enterprise Funds	$ 2,926	6		$ 2,932
Component Unit:				
First 5 Commission of San Diego	$ 3,209	11,142	726	$ 15,077

NOTE 11
Deferred Inflows of Resources: Unavailable Revenue

Table 21
Deferred Inflows of Resources - Non-pension
At June 30, 2015

Unavailable Revenue	General Fund	Other Governmental Funds	Total
Unavailable revenue-property and miscellaneous local taxes	$ 41,394	549	$ 41,943
Unavailable revenue-aid from other governmental agencies	31,304	27,854	59,158
Unavailable revenue-charges for services	3,470	4,532	8,002
Unavailable revenue-other	507	31,160	31,667
Total	$ 76,675	64,095	$ 140,770

A large portion of the Unavailable revenue - aid from other governmental agencies consists primarily of $27.9 million of TransNet one-half cent sales tax revenue to be used for projects in the Road Fund, $1.6 million of Air Quality State Moyer Program monies to be used for projects in the Air Pollution Fund, and $27.5 million of California Senate Bill 90 (SB 90)

(Amounts expressed in thousands unless otherwise noted)

revenues. In 1972, SB90 established a requirement that the State reimburse local government agencies for the costs of new programs or increased levels of service on programs mandated by the State. The remaining $3.9 million represents various other unavailable aid from other governmental agencies revenues.

Of the $31.4 million of Unavailable revenue - other, approximately $13.4 million are Tobacco Settlement Revenues, $16.7 million are low and moderate income housing assistance receivables, approximately $700 thousand is for interest receivable and $600 thousand represents various other unavailable revenues.

NOTE 12
Lease Obligations

Operating Leases

Real Property

The County has obligations under long-term operating lease agreements through fiscal year 2025 (**Table 22**). The County is the lessee under the terms of several non-cancelable operating leases for real property used to house certain County operations. The total rental expense for all real property leases for the year ended June 30, 2015 was approximately $31.22 million, including $22.82 million for non-cancelable leases.

The future minimum lease payments for these non-cancelable leases are as follows:

Table 22
Lease Commitments - Real Property

Fiscal Year		
2016	$	21,207
2017		18,819
2018		15,051
2019		12,744
2020		8,025
2021-2025		13,841
Total	$	89,687

Personal Property

The County has also entered into operating leases for personal property, a large portion of which represents duplicating and heavy duty construction equipment. Many of these leases are subject to annual adjustment based upon negotiations. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 2015, was approximately $4.2 million.

Capital Lease

Minimum Lease Payments

Equipment has been leased from the Bowe Bell and Howell Company. The present value of the minimum lease obligation has been capitalized in the Facilities Management internal service fund statement of net position; and is reflected as a liability in those statements. The County assumes responsibility for all maintenance and repair of the equipment under the terms of the lease agreement. Future minimum lease payments under the capital lease are shown in **Table 23**.

Table 23
Capital Lease - Future Minimum Lease Payments

Fiscal Year		Amount
2016	$	40
2017		40
2018		10
Total minimum lease payments		90
Less: Amount representing interest		(6)
Net lease payments	$	84

Book Value

The book value of the equipment capital lease is as follows:

Table 24
Capital Lease - Book Value
At June 30, 2015

Capital Lease Property		Original Cost	Accumulated Amortization		Net Book Value
Equipment	$	310	235	$	75

The accumulated amortization of this equipment capital lease was $235 thousand as of June 30, 2015. The current year's portion is included in the Internal Service Funds' depreciation/amortization of $14.055 million in **Table 15**.

NOTE 13

Long-Term Debt

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs)

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs) provide funds for the acquisition and construction of major capital facilities and equipment. The repayment of these COPs and LRBs is secured by a lease structure where the borrowing entity, such as the County or the San Miguel Consolidated Fire Protection District (SMCFPD) (not a component unit of the County), leases certain properties to another entity, a lessor, which in turn leases the properties back to the County or the SMCFPD. These lessors are the San Diego County Capital Asset Leasing Corporation (SANCAL), and the San Diego Regional Building Authority (SDRBA); both blended component units of the County. (See discussion of Blended Component Units under Note 1 "Summary of Significant Accounting Policies".)

COPs and LRBs are secured by: a) (lease) base rental payments, for the use of certain facilities or equipment and b) encumbrances on the facilities. The leased premises are typically facilities or equipment purchased with proceeds of the COPs or LRBs. In the case of the County, the base rental payments are made primarily from the County General Fund to the SANCAL or SDRBA; in the case of the SDRBA's financing for the SMCFPD, base rental payments are made from SMCFPD to the SDRBA. Under lease terms, the County and the SMCFPD are required to make the necessary annual appropriations for lease payments, except to the extent those payments are eligible to be abated in accordance with the terms of the leases.

COPs and LRBs evidence a pro rata share in a specific pledged revenue stream of lease payments, and investors in the certificates or bonds are entitled to receive a share in these lease payments from a particular project. Lease payments are passed through the lessor to the investors. The lessor assigns the lease and lease payments to a trustee, which distributes the lease payments to the investors.

In September 2014 $91.675 million of fixed rate certificates of participation titled, "County of San Diego Certificates of Participation (Edgemoor and RCS Refunding) Series 2014A" (the 2014A Certificates), and $2.075 million of fixed rate certificates of participation titled, "County of San Diego Certificates of Participation (Edgemoor and RCS Refunding) Series 2014B (Taxable)" (the 2014B Certificates) were executed and delivered pursuant to a Trust Agreement by and among a Trustee bank, the County, and SANCAL. The 2014A Certificates were issued at fixed interest rates ranging from 2.00% to 5.00% with maturity dates ranging from October 15, 2015 to October 15, 2029. The 2014B Certificates were issued at fixed interest rates ranging from 0.415% to 1.920% with maturity dates ranging from October 15, 2015 to October 15, 2018.

The 2014A Certificates were issued with a premium of $15.070 million. Certificate proceeds of $106.745 million along with $6.820 million of funds held by the 2005 and 2006 Edgemoor and RCS Refunding Trustee (Trustee) were distributed as follows: 1) $105.898 million (consisting of $101.708 million of new 2014A Certificate proceeds plus $4.190 million of funds held by the Trustee) was transferred to an escrow agent to advance refund the entire $102.025 million of outstanding County of San Diego Certificates of Participation (2005 Edgemoor Project and 1996 Regional Communications System Refunding) (the Series 2005 Certificates) and County of San Diego Certificates of Participation (2006 Edgemoor Completion Project) (the Series 2006 Certificates and, together with the 2005 Certificates, the Prior Certificates); 2) $2.630 million to pay interest on the 2014A Certificates due on April 15, 2015; 3) $4.460 million to fund a 2014A Certificate reserve fund; 4) approximately $577 thousand was set aside to pay costs of issuance.

The 2014B Certificate proceeds of $2.075 million along with $4.372 million of funds held by the Trustee were distributed as follows: 1) $6.334 million (consisting of $2.063 million of new 2014B Certificate proceeds plus $4.271 million of funds held by the Trustee) was transferred to an escrow agent to advance refund the entire $6.180 million of outstanding 2005 Certificates attributable to the regional communication system refunding; 2) $14 thousand to pay interest on the 2014B Certificates due on April 15, 2015; 3) $87 thousand to fund a 2014B Certificate reserve fund; 4) approximately $12 thousand was set aside to pay costs

(Amounts expressed in thousands unless otherwise noted)

of issuance.

The $105.898 million and $6.334 million transfers referred to above were placed in an irrevocable trust with an escrow agent to provide for the payment of the remaining principal and interest due on the Prior Certificates. As a result, the Prior Certificates are considered legally defeased and the liability for those certificates has been removed from the government-wide statement of net position governmental activities' liabilities due within one year and due in more than one year. This advance refunding will result in reducing the County's principal and interest payments by $15.771 million over the next 15 years to obtain an economic gain of $12.701 million (i.e. difference between the present value of the debt service payments on the refunded debt and the refunding debt).

Interest evidenced by the 2014A Certificates and the 2014B Certificates is exempt from state personal income taxes. Interest evidenced by the 2014A Certificates is excluded from gross income for federal income tax purposes; interest evidenced by the 2014B Certificates is not excluded from gross income for federal tax purposes.

Details of the COPs and LRBs outstanding at June 30, 2015 are as follows:

Table 25
Certificates of Participation (COP) and Lease Revenue Bonds (LRB)

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
2003 San Miguel Consolidated Fire Protection District Refunding LRB	$ 10,005	2.00 - 5.00%	2020	$ 3,895
2005 North & East Justice Facilities Refunding COP	28,210	3.25 - 5.00%	2020	12,045
2009 Series A COC and Annex Project LRB	136,885	3.00 - 5.50%	2036	123,780
2009 Justice Facilities Refunding of 1997 Central Jail COP	48,300	2.00 - 5.00%	2026	34,875
2009 Justice Facilities Refunding of 1998 Courthouse COP	32,640	2.00 - 5.00%	2023	17,285
2011 Metropolitan Transit System Towers Refunding COP	19,260	1.00 - 5.00%	2020	10,890
2011 CAC Waterfront Park Project COP	32,665	3.00 - 5.00%	2042	30,890
2012 Cedar-Kettner Development Project COP	29,335	2.00 - 5.00%	2042	28,155
2014 Edgemoor and RCS Refunding COP Series 2014A (Edgemoor)	91,675	2.00 - 5.00%	2030	91,675
2014 Edgemoor and RCS Refunding COP Series 2014B (RCS) Taxable	2,075	0.415 - 1.92%	2019	2,075
Total	$ 431,050			$ 355,565

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity for COPs and Lease Revenue Bonds are as follows:

Table 26
Certificates of Participation and Lease Revenue Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2016	$ 19,805	16,314	$ 36,119
2017	20,670	15,440	36,110
2018	21,580	14,534	36,114
2019	21,670	13,569	35,239
2020	20,690	12,696	33,386
2021-2025	85,785	51,349	137,134
2026-2030	81,535	31,031	112,566
2031-2035	52,325	14,706	67,031
2036-2040	24,470	3,690	28,160
2041-2042	7,035	347	7,382
Subtotal	$ 355,565	173,676	$ 529,241
Add:			
Unamortized issuance premium	21,548		
Less:			
Unamortized discount	(158)		
Total	$ 376,955		

Taxable Pension Obligation Bonds (POBs)

Taxable Pension Obligation Bonds (POBs) are issued by the County to reduce its pension unfunded actuarial liability and to achieve interest rate savings by issuing bonds at interest rates which are less than the assumed rate of return earned on proceeds placed in the San Diego County Employees Retirement Association's (SDCERA) pension plan. POBs also have been issued to refund previously issued POB debt. Because current federal tax law restricts the investment of proceeds of tax-exempt bonds in higher-yielding taxable securities, POBs are issued on a taxable basis.

Details of POBs outstanding at June 30, 2015 are as follows:

Table 27
Taxable Pension Obligation Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
2002 Series A	$ 132,215	3.88 - 4.95%	2016	$ 17,230
2004 Series A	241,360	3.28 - 5.86%	2023	200,595
2004 Series B1-2	147,825	5.91%	2025	147,825
2004 Series C CABs	64,928	4.66 - 5.76%	2016	21,070
2004 Series C Unaccreted Interest CABs				(147)
2008 Series A	343,515	3.33 - 6.03%	2027	305,765
Total	$ 929,843			$ 692,338

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity for POBs are shown below in **Table 28**.

Table 28
Taxable Pension Obligation Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2016	$ 42,625	147	38,380	$ 81,152
2017	44,340		36,065	80,405
2018	46,995		33,413	80,408
2019	49,760		30,585	80,345
2020	52,725		27,524	80,249
2021-2025	315,670		84,312	399,982
2026-2027	140,370		4,986	145,356
Subtotal	$ 692,485	147	255,265	$ 947,897
Add:				
Accreted appreciation through June 30, 2015	35,094			
Less:				
Accreted appreciation paid through fiscal year 2015	(25,372)			
Less:				
Accreted appreciation to be paid in fiscal year 2016 (already included in the 2016 principal shown above)	(9,722)			
Less:				
Unaccreted appreciation to be paid in fiscal year 2016	(147)			
Total	$ 692,338			

As shown in **Table 28**, the unpaid Taxable Pension Obligation Bonds' accreted appreciation as of June 30, 2015 was $9,722 (accreted appreciation through June 30 of $35,094 less $25,372 accretion paid through fiscal year 2015). The total amount of $9,869 (unpaid accreted appreciation as of June 30, 2015 of $9,722 and the unpaid 2016 unaccreted appreciation of $147) will be paid in fiscal year 2016.

Tobacco Settlement Asset-Backed Bonds (TSAB)

TSAB are issued by the Tobacco Securitization Joint Powers Authority of Southern California (Authority) to securitize future revenue streams available to the County pursuant to the agreements described below.

A 1998 Master Settlement Agreement (MSA) was originally entered into by four cigarette manufacturers, 46 states and six other U.S. jurisdictions (Settling States) to provide state governments, including California, with compensation for smoking related medical costs and to help reduce smoking in the United States. There is no limit to the yearly settlement payments; they are perpetual. Also, a Memorandum of Understanding (MOU) and a supplemental agreement (ARIMOU) was agreed to by the State of California and all California counties and four California cities, granting those California municipalities the right to receive tobacco settlement allocation payments, (also known as Tobacco Settlement Revenues (TSRs)).

In fiscal year 2002, the Authority issued $446.86 million 2001 Tobacco Settlement Asset-Backed Bonds (2001 Bonds), to fund the Authority's loan to the San Diego County Tobacco Asset Securitization Corporation (Corporation), pursuant to a loan agreement between the Authority and the Corporation. (Both entities are blended component units of the County.) According to the loan agreement, the Corporation has pledged, assigned and granted to the Authority, a first priority perfected security interest in all rights, title and interest of the Corporation, to the TSRs the Corporation purchased from the County. The Corporation used the net proceeds of the loan, $411.913 million, to pay the County, in exchange for the County's transfer to the Corporation of all the County's rights, title and interest in the TSRs. Net proceeds have been placed in an endowment fund to fund healthcare-based programs pursuant to Board Policy E-14 and IRS regulations, and do not secure the repayment of the TSAB.

In May 2006, the Authority issued Series 2006 TSAB (2006 Bonds) in the amount of $583.631 million to refund the outstanding principal of the original 2001 Bonds noted above and to loan an additional $123.515 million to the Corporation. The proceeds were placed into the endowment fund for the aforementioned purposes. The 2006 Bonds are limited obligations of the Authority.

Through fiscal year 2013, the County used a debt service to maturity on the bonds incorporating an assumption of the ability to continue making turbo debt service payments. Based on that assumption, the 2006 Bonds were anticipated to reach final maturity in fiscal year 2036 based on receipts of future TSRs as projected in the May 2006 Global Insight Base Case analysis (Base Case) performed in conjunction with the issuance of the 2006 Bonds.

(Amounts expressed in thousands unless otherwise noted)

Under the terms of the bond indenture (Indenture), TSRs are pledged to the repayment of the TSAB. Accordingly, the bonds are payable solely from certain funds held under the Indenture, including TSRs and earnings on such funds (collections).

The minimum payments for the 2006 Bonds are based on the Indenture and the Series 2006 Supplement, both dated as of May 1, 2006. However, actual payments on the 2006 Bonds depend on the amount of TSRs received by the County. The amount of these TSRs is affected by cigarette consumption and the financial capability of the participating manufacturers. There are a number of risks associated with the amount of actual TSRs the County receives each year, including litigation affecting the participating manufacturers and possible bankruptcy as a result thereof, increased growth of non-participating manufacturer's market share, disputed payments set-aside by the participating manufacturers into an escrow account, a decline in cigarette consumption materially beyond forecasted levels, reduction in investment earnings due to unforeseen market conditions, and other future adjustments to the calculation of the TSRs.

No assurance can be given that actual cigarette consumption in the United States during the term of the 2006 Bonds will be as assumed in the Base Case, or that the other assumptions underlying these Base Case assumptions, including that certain adjustments and offsets will not apply to payments due under the MSA, will be consistent with future events. If actual events deviate from one or more of the assumptions underlying the Base Case, the amount of TSRs available to make payments, including Turbo Redemption Payments will be affected. No assurance can be given that these structuring assumptions, upon which the projections of the 2006 Bond payments and Turbo Redemptions are based, will be realized.

Based on the information above and the ongoing under realization of TSRs, beginning in fiscal year 2014, the County decided to present the debt service to maturity for the 2006 Bonds assuming no further turbo payments are made besides those that have actually been made.

Details of 2006 Bonds outstanding at June 30, 2015 are as follows:

Table 29
Tobacco Settlement Asset-Backed Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
Series 2006A Senior Current Interest Bonds	$ 534,610	4.75 - 5.125%	2025-2046	$ 465,850
Series 2006B CABs	19,770	6.25%	2046	231,820
2006B unaccreted appreciation CABs				(197,237)
Series 2006C CABs	8,686	6.40%	2046	107,950
2006C unaccreted appreciation CABs				(92,555)
Series 2006D CABs	20,565	7.10%	2046	335,105
2006D unaccreted appreciation CABs				(296,339)
Total	$ 583,631			$ 554,594

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity for 2006 Bonds are as follows:

Table 30
Tobacco Settlement Asset-Backed Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2016	$ -	5,998	23,480	$ 29,478
2017		6,402	23,480	29,882
2018		6,842	23,480	30,322
2019		7,302	23,480	30,782
2020		7,800	23,480	31,280
2021-2025	43,100	47,695	114,063	204,858
2026-2030	64,410	66,269	100,777	231,456
2031-2035	82,705	92,113	82,860	257,678
2036-2040	106,340	128,073	59,761	294,174
2041-2045	137,345	178,154	29,438	344,937
2046	80,971	39,483	1,501	121,955
Subtotal	$ 514,871	586,131	505,800	$ 1,606,802
Add:				
Accreted appreciation through June 30, 2015	39,723			
Subtotal	554,594			
Less:				
Unamortized issuance discount	(11,711)			
Total	$ 542,883			

As shown in **Table 30**, the unpaid accreted appreciation of the 2006 Bonds as of June 30, 2015 was $39,723, which will be paid in 2046.

Pledged revenue related to the 2006 Bonds for the year ended June 30, 2015 was as follows:

Table 31
Tobacco Settlement Asset-Backed Bonds - Pledged Revenues

			Fiscal Year 2015	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Series 2006 Tobacco Settlement Asset-Backed Bonds	2046	$ 1,646,525	$ 38,941	$ 26,792

Loans - Governmental Activities

Loans for various governmental activities included a United States Department of Agriculture Farmers Home Administration loan for the construction of low income housing (Firebird Manor), a California Energy Commission (Comm) loan to fund various projects in County facilities to increase energy efficiency and San Diego Gas & Electric (SDG&E) On Bill Financing (OBF) program loans used to fund energy efficiency and demand response projects.

In September 2012, the County Board of Supervisors authorized the acquisition of sites needed to support the County's Regional Communications System (RCS). In October 2014, the County entered into a real property contract with the Whiting Family Trust titled Sheriff RCS-Ocotillo Wells. The contract states terms for the purchase of one acre of property located in the Borrego Springs area; the current site of a Sheriff RCS. The purchase price for the property is $68 thousand to be paid in 12 equal annual installments of approximately $8 thousand including interest thereon at a rate of 6.78% per annum. The first installment was made on May 1, 2015.

In March 2014, the County entered into an Energy Conservation Assistance Act loan agreement with the California Energy Commission to borrow $1.56 million for energy saving measures consisting of 2,200 LED streetlight fixtures. Loan proceeds are disbursed on a reimbursement basis based on invoices submitted by the County for project expenditures. In fiscal year 2015 the County received $732 thousand in proceeds. The project is scheduled to be completed in December, 2015. Semi-annual interest and principal payments will be made beginning on December 22, 2016 in 19 equal installments at a fixed interest rate of 1.00%.

In November 2011, the County Board of Supervisors authorized the use of San Diego Gas & Electric (SDG&E) On Bill Financing (OBF) program to fund energy efficiency and demand response projects. This program finances installations, modifications and upgrades at County-owned facilities such as lighting retrofits and controls and mechanical system upgrades with the goal of reducing utility costs. The financing is a zero percent interest loan which is repaid from energy savings generated by each San Diego Gas and Electric meter. The County received its first OBF loan in

(Amounts expressed in thousands unless otherwise noted)

2013. In fiscal year 2015 the County received $843 thousand in OBF loans. As of June 30, 2015, sixteen OBF loans were outstanding, with remaining balances totaling $1.33 million.

Details of loans outstanding at June 30, 2015 for governmental activities are as follows:

Table 32
Loans - Governmental Activities

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
Loans - non internal service funds (ISF)				
Firebird Manor	$ 4,486	1.00%	2028	$ 1,973
California Energy Comm Loan (Street Light & Maint Dist)	732	1.00%	2026	732
Sheriff RCS Land Purchase	68	6.78%	2026	60
Total loans - non-ISF	5,286			2,765
Loans - ISF				
California Energy Comm Loan 3 (Facilities ISF)	2,565	4.50%	2018	1,093
San Diego Gas and Electric On Bill Financing (Facilities ISF)	2,114	0.00%	2022	1,330
Total loans - ISF	4,679			2,423
Total	$ 9,965			$ 5,188

Annual debt service requirements to maturity for loans - governmental activities are as follows:

Table 33
Loans - Governmental Activities
Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2016	$ 869	65	$ 934
2017	916	54	970
2018	805	36	841
2019	361	21	382
2020	357	19	376
2021 - 2025	1,373	59	1,432
2026 - 2028	507	9	516
Total	$ 5,188	263	$ 5,451

Loans - Business-type Activities

Loans for business-type activities included California Department of Transportation loans for the construction of a sewer line and the installation of a control tower at the Ramona Airport.

Details of loans outstanding at June 30, 2015 for business-type activities are as follows:

Table 34
Loans - Business-type Activities

Loan	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
2001 Airport Development Loan - Ramona Sewer Line	$ 2,388	5.63%	2017	$ 317
2001 Airport Development Loan - Ramona Control Tower	1,196	5.63%	2017	158
Total	$ 3,584			$ 475

Annual debt service requirements to maturity for loans - business-type activities are as follows:

Table 35
Loans - Business-type Activities
Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2016	$ 304	27	$ 331
2017	171	10	181
Total	$ 475	37	$ 512

Arbitrage

In compliance with the Tax Reform Act of 1986 and subsequent U.S. Treasury Regulations, the County performed arbitrage rebate calculations via a third party to determine probable amounts due to the Federal government. At June 30, 2015, the probable arbitrage rebate was zero.

(Amounts expressed in thousands unless otherwise noted)

NOTE 14
Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2015 were as follows:

Table 36

Changes in Long-Term Liabilities	Beginning Balance at July 1, 2014	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2015	Amounts Due Within One Year
Governmental Activities:						
COPs, bonds & loans						
Certificates of participation and lease revenue bonds	$ 384,410	93,750	(122,595)		355,565	$ 19,805
Taxable pension obligation bonds	732,330		(41,194)	1,202	692,338	42,625
Tobacco settlement asset-backed bonds	563,737		(14,760)	5,617	554,594	
Loans - non-internal service funds	2,117	800	(152)		2,765	148
Loans - internal service funds (ISF)	3,007	843	(1,427)		2,423	721
Unamortized issuance premiums	11,927	15,070	(5,449)		21,548	1,846
Unamortized issuance discounts	(12,459)		590		(11,869)	(590)
Total COPs, bonds & loans	$ 1,685,069	110,463	(184,987)	6,819	1,617,364	$ 64,555
Other long-term liabilities:						
Capital Leases - ISF	$ 119		(35)		84	$ 36
Claims and judgments - ISF	184,663	53,398	(33,278)		204,783	43,562
Compensated absences - non-ISF	96,092	69,515	(68,425)		97,182	41,298
Compensated absences - ISF	2,206	1,713	(1,614)		2,305	940
Landfill postclosure	18,992		(652)		18,340	815
Pollution remediation	3,778	270	(2,485)		1,563	45
Total Other long-term liabilities	305,850	124,896	(106,489)		324,257	86,696
Total Governmental Activities	$ 1,990,919	235,359	(291,476)	6,819	1,941,621	$ 151,251
Business-type activities:						
Loans	$ 766		(291)		475	$ 304
Compensated absences	438	353	(352)		439	179
Total Business-type Activities	$ 1,204	353	(643)		914	$ 483

(Amounts expressed in thousands unless otherwise noted)

NOTE 15
Funds Used to Liquidate Liabilities

The following funds presented in **Table 37** below have typically been used to liquidate other long-term obligations in prior years:

Table 37
Liquidated Liabilities

Liability	Fund(s) Used to Liquidate in Prior Years
Claims & Judgments	Internal Service Funds - Employee Benefits Fund and Public Liability Insurance Fund
Compensated Absences	General Fund; Special Revenue Funds - Road, Air Pollution, County Library, Inactive Wastesites and Other Special Revenue Funds; Internal Service Funds - Facilities Management, Fleet Services and Purchasing; and, Enterprise Funds - Airport and Sanitation
Landfill Postclosure	Special Revenue Funds - Inactive Wastesites
Pollution Remediation	General Fund, Special Revenue Funds - Inactive Wastesites, Road Fund

NOTE 16
Conduit Debt Obligations

From time to time, the County has issued tax-exempt conduit debt under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California on behalf of qualified borrowers to provide financial assistance for projects deemed to be of public interest.

Conduit debt consisted of the following: a) seven certificates of participation (COPs) for the acquisition, construction, capital improvement and equipping of various facilities and b) one mortgage revenue bond for the construction and permanent financing of a multi-family residential rental project located in the County to be partially occupied by persons of low or moderate incomes. Conduit debt is secured by the property that is financed and is payable from the respective COPs' base rentals and underlying payments on mortgage loans. Upon repayment of the debt, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance.

The County is not obligated in any manner for repayment of this debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

As of June 30, 2015, the aggregate conduit debt principal amount outstanding was $124.972 million.

NOTE 17
Landfill Site Postclosure Care Costs

State laws and regulations require the placement of final covers on all landfill sites that stopped accepting solid waste after October 9, 1991 and the performance of certain maintenance and monitoring functions at these sites for a minimum of 30 years after closure. Closure and postclosure care costs are paid near or after the date a landfill stops accepting waste. The San Marcos Landfill is the sole waste disposal site owned by the County that is subject to these regulations. It was operational and accepted solid waste from 1979 until March 11, 1997. Formal closure of this landfill spanned from July 2004 through March 2007. Post closure maintenance began in April 2007.

The projected landfill postclosure care liability at June 30, 2015 for the San Marcos Landfill was $18.340 million. This estimated amount is based on what it would cost to perform all postclosure care in calendar year 2015 dollars and is subject to change as a result of such factors including but not limited to: inflation; deflation; advancements in technology; and amendments to laws and regulations.

In addition to the above, state regulations require that landfill closure and postclosure maintenance costs be fully funded at the time of closure, unless a landfill owner/operator can demonstrate financial responsibility towards these activities by using other approved financial assurance alternatives. A pledge of revenue is one of various alternatives allowed to fund estimated postclosure costs. Under this alternative, the Board of Supervisors, on February 3, 1998, approved Minute Order No. 5 "Postclosure Maintenance Funding for the San Marcos Landfill", wherein the County entered into a pledge of revenue agreement with the California Integrated Waste Management Board (CIWMB). Pursuant to Resolution No. 98-24, adopted under Minute Order No. 5, the Board directed that the amount of pledged revenue shall be equal to $790 thousand per year for the 30 year period of postclosure maintenance commencing upon completion of the final closure of the San Marcos Landfill. The pledged amount is a promise of existing

funds rather than future revenues and may increase or decrease to match any adjustment to identified cost estimates that are mutually agreed to by the County and the CIWMB.

Regulations governing solid waste management are promulgated by government agencies on the federal and state 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. Thus, the County has potential liability with respect to every landfill ever owned, operated, contracted to be operated, or into which the County disposed waste. Compliance with these regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs could increase.

NOTE 18
Pollution Remediation

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., California Regional Water Quality Control Board) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing, and/or cleanup activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water cleanup, removal of storage tanks and other hazardous materials.

As of June 30, 2015, the County's estimated pollution remediation obligations totaled $1.563 million. These obligations were all associated with the County's government-wide governmental activities. The estimated liabilities were determined by project managers and/or consultants, based on historical cost information for projects of the same type, size and complexity and measured at their current value or current quotes from outside service providers. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required, including technology and changes in applicable laws or regulations. The County owns a 70-acre parcel that currently consists of vacant, mowed land, a temporary asphalt parking lot, and a small plant preserve. Organochlorine pesticide chlordane, metals, hydrocarbons, and toluene were detected at various concentrations in the soil samples collected. Engineering design of redevelopment and infrastructure of the site is in progress, and therefore, the range of the pollution remediation obligation is not reasonably estimable. Upon finalization of the construction plans, a soil and sediment management plan will be implemented to manage above ground debris; and the following: hydrocarbon and toluene impacted sediment; metals within stained soil; and, abandonment or protection of the onsite irrigation and groundwater monitoring wells. At this time, the County has determined there are no estimated recoveries reducing the obligations.

NOTE 19
Fund Balance Policy - General Fund

In 2013 the Board of Supervisors adopted the updated Policy B-71 “Fund Balance and Reserves” to establish guidelines regarding the maintenance of General Fund fund balance levels that will help to protect the fiscal health and stability of the County. This policy includes:

Fund Balance Committed To Unforeseen Catastrophic Events: The amount of fund balance committed to unforeseen catastrophic events shall be targeted at the equivalent of 5% of the total amount of budgeted general purpose revenue. The establishment of this fund balance commitment is governed by Government Code Section 29085-29086, which allows the amount to be increased or decreased at the time the budget is adopted, but once the budget is adopted, it may only be used for legally declared emergencies as defined in Government Code Section 29127. The Board may waive the requirement to maintain the fund balance at the targeted level specified if it finds that it is in the best interest of the residents of the County to so do. This commitment is reported on the General Fund's Balance Sheet.

General Fund Minimum Fund Balance: In order to be prepared for broader levels of economic uncertainty, the minimum level of Unassigned fund balance in the General Fund shall be targeted at the equivalent of 10% of the total amount of budgeted general purpose revenue. The Board may waive the requirement to maintain the fund balance at the targeted level specified if it finds that it is in the best interest of the residents of the County to so do. To the extent that fund balance is available in excess of that amount, the Chief Administrative Officer (CAO) may recommend the appropriation or commitment of the available balance for one time purposes. The recommendations may appear in the CAO Recommended Operational Plan or as an agenda item for a regularly scheduled meeting of the Board. In fiscal year 2010 the County Board of Supervisors took action to set aside $100 million of the General Fund's fund balance for future economic uncertainty. This amount is included in the Unassigned fund balance classification on the General Fund's Balance Sheet.

Other Commitments and Assignments of Fund Balance: From time to time fund balance may be committed by the Board and/or assigned by the Chief Administrative Officer for specific purposes.

Restoration of Fund Balances: In the event that the fund balance Committed to Unforeseen Catastrophic Events or the General Fund Minimum Unassigned fund balance falls below targeted levels, the CAO will present a plan to the Board of Supervisors for restoration of those targeted levels.

(Amounts expressed in thousands unless otherwise noted)

NOTE 20

Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose

At June 30, 2015, the fund balances restricted for laws or regulations of other governments: fund purpose are presented in **Table 38** as follows:

Table 38

Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose

At June 30, 2015

Fund Type:	Purpose	Amount
Nonmajor Funds		
Special Revenue Funds		
Air Pollution Fund	Air pollution activities	$ 20,397
Asset Forfeiture Program Fund	Law enforcement	9,489
County Library Fund	Library services	12,130
County Service District Funds	Road, park lighting maintenance, fire protection and ambulance services	21,997
Edgemoor Development Fund	Edgemoor development	4,880
In Home Supportive Services Public Authority Fund	In home supportive services	84
Inmate Welfare Fund	Benefit, education, and welfare of jail inmates	14,759
Lighting Maintenance District Fund	Street and road lighting maintenance	662
Other Special Revenue Funds	Retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purposes capital improvements and repairs, contracts administration, data collection, analysis and reporting, and responding to complaints regarding trash and trash haulers in unincorporated areas	654
Park Land Dedication Fund	Developing new or rehabilitating existing neighborhood or community park or recreational facilities	13,706
Total Nonmajor Funds (Special Revenue Funds)		$ 98,758

(Amounts expressed in thousands unless otherwise noted)

NOTE 21

Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2015, the fund balances restricted for laws or regulations of other governments: other purposes are presented in **Table 39** as follows:

Table 39
Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2015

Major Fund		
General Fund		
Vector control	$	14,064
Teeter tax loss		8,287
Fingerprinting equipment purchase and operation		8,142
Sheriff automated warrant system		5,005
Emergency medical services, various construction costs		4,507
Real estate fraud prosecution		4,215
Public Defender defense of indigent cases		3,904
Parks and Recreation land acquisition, improvements, stewardship and other activities		3,176
Parole revocation hearings		2,917
Domestic violence and child abuse prevention		2,772
Sheriff law enforcement		2,287
Mental health		2,277
Sheriff vehicle maintenance and replacement		1,949
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		1,210
Probation community transition unit activities		1,057
Probation Department activities		852
Equipment replacement/system enhancement Caller ID Remote Access Network		695
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		557
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		551
Improvement, maintenance and operation of the Waterfront Park		303
Fire safety projects		255
Social services child safety education		96
Total General Fund	$	69,078
Nonmajor Funds		
Special Revenue Funds		
Flood Control District Fund		
Flood control future drainage improvements	$	19,742
Housing Authority - Other Fund		
Disaster related administration		44
Housing repairs and improvements		36
Total Nonmajor Special Revenue Funds	$	19,822
Total Nonmajor Funds	$	19,822
Total Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	$	88,900

(Amounts expressed in thousands unless otherwise noted)

NOTE 22
Fund Balances Committed to Other Purposes

At June 30, 2015, the fund balances committed to other purposes are presented in **Table 40** as follows:

Table 40
Fund Balances Committed To Other Purposes
At June 30, 2015

Major Fund		
General Fund		
Regional communication system infrastructure enhancements	$	16,810
Replacement and upgrade of Public Safety Communication System		16,300
Health based programs reducing adult/youth smoking		8,192
Sheriff's Department future capital expenditures		4,399
Department of Environmental Health services		2,644
San Diego Fire Authority equipment replacement		2,233
Future replacement of Health and Human Services Agency public health clinic		1,575
Parks and Recreation land acquisition		1,121
Department of Planning and Development Services activities		1,053
Registrar of Voters services		1,000
Sheriff's Department helicopter replacement		667
Management of conduit financing programs		554
Registrar of Voters equipment acquisition		445
Assessor/Recorder/County Clerk services		111
South County Shelter capital improvements		50
Capital projects or major maintenance projects		30
Parks and Recreation turf replacement Sweetwater Valley		14
Capital Improvement		12
Senior Volunteer Patrols Program in the unincorporated communities		9
Clerk of the Board services		5
Total General Fund	$	57,224

NOTE 23
Fund Balances Assigned to Other Purposes

At June 30, 2015, the fund balances assigned to other purposes are presented in **Table 41** as follows:

Table 41
Fund Balances Assigned to Other Purposes
At June 30, 2015

Major Fund		
General Fund		
Operations, maintenance and debt service for Cedar Kettner and Waterfront Park	$	17,122
Health, mental health and social services		14,769
Law enforcement, detention, legal and other protection services		14,081
Planning, land use, agriculture, watershed and other public services		6,642
Park and recreation services		4,111
Fire protection		2,919
Assessor/Recorder/County Clerk services		1,336
Treasurer-Tax Collector services		810
Maintenance		752
Animal Services		728
Registrar of Voters services		44
Total General Fund	$	63,314

(Amounts expressed in thousands unless otherwise noted)

NOTE 24
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2015, the net position restricted for laws or regulations of other governments: other purposes is presented in **Table 42** as follows:

Table 42
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2015

Benefit, education, and welfare of jail inmates	14,759
Developing new or rehabilitating existing neighborhood or community park or recreational facilities	13,706
Library services	12,130
Law enforcement	9,489
Fingerprinting equipment purchase and operation	8,142
Sheriff automated warrant system	5,005
Edgemoor development	4,880
Emergency medical services, various construction costs	4,507
Real estate fraud prosecution	4,215
Public Defender defense of indigent cases	3,904
Parks and Recreation land acquisition, improvements, stewardship and other activities	3,176
Parole revocation hearings	2,917
Domestic violence and child abuse prevention	2,772
Sheriff law enforcement	2,287
Sheriff vehicle maintenance and replacement	1,949
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region	1,210
Probation community transition unit activities	1,057
Probation Department activities	852
Equipment replacement/system enhancement Caller ID Remote Access Network	695
Street and road lighting maintenance	662
Retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purposes capital improvements and repairs, contracts administration, data collection, analysis and reporting, and responding to complaints regarding trash and trash haulers in unincorporated areas	654
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities	557
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles	551
Improvement, maintenance and operation of the Waterfront Park	303
Fire safety projects and equipment	255
Social services child safety education	96
In home supportive services	84
Disaster related administration	44
Housing repairs and improvements	36
Total Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes	$ 100,894

(Amounts expressed in thousands unless otherwise noted)

NOTE 25
Risk Management

The County operates a Risk Management Program, whereby it is self-insured for general liability (California Government Code Section 990), malpractice (California Government Code Section 990.9), automobile liability (California Vehicle Code Section 16020(b)(4)) and primary workers' compensation (California Code of Regulations, Title 8, Section 15203.4). The County purchases insurance coverage for all risk property losses, cyber liability, excess workers' compensation, government crime insurance, including employee dishonesty and faithful performance, aviation commercial general liability, and aircraft hull and liability insurance. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years.

The County's Employee Benefits and Public Liability Insurance Internal Service Funds (ISF) are used to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected public liability and workers compensation claim liabilities. These evaluations include estimates for claims incurred but not reported; allocated and unallocated loss adjustment expenses; and amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

At June 30, 2015, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $204.8 million, including $37.9 million in public liability and $166.9 million in workers' compensation. Changes in the balances of claim liabilities for fiscal years 2015 and 2014 are shown in **Table 43**.

Table 43
Risk Management - Changes in Claim Liabilities

	2015	2014
Employee Benefits Fund		
Unpaid claims, July 1	$ 153,811	$ 132,504
Incurred claims	36,487	45,207
Claim payments	(23,422)	(23,900)
Unpaid claims, June 30	$ 166,876	$ 153,811
Public Liability Insurance Fund		
Unpaid claims, July 1	$ 30,852	$ 24,048
Incurred claims	16,911	11,247
Claim payments	(9,856)	(4,443)
Unpaid claims, June 30	$ 37,907	$ 30,852

NOTE 26
Contingencies

Litigation

As of June 30, 2015, the County has no potential liability that could result if unfavorable final decisions are rendered in numerous lawsuits to which the County is a named defendant.

Housing Authority - Low and Moderate Income Housing Asset Fund

Pursuant to Health and Safety Code (HSC) 34176 (b), the City of Santee elected to transfer the housing functions of the Successor Agency to the Community Development Commission of the City of Santee (Santee Successor Agency), to the County of San Diego Housing Authority (Housing Authority). Documents identifying the assets elected to be transferred were received by the Housing Authority on March 21, 2014. On May 21, 2014, the Board of Commissioners of the Housing Authority authorized acceptance of the Santee Successor Agency assets contingent on: 1. Santee Successor Agency providing the case files for each of the listed assets; and 2. Santee Successor Agency remitting the housing administrative allowance as required by law. To date, Santee Successor Agency has complied with item number 1 and has been remitting the housing administrative allowance due to date. However, full acceptance will not occur until the full amount as required by law is satisfied.

Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately $190.10 million in sick leave, holiday and compensatory time. With the exception of sick leave for eligible employees, these benefits are not payable to employees upon termination and are normally liquidated at year end or as employees elect to use their benefits per Civil Service rules and regulations. Accumulated vacation, sick leave, and compensatory time-off for which employees are eligible for payment upon separation have been recorded as liabilities in the appropriate proprietary funds and the statement of net position.

Federal and State Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

NOTE 27

Joint Ventures

The San Diego Geographic Information Source (SanGIS) was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS objectives are to create and maintain a geographic information system; marketing and licensing compiled digital geographic data and software; providing technical services; and publishing geographic and land related information for the City and the County, other public agencies, and the private sector. It is governed by a Board of Directors consisting of one voting member from the City of San Diego and one from the County of San Diego. SanGIS relies mostly on an annual budget of $1.2 million shared equally by the City and the County to supplement its operating revenues. In its latest report, SanGIS reported a decrease in net position of $87.8 thousand and ending net position of $245 thousand for the fiscal year ended June 30, 2014. The financial report may be obtained by writing to SanGIS at 5510 Overland Ave., Suite 230, San Diego CA 92123 or by calling (858) 874-7000 or by E-mail at webmaster@sangis.org.

The County is a participant with eighteen incorporated cities to operate the Unified San Diego County Emergency Services Organization for the purpose of providing regional planning and mutual assistance in the event of an emergency in the region including accidents involving hazardous waste. The organization is governed by the Unified Disaster Council (UDC) with the San Diego County Board of Supervisors, who serves as Chair of the Council, and a representative from each of the 18 incorporated cities. The County of San Diego Office of Emergency Services (OES) serves as staff to the UDC. OES is a liaison between the incorporated cities, the California Governor's Office of Emergency Services, the Federal Emergency Management Agency, as well as non-governmental agencies such as the American Red Cross. A contractual agreement requires that the cities and the County provide the total required funding each year; one half from the cities and the other half from the County. In its latest report, the organization reported a decrease in net position of $187 thousand and ending net position of $211 thousand for the fiscal year ended June 30, 2014. Separate financial statements may be obtained from the Office of Emergency Services, 5580 Overland Ave., Suite 100, San Diego CA 92123 or by calling (858) 565-3490 or by E-mail at oes@sdcounty.ca.gov.

The City of San Diego and the County of San Diego jointly formed a Consortium under the Workforce Investment Act of 1998 to provide regional employment and training services. The Consortium is governed by a five member board consisting of two members designated from the County Board of Supervisors, two members designated from the San Diego City Council and one member from the Board of Directors of United Way, a charitable organization. The board assigned the San Diego Workforce Partnership, Inc. as grant recipient and the administrative entity to operate the San Diego Consortium. For the year ended June 30, 2014, the Partnership reported a decrease in net position of $81 thousand and ending net position of $382 thousand. Complete financial reports may be obtained by writing to the San Diego Workforce Partnership, 3910 University Ave., Suite 400, San Diego

CA 92105 or by calling (619) 228-2900 or by E-mail at contact@workforce.org

In November 2011, the County of San Diego, which oversees the San Diego County Regional Fire Authority, agreed to be a participant in the Heartland Fire Training Authority, to be effective July 1, 2012. The Authority includes ten other member agencies and was formed for the purposes of jointly equipping, maintaining, operating, and staffing to provide training of fire-fighting and emergency response personnel to member agencies. It is governed by a Joint Powers Authority Commission comprised of one elected official from each member jurisdiction, along with a Board of Fire Chiefs which includes each respective Fire Chief. The annual budget is derived from fees paid by participating agencies. Funds are also generated from the contract agencies, the rental of the facility to other public safety agencies, and from the delivery of College Fire Science classes. In its latest report, Heartland Fire Training Authority reported an increase in net position of $255 thousand and ending net position of $530 thousand for the fiscal year ended June 30, 2014. The financial report may be obtained by writing to Heartland Fire Training Authority at 1301 North Marshall Ave., El Cajon CA 92020 or by calling (619) 441-1693.

NOTE 28

Pension and Retiree Health Plans

Pension Plan

Plan Description

The County contributes to the San Diego County Employees Retirement Association pension plan (SDCERA-PP or the Plan), a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the Board of Retirement of the San Diego County Employees Retirement Association (SDCERA), a public employee retirement system established by the County of San Diego (County) on July 1, 1939. SDCERA is an independent governmental entity separate and distinct from the County of San Diego. The SDCERA-PP provides retirement, disability, death and survivor benefits for its employees under the County Employees Retirement Law of 1937 From (Government Code Section 31450 et.seq.), the "Retirement Act".

The management of SDCERA is vested with the Board of Retirement. The Board consists of nine members and two alternates made up of member-elected representatives, Board of Supervisors-appointed representatives and the County Treasurer-Tax Collector who is elected by the general public and a member of the Board of Retirement by law. All members of the Board of Retirement serve terms of three years except for the County Treasurer-Tax Collector whose term runs concurrent with his term as County Treasurer.

Plan Membership

The participating employers in the SDCERA-PP consist of the County of San Diego; Superior Court of California - County of San Diego; San Dieguito River Valley Joint Powers Authority; Local Agency Formation Commission; and, the San Diego County Office of Education.

All employees of the County of San Diego and the other aforementioned participating employers working in a permanent position at least 20 hours each week are members of the SDCERA. Membership begins with the first biweekly payroll period in the month following employment. Members are vested after accruing five years of service credit.

At June 30, 2014 SDCERA-PP membership totaled 38,930, consisting of the following: Retired members or beneficiaries currently receiving benefits - 16,373, Vested terminated members entitled to, but not yet receiving benefits - 5,091; and Active members - 17,466.

There are separate retirement plans (types of membership) - General and Safety, under the SDCERA-PP. Safety membership is extended to those involved in active law enforcement or who otherwise qualify for Safety membership including court service officers and probation officers. All other employees are classified as General members.

The SDCERA-PP has four Tiers. Any new employee who becomes a member on or after January 1, 2013 is placed into Tier C and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code Section 7522 et seq. and Assembly Bill (AB) 197. Tier C is the current open plan for all new General and Safety employees; Tiers I, A, and B are generally closed to new entrants but have active members. On March 8, 2002, an additional Tier, Tier II, was eliminated for General and Safety members. Tier A was established for active General members and all non-retired Safety members. All active General members were converted to Tier A unless they elected to opt out during the one-time opt-out period that ended March 7, 2002. When Tier II was eliminated, all deferred General, Tier II members and active members who elected to opt out of Tier A were converted to Tier I. Both Tier I and Tier II are closed to new entrants.

(Amounts expressed in thousands unless otherwise noted)

Benefits Provided

The tiers and their basic provisions are listed in the following table:

Table 44
SDCERA - PP Tiers and Basic Provisions

Tier Name	Governing Code	Membership Effective Date	Basic Provisions	Final Average salary Period
General Tier 1	§31676.12	Before March 8, 2002 (1)	2.62% at 62; maximum 3% COLA	Highest 1 - year
General Tier A	§31676.17	March 8, 2002 to August 27, 2009	3.0% at 60; maximum 3% COLA	Highest 1 - year
General Tier B	§31676.12	August28, 2009 to December 31, 2012	2.62% at 62; maximum 2% COLA	Highest 3 - year
General Tier C	§7522.20(a)	January 1, 2013	2.5% at 67; maximum 3% COLA	Highest 3 - year
Safety Tier A	§31664.1	Before August 28, 2009	3.0% at 50; maximum 2% COLA	Highest 1 - year
Safety Tier B	§31664.2	August 28, 2009 to December 31, 2012	3.0% at 55; maximum 2% COLA	Highest 3 - year
Safety Tier C	§7522.25(d)	January 1, 2013	2.7% at 57; maximum 2% COLA	Highest 3 - year

(1) All general members with membership dates before March 8, 2002 who made a specific and irrevocable election to opt out of General Tier A. This also included those General Members in deferred status on March 8, 2002

General members enrolled in Tier 1, A or B are eligible to retire once they attain the age of 70 regardless of service or at age 50 (55 for Tier B) and have acquired 10 or more years of retirement service credit. A General member in Tier 1, A or B with 30 years of service is eligible to retire regardless of age. General members enrolled in General Tier C are eligible to retire once they have attained the age of 55, and have acquired five years of retirement service credit.

Safety members enrolled in Tier A or B are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A Safety member in Tier A or B with 20 years of service is eligible to retire regardless of age. Safety members enrolled in Safety Tier C are eligible to retire once they have attained the age of 50, and have acquired five years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

For members enrolled in Tier 1, A or B, the maximum monthly retirement allowance is 100% of final compensation. The California Public Employees' Pension Reform Act (PEPRA), limits the amounts of compensation that can be used to calculate the retirement benefit for Tier C to 100% of the 2013 Social Security taxable wage base limit for General Members and 120% for Safety Members. These amounts will be adjusted with price inflation starting in 2014.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouse or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

(Amounts expressed in thousands unless otherwise noted)

The County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) assigns the County Board of Supervisors the authority to establish and amend benefit provisions.

In addition to the aforementioned retirement, disability, death and survivor benefits, SDCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment (COLA), based upon the Consumer Price Index for the San Diego County Area (with 1982-84 as the base period), are capped at 3.0% for Tier 1 and Tier A; and capped at 2.0% for Tier B and Tier C. The County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) assigns the SDCERA Board of Retirement authority to approve retiree members and beneficiaries cost-of-living increases.

Contributions

SDCERA-PP is a contributory plan, meaning both the member and the employer pay contributions into the system; membership and contributions are mandatory. All members are required to make contributions to SDCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2015 for 2014-2015 (based on the June 30, 2013 valuation) was 11.69% of compensation, (not adjusted for employer pick-up of employee contributions).

The County of San Diego and the other participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SDCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2015 for 2014-2015 (based on the June 30, 2013 valuation) was 35.79% (not adjusted for pick-up) of compensation.

The Retirement Act requires that County and member contributions be actuarially determined to provide a specific level of benefit. California Government Code Section 31454 (Section 31454) requires the Board of Supervisors to adjust the rates of the San Diego County employer and employee retirement contributions in accordance with the recommendations of the Board of Retirement of SDCERA (SDCERA Board). Section 31454 allows the Board of Supervisors to set (amend) the rate to a higher rate than that recommended by the SDCERA Board, but cannot fix the rate lower than the recommended rate. Contribution rates are expressed as a percentage of covered payroll and member rates vary according to age at entry, benefit tier level and certain negotiated contracts that provide for the County to pay a portion of members' contributions.

Contributions to the Plan from the County were $356,732 for the year ended June 30, 2015.

Employer and employee contribution rates and active members for the General and Safety plans are as follows:

Table 45
Employer/Employee Contribution Rates and Active Members by Tier

	Employer Contribution Rates	Employee Contribution Rates	Active members
General Tier 1	30.85%	7.23 - 14.12%	29
General Tier A	30.85%	8.77 - 15.72%	10,330
General Tier B	30.85%	6.24 - 12.60%	1,766
General Tier C	25.14%	7.74%	1,770
Safety Tier A	45.92%	12.42 - 18.35%	2,710
Safety Tier B	45.92%	9.80 - 14.75%	489
Safety Tier C	37.73%	13.22%	372

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-PP. The financial report may be obtained by writing to San Diego County Employees Retirement Association, 2275 Rio Bonito Way, Suite 200, San Diego, California 92108-1685 or by calling (619) 515-6800.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the County reported a liability of $1,958,456 for its proportionate share of the collective Net Pension Liability (NPL). The NPL was measured as of June 30, 2014 and was determined by rolling forward the Total Pension Liability (TPL) as of the June 30, 2013 actuarial valuation date. The NPL is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of Plan assets (excluding the Health Insurance Allowance Reserve).

(Amounts expressed in thousands unless otherwise noted)

Pension amounts, including the County's proportionate share of the NPL, are determined separately for the General and Safety membership classes based on their benefit provisions, actuarial experience, receipts and expenses. The total pension liability for each membership class was calculated based on the participants in and benefits provided for the respective membership class, and the SDCERA-PP fiduciary net position was determined in proportion to the valuation value of assets for each membership class. San Diego County is the sole active employer in the Safety membership class that made contributions in fiscal year 2014; therefore 100% of the NPL for the Safety membership class is allocated to San Diego County.

For the County's General membership class, actual or statutorily required contributions for the fiscal year ended June 30, 2014 were used as the basis for determining the proportion of pension amounts, including the NPL. The ratio of the County's General member contributions to the total SDCERA-PP General member contributions for all participating employers is multiplied by the SDCERA-PP total General member NPL to determine the County's proportionate share of the General membership class NPL. The County's total proportionate share is the combination of the County's Safety and General member class proportions.

At June 30, 2014, the County's proportionate share of employer contributions was approximately 92.292%, (General 89.734%, Safety 100%), which was an increase of approximately 0.747% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of $218,415.

At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Table 46
Pension Deferred Outflows/Inflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportionate share of contributions	$ 17,302	
Contributions to the pension plan subsequent to the measurement date	356,732	
Differences between expected and actual experience in the total pension liability		$ 138,978
Net difference between projected and actual earnings on pension plan investments		387,113
	$ 374,034	$ 526,091

Deferred outflows of resources and deferred inflows of resources noted above represent the unamortized portion of changes to net position liability to be recognized in future periods in a systematic and rational manner.

Projected earnings on pension investments are recognized as a component of pension expense. The net difference between projected and actual earnings on pension plan investments is reported as a deferred outflow of resources or deferred inflow of resources and amortized as a component of pension expense on a closed basis over a five-year period, beginning with the period in which they are incurred.

Changes in proportionate share of contributions, and differences between expected and actual experience in the total pension liability, are amortized over the average of the expected remaining service lives (4.8 years) of all employees that are provided with pensions through the SDCERA-PP and are recorded as a component of pension expense, beginning with the period in which they are incurred.

$356,732 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

(Amounts expressed in thousands unless otherwise noted)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Table 47
Pension Expense

Year Ending June 30		Amount
2016	$	(128,798)
2017		(128,798)
2018		(128,798)
2019		(122,395)
Total	$	(508,789)

Actuarial Assumptions

Total Pension Liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of employee service. The significant actuarial assumptions used to measure the total pension liability as of June 30, 2014 (the measurement date) are shown in the following table:

Table 48
Actuarial Assumptions

Inflation	3.25%
Salary increases	General: 4.75% to 10.00% and Safety: 5.00% to 12.00% vary by service, including inflation
Discount rate	7.75%, net of pension plan investment expense, including inflation
Cost-of-living adjustment	Maximum of 3% for TIER 1, II and A Maximum of 2% for TIER B and C
Date of last experience study	July 1, 2009 through June 30, 2012

Mortality rates are based on the RP-2000 mortality table projected with Scale AA to 2016 with a two-year age setback for males and a one-year age setback for females. For Safety, the same mortality table is used with a one-year setback for males and no age setback for females. For members with a disability retirement, there is a six-year age set forward on post-retirement mortality for General members and a three-year age setback for Safety members.

The allocation of investment assets within the SDCERA portfolio is approved by the Board of Retirement. Plan assets are managed on a total return basis with a long-term objective of achieving the assumed rate of return.

The long-term expected rate of return on pension plan investments (7.75 percent) 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table:

Table 49
Target Allocation and Projected Arithmetic Real Rates of Return for each Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity (U.S. and Non - U.S. Developed)	20%	6.37%
Emerging Market Equity	5%	8.42%
High Yield Bonds	5%	3.30%
TIPS	5%	0.48%
Emerging Market Debt	10%	4.36%
U.S. Treasuries	40%	0.59%
Real Estate	10%	4.87%
Natural Resources and Other Real Assets	10%	6.49%
Hedge Funds - Macro	10%	6.89%
Hedge Funds - Relative Value	10%	3.20%
Private Equity	10%	10.83%
Total (1)	135%	

(1) The total portfolio asset allocation is greater than 100% to reflect the portfolio's leveraged asset allocation.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed SDCERA-PP member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current SDCERA-PP members and their beneficiaries are included.

(Amounts expressed in thousands unless otherwise noted)

Projected employer contributions that are intended to fund the service costs for future SDCERA-PP members and their beneficiaries, as well as projected contributions from future SDCERA-PP members, are not included. Based on those assumptions, the SDCERA-PP's fiduciary net position was projected to be available to make all projected future benefit payments for current SDCERA-PP members. Therefore, the long-term expected rate of return on SDCERA-PP investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2014.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the County's proportionate share of the Net Pension Liability as of June 30, 2014, calculated using the discount rate of 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

Table 50
County's Share of Net Pension Liability Discount Rate Sensitivity

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension plan liability	$ 3,440,640	1,958,456	$ 716,064

SDCERA-PP Fiduciary Net Position

Detailed information about the SDCERA-PP fiduciary net position is available in the aforementioned SDCERA publicly available financial report.

Retiree Health Plan

Plan Description

Effective July 1, 2007, the County commenced contributing to the SDCERA retiree health plan, (SDCERA-RHP) a cost-sharing multiple-employer defined benefit health plan administered by SDCERA. The Retirement Act assigns the authority to establish and amend health allowance benefits to the SDCERA Board of Retirement. The retiree health plan provides a non-taxable health insurance allowance to Tier I and Tier II retirees. Health insurance allowances range from $200 per month for members with at least 10 years SDCERA credit, to $400 per month for members with 20 or more years of SDCERA service credit. (See note below regarding SDCERA Financial Report information.)

Funding Policy

The SDCERA-RHP was established and is administered as an Internal Revenue Code Section 401(h) account within the defined benefit pension plan under the authority granted by the Retirement Act to the SDCERA Board of Retirement. The SDCERA-RHP is funded by employer contributions that are based on an actuarially determined 20 year level dollar amortization schedule. The health insurance allowance is not a vested benefit and may be reduced or discontinued at any time by the SDCERA Board of Retirement. Additionally, the total amount of employer contributions are limited by the provisions of 401(h).

CoSD's employer contributions to SDCERA-RHP for the three years ended June 30, 2015, were the following:

Table 51
CoSD Employer Contributions - SDCERA-RHP

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Contributions Made	Percentage of ARC Contributed
2015	$ 19,444	$ 20,083	103.3%
2014	18,548	18,581	100.2%
2013	17,236	17,272	100.2%

SDCERA Financial Report

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-RHP. The financial report may be obtained by writing to San Diego County Employees Retirement Association, 2275 Rio Bonito Way, Suite 200, San Diego, California 92108-1685 or by calling (619) 515-6800.

(Amounts expressed in thousands unless otherwise noted)

NOTE 29
Fund Deficit

Table 52
Fund Deficit
At June 30, 2015

Internal Service Fund:		
Employee Benefits Fund	$	(42,573)
Public Liability Insurance Fund		(1,331)
Facilities Management Fund		(20,201)
Purchasing Fund		(1,961)

The Employee Benefits Fund deficit of $42.6 million resulted primarily from the accrual of the estimated liability and costs associated with the reported and unreported workers' compensation claims as prepared by an actuary for the reporting period ending June 30, 2015. The liability increased to $166.9 million from the prior year's estimate of $153.8 million. The County intends to reduce the deficit through increased premium rate charges to County departments by $5 million per year in excess of projected operating expenses beginning in fiscal year 2015-2016 for a 10 year period.

The Public Liability Insurance Fund deficit of $1.3 million resulted mainly from the accrual of the estimated liability based on an actuarial determination that overall losses had developed significantly higher than expected. The liability increased to $37.9 million from the prior year's estimate of $30.9 million. The County intends to reduce the deficit through increased rate charges to County Departments in fiscal year 2015-16, primarily based on the 5 year history of actual expenditures by department.

The Facilities Management Fund and Purchasing Fund deficits of approximately $20 million and $2 million, respectively, resulted from adjustments to beginning fund balance, attributed to reporting the County's proportionate share of the SDCERA-PP net pension liability. For further details, please see Note 30 Restatements.

NOTE 30
Restatements

Change in Accounting Principle - In fiscal year 2015, the County implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement Number 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment to GASB 68*. As a result, the County was required to report its proportionate share of the collective SDCERA-PP net pension liability; and, prior period adjustments were made to decrease the affected Enterprise Funds, Internal Service Funds, and the governmental activities and business-type activities beginning net positions for the prior period costs associated with reporting the net pension liability. The effects of these restatements are shown in **Table 53**.

(Amounts expressed in thousands unless otherwise noted)

Table 53

Restatement of Beginning Fund Balances/Net Positions

	Fund Financial Statements			Primary Government
Restatement - Enterprise Funds	Airport Fund	Sanitation District Fund	Total Enterprise Funds	Total Business-type Activities
Total net position at June 30, 2014	$ 119,338	128,718	$ 250,150	$ 250,458
Adjustment for Net Pension Liability	(4,835)	(5,060)	(9,895)	(9,895)
Total net position, restated June 30, 2014	$ 114,503	123,658	$ 240,255	$ 240,563

Restatement - Internal Service Funds (ISF)	Facilities Management Fund	Fleet Services Fund	Purchasing Fund	Total Internal Service Funds	Total Governmental Activities
Total net position at June 30, 2014	$ 11,857	59,645	5,227	$ 83,663	$ 4,341,191
Adjustment for Net Pension Liability	(35,262)	(6,723)	(7,443)	(49,428)	(49,428)
Total net position, restated June 30, 2014	$ (23,405)	52,922	(2,216)	$ 34,235	
Add: Adjustment for Net Pension Liability - Non ISF					(2,189,507)
Total net position, restated June 30, 2014					$ 2,102,256

Restatement - Total Primary Government	Total Primary Government
Total net position at June 30, 2014	$ 4,591,649
Adjustment for Net Pension Liability	(2,248,830)
Total net position, restated June 30, 2014	$ 2,342,819

NOTE 31

County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 (“the Bill”) that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the County that previously had reported the San Diego County Redevelopment Agency (SDCRA) as a blended component unit.

The Bill provided that upon dissolution of a redevelopment agency, either the County or another unit of local government would agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, via Minute Order 14, the County Board of Supervisors designated the County as the successor agency to the SDCRA; in accordance with the Bill.

Subject to the control of an established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will continue to only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on

(Amounts expressed in thousands unless otherwise noted)

December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After the date of dissolution, as allowed in the Bill, the County elected to retain the housing assets and functions previously performed by the former SDCRA. These assets and activities are accounted for in the County Low and Moderate Income Housing Asset Fund and are reported in the County's governmental fund financial statements. The remaining assets, liabilities, and activities of the dissolved SDCRA are reported in the County of San Diego Successor Agency Private Purpose Trust Fund (fiduciary fund) financial statements of the County.

Due To Other Funds

The County of San Diego Successor Agency Private Purpose Trust Fund’s “Due To Other Funds” consists of the $1.032 million Upper San Diego River Project and $3.765 million Airport Projects loans made from the County's General Fund and Airport Enterprise Fund, respectively, to the former San Diego County Redevelopment Agency (SDCRA). Upon dissolution of the SDCRA on February 1, 2012, these loans were transferred to the County of San Diego Successor Agency Private Purpose Trust Fund. As of June 30, 2015, interest accrues on the average quarterly outstanding balance, at a rate equal to the average County earned investment rate as determined by the County Treasurer. Under California Assembly Bills ABx1 26 and AB 1484, it is expected that the County Successor Agency will pay principal and interest on the loans outstanding when funds are available for this purpose. The timing and total amount of any repayment is subject to applicable law.

NOTE 32
San Diego County Redevelopment Agency (SDCRA) Revenue Refunding Bonds

In December 2005, the San Diego County Redevelopment Agency (SDCRA) issued $16 million Revenue Refunding Bonds Series 2005A that mature in fiscal year 2033. The SDCRA has pledged property tax increment revenues generated within the Gillespie Field Project Area to pay for the bonds. Gillespie Field Airport revenues may also be used to fund debt service payments if there are insufficient property tax increment revenues to cover a particular fiscal year's debt service requirement. Bonds are also payable from funds held under the indenture, including earnings on such funds. Pursuant to California Assembly Bill ABx1 26, the responsibility for the payment of this debt was transferred to the County of San Diego Successor Agency Private Purpose Trust Fund.

SDCRA revenue refunding bonds outstanding at June 30, 2015 were the following:

Table 54
SDCRA Revenue Refunding Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
Revenue Refunding Bonds Series 2005A	$ 16,000	3.65 - 5.75%	2033	$ 12,665
Total	$ 16,000			$ 12,665

Annual debt service requirements to maturity for SDCRA bonds are as follows:

Table 55
SDCRA Revenue Refunding Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2016	$ 455	686	$ 1,141
2017	475	662	1,137
2018	500	637	1,137
2019	525	611	1,136
2020	555	583	1,138
2021 - 2025	3,230	2,427	5,657
2026 - 2030	4,230	1,390	5,620
2031 - 2033	2,695	212	2,907
Total	$ 12,665	7,208	$ 19,873
Less:			
Unamortized issuance discount	(29)		
Total	$ 12,636		

(Amounts expressed in thousands unless otherwise noted)

SDCRA pledged revenue for the year ended June 30, 2015 was as follows:

Table 56
SDCRA Revenue Refunding Bonds - Pledged Revenues

			Fiscal Year 2015	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Revenue Refunding Bonds Series 2005A	2033	$ 19,873	$ 1,139	$ 1,139

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2015 were as follows:

Table 57
SDCRA Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2014	Additions	Reductions	Ending Balance at June 30, 2015	Amounts Due Within One Year
Revenue Refunding Bonds Series 2005A	$ 13,095		(430)	12,665	$ 455
Unamortized issuance discounts	(31)		2	(29)	(2)
Total	$ 13,064		(428)	12,636	$ 453

NOTE 33

New Governmental Accounting Standards

Implementation Status

In June 2012, GASB issued **Statement No. 68: *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27.*** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement; determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the

benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should 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.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer.

Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer’s share of the pooled assets is legally available to pay the benefits of only its employees.

Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

The County has implemented this Statement for the current fiscal year.

In January 2013, the GASB issued **Statement No. 69, *Government Combinations and Disposals of Government Operations.*** This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

The County did not have any combinations or disposals, consequently this Statement is not currently applicable.

In November 2013, the GASB issued **Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.*** The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

The County has implemented this Statement for the current fiscal year.

Under Analysis

The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In February 2015, the GASB issued **Statement No. 72, *Fair Value Measurement and Application.*** This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs-other than

quoted prices-included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

This Statement requires additional analysis of fair value if the volume or level of activity for an asset or liability has significantly decreased. It also requires identification of transactions that are not orderly. Quoted prices provided by third parties are permitted, as long as a government determines that those quoted prices are developed in accordance with the provisions of this Statement.

This Statement generally requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

In June 2015, the GASB issued ***Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*** The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues: 1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported; 2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and, 3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 *are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.*

In June 2015, the GASB issued **Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*** The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement 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, F*inancial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans-defined benefit and defined contribution-administered through trusts that meet the following criteria: 1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable; 2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms; and, 3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires two financial statements - a statement of fiduciary net position and a statement of changes in fiduciary net position.

In addition to the requirements of this Statement, those plans also are required to follow all accounting and financial reporting requirements of other standards, as applicable.

This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability generally is required to be determined through an actuarial valuation. However, if an OPEB plan has fewer than 100 plan members (active and inactive), use of a specified alternative measurement method in place of an actuarial valuation is permitted. Actuarial valuations, or calculations using the specified alternative measurement method, of the total OPEB liability are required to be performed at least every two years, with more frequent valuations or calculations encouraged. If a valuation or calculation is not performed as of the OPEB plan's fiscal year-end, the total OPEB liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation or alternative measurement method calculation (performed as of a date no more than 24 months prior to the OPEB plan's fiscal year-end). Unless otherwise specified by this Statement, all assumptions underlying the determination of the total OPEB liability are required to be made in conformity with the guidance in Actuarial Standards of Practice issued by the Actuarial Standards Board.

This Statement requires that projections of benefit payments incorporate the effects of projected salary changes (if the OPEB formula incorporates

compensation levels) and service credits (if the OPEB formula incorporates periods of service), as well as projected automatic postemployment benefit changes (including automatic cost-of-living adjustments [COLAs]). The effects of ad hoc postemployment benefit changes (including ad hoc COLAs), if they are considered to be substantively automatic, also are required to be included in the projections. This Statement also requires that projections of benefit payments include certain taxes or other assessments expected to be imposed on benefit payments.

This Statement requires that the actuarial present value of projected benefit payments be attributed to periods of plan member service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each plan member individually, from the period when the plan member first provides service under the benefit terms through the period in which the member is assumed to exit service.

This Statement requires that, for accounting and financial reporting purposes, assets accumulated for purposes of providing OPEB through OPEB plans that are not administered through trusts that meet the specified criteria not be accounted for as OPEB plan assets. Instead, any assets accumulated for OPEB purposes are required to be reported as assets of the employer or nonemployer contributing entity.

If an OPEB plan is not administered through a trust that meets the specified criteria, a government that holds assets accumulated for OPEB purposes in a fiduciary capacity is required to report those assets in an agency fund. The amount of assets accumulated in excess of liabilities for benefits due to plan members and accrued investment and administrative expenses is required to be reported as a liability to participating employers or nonemployer contributing entities. If the agency fund is included in the financial report of an employer whose employees are provided with benefits through the OPEB plan or a nonemployer contributing entity that makes benefit payments as OPEB comes due, balances reported by the agency fund are required to exclude amounts that pertain to the employer or nonemployer contributing entity that reports the agency fund.

This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, the GASB issued **Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, A*ccounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. 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. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the

OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria: 1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable; 2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms; and, 3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

For OPEB that is administered through a trust that meets the specified criteria, requirements differ based on the number of employers whose employees are provided with OPEB through the OPEB plan and whether OPEB obligations and OPEB plan assets are shared by the employers. Employers are classified in one of the following categories for purposes of this Statement: 1. Single employers are those whose employees are provided with defined benefit OPEB through single-employer OPEB plans-OPEB plans in which OPEB is provided to the employees of only one employer (as defined in this Statement); 2. Agent employers are those whose employees are provided with defined benefit OPEB through agent multiple-employer OPEB plans-OPEB plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees; and, 3. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans-OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

This Statement requires that projections of benefit payments incorporate the effects of projected salary changes (if the OPEB formula incorporates future compensation levels) and service credits (if the OPEB formula incorporates periods of service), as well as projected automatic postemployment benefit changes, including automatic cost-of-living-adjustments (COLAs). The effects of ad hoc postemployment benefit changes (including ad hoc COLAs), if they are considered to be substantively automatic, also are required to be included in the projections. This Statement also requires that projections of benefit payments include certain taxes or other assessments expected to be imposed on the benefit payments.

This Statement requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the first period in which the employee provides service under the benefit terms, through the period in which the employee exits active service.

For cost-sharing employers, in financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net OPEB liability (of all employers for benefits provided through the OPEB plan)-the collective net OPEB liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the OPEB plan are determined. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred

inflows of resources related to OPEB.

In addition, the effects of (1) a change in the employer's proportion of the collective net OPEB liability and (2) differences during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined.

This Statement requires that notes to financial statements of cost-sharing employers include descriptive information about the OPEB plans through which the OPEB is provided. Cost-sharing employers are required to identify the discount rate and assumptions made in the measurement of their proportionate shares of net OPEB liabilities, similar to the disclosures about those items that should be made by single and agent employers. Cost-sharing employers, like single and agent employers, also are required to disclose information about how their contributions to the OPEB plan are determined.

This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net OPEB liability and certain related ratios and (2) if applicable, information about statutorily or contractually required contributions, contributions to the OPEB plan, and related ratios.

For employers that provide insured benefits-defined benefit OPEB through an arrangement whereby premiums are paid or other payments are made to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the OPEB of those employees-this Statement requires recognition of OPEB expense/expenditures equal to the amount of premiums or other payments required in accordance with their agreement with the insurance company. In addition to the amount of OPEB expense/expenditures recognized in the current period, a brief description of the benefits provided through the arrangement is required to be disclosed.

For defined benefit OPEB, other than insured benefits, that are provided through OPEB plans that are not administered through trusts that meet the specified criteria, this Statement requires an approach to measurement of OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB parallel to that which is required for OPEB provided through OPEB plans that are administered through trusts that meet the specified criteria. Similar note disclosures and required supplementary information are required to be presented. However, the requirements incorporate modifications to reflect the absence of OPEB plan assets for financial reporting purposes.

This Statement is effective for fiscal years beginning after June 15, 2017.

In June 2015, the GASB issued **Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*** The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, T*he Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

In August 2015, the GASB issued **Statement No. 77, *Tax Abatement Disclosures.*** Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing: 1. whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity); 2. whether a government complied with finance-related legal and contractual obligations; 3. where a government's financial resources come from and how it uses them; and, 4. a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, 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.

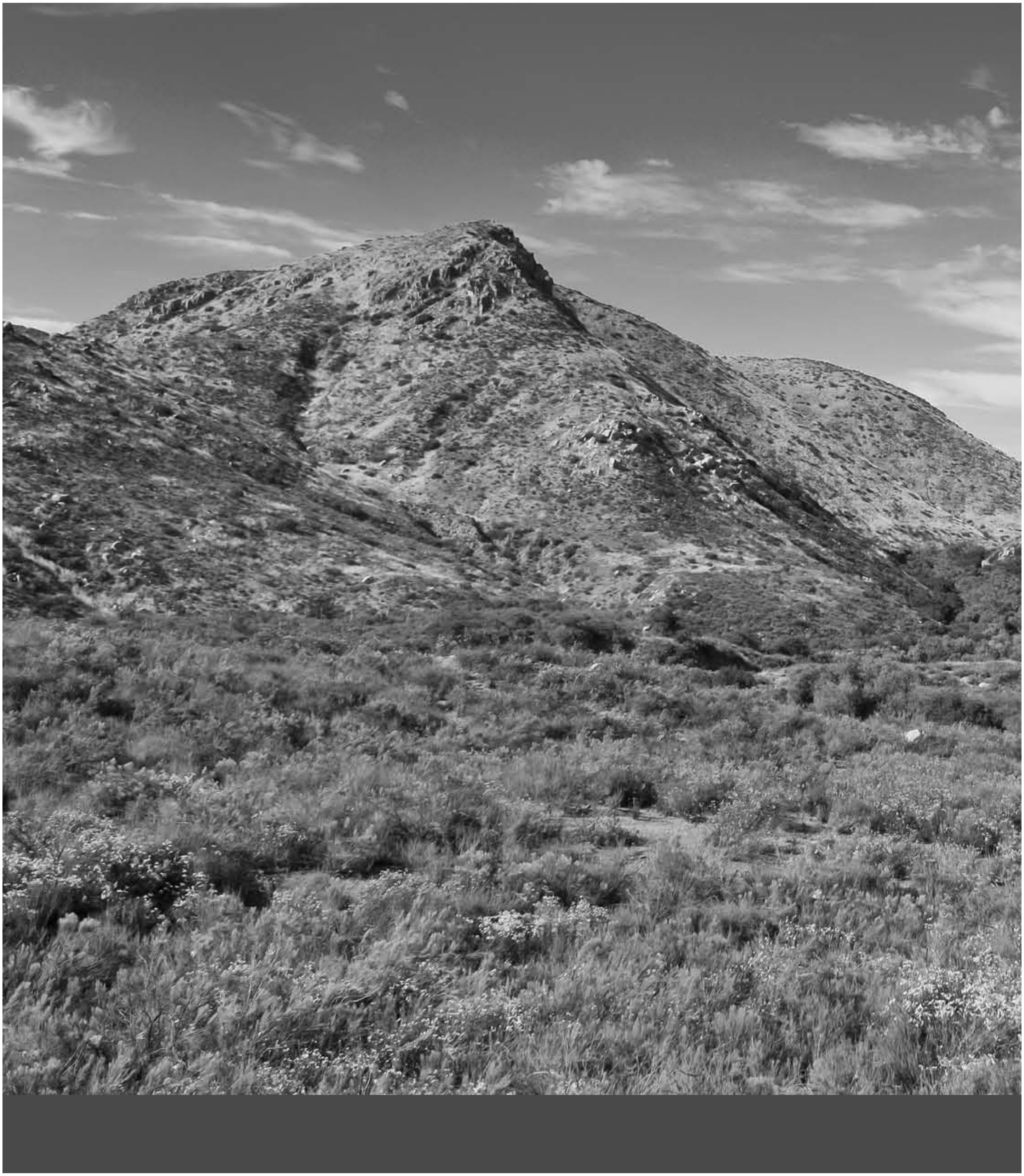
Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; 2. The gross dollar amount of taxes abated during the period; and, 3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

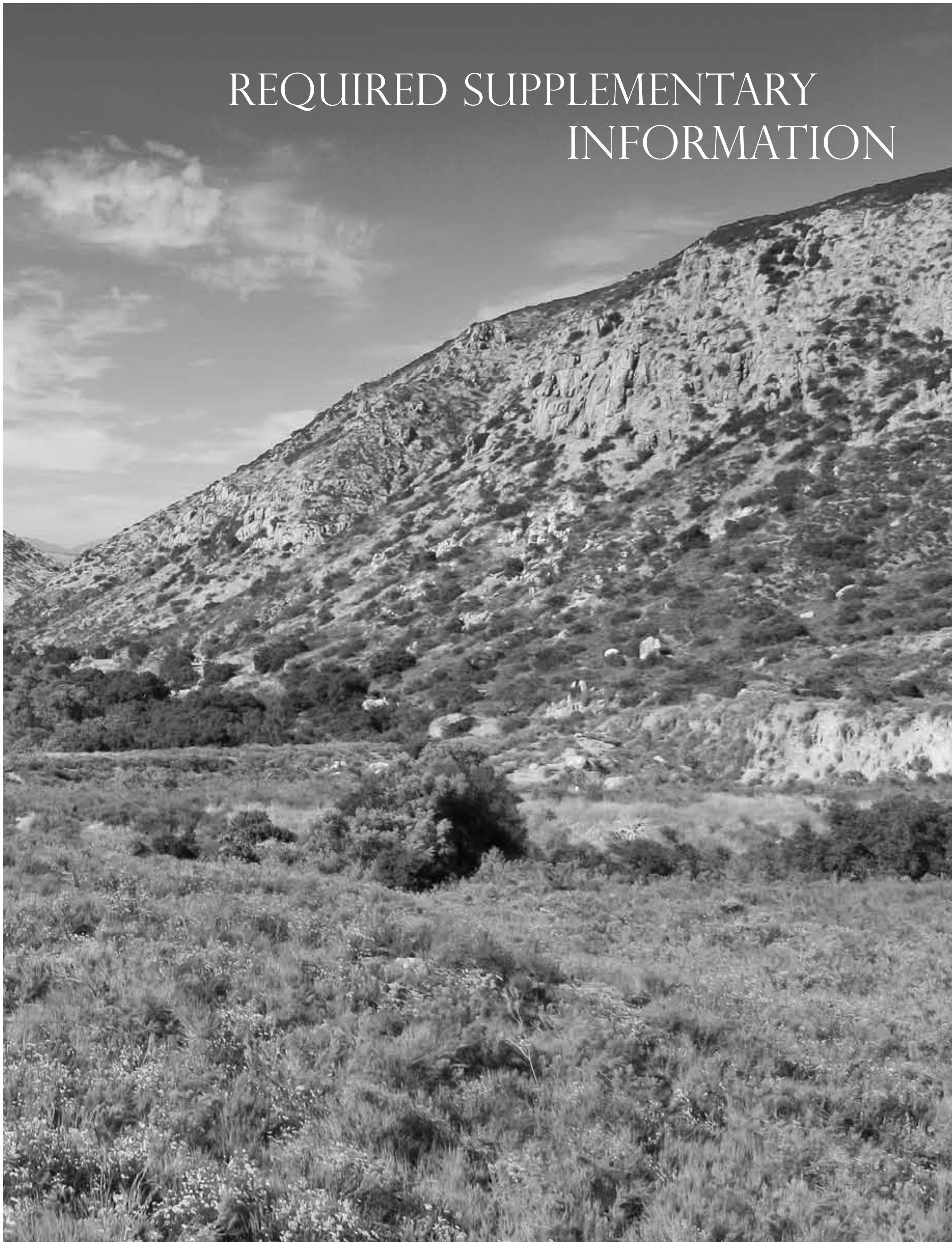
Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose: 1. The names of the governments that entered into the agreements; 2. The specific taxes being abated; and, 3. The gross dollar amount of taxes abated during the period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.



REQUIRED SUPPLEMENTARY INFORMATION



Mission Trails Regional Park in San Diego

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

General Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 965,323	965,323	997,904
Licenses, permits and franchise fees	44,089	44,089	44,987
Fines, forfeitures and penalties	41,343	14,466	45,823
Revenue from use of money and property	11,102	11,102	14,624
Aid from other governmental agencies:			
State	1,121,376	1,125,056	1,123,373
Federal	813,711	832,787	792,723
Other	63,222	63,443	87,506
Charges for current services	346,854	347,919	355,607
Other	32,089	35,100	50,455
Total revenues	3,439,109	3,439,285	3,513,002
Expenditures:			
Current:			
General government:			
Assessor/recorder/county clerk - finance	40,829	41,439	36,909
Auditor and controller	25,714	24,855	23,360
Auditor and controller - information technology management services	12,187	12,836	8,508
Board of supervisors district #1	1,465	1,654	1,432
Board of supervisors district #2	1,391	1,591	1,317
Board of supervisors district #3	1,388	1,588	1,380
Board of supervisors district #4	1,376	1,576	1,255
Board of supervisors district #5	1,423	1,623	1,270
Board of supervisors general office	1,115	1,115	1,066
Chief administrative office - legislative and administrative	4,642	4,642	4,254
Civil service commission	665	665	512
Clerk of the board of supervisors - legislative and administrative	3,420	3,347	3,070
Community enhancement	3,562	3,568	3,558
Community projects	11,186	9,869	9,066
Community services	9,908	17,247	3,129
Contributions to capital outlay	2	2	
County communications office	2,874	2,874	2,573
County counsel	27,493	27,743	23,710
County technology office	22,493	22,493	16,248
Countywide general expense	33,971	33,971	5,648
Finance and general government - legislative and administrative	4,614	3,359	1,813
Finance and general government - other general	29,627	29,823	7,657
Finance and general government group - CAC Major Maintenance	5,916	6,976	5,288
Health and human services - legislative and administrative	280	280	138
Human resources - other general government	5,181	5,182	4,561
Human resources - personnel	20,432	20,432	16,004
Land use and environment - legislative and administrative	8,229	8,229	3,822
Public safety - legislative and administrative	9,656	9,648	6,202

Continued on next page

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

General Fund

For the Year Ended June 30, 2015
(In Thousands)
(Continued)

	Original Budget	Final Budget	Actual
Registrar of voters	18,170	18,179	16,201
Treasurer - tax collector	21,907	21,907	18,027
Total general government	331,116	338,713	227,978
Public protection:			
Agriculture, weights and measures	15,367	15,597	14,031
Agriculture, weights and measures - sealer	4,036	4,036	4,056
Assessor/recorder/county clerk - other protection	21,915	21,305	16,619
Child support	49,823	49,813	45,693
Citizens law enforcement review board	610	610	605
Contributions for trial courts	69,370	69,370	69,044
Department of animal services	16,943	16,943	15,617
District attorney-judicial	166,051	166,551	157,065
Fire protection, Office of emergency services	20,906	24,976	18,473
Grand jury	592	592	444
Local agency formation commission administration	413	413	399
Medical examiner	9,359	9,516	9,395
Office of emergency services	7,749	10,316	7,211
Planning and development services	36,425	37,454	27,847
Probation - detention and correction	155,729	155,581	147,613
Probation - juvenile detention	45,166	45,024	43,664
Public defender	77,857	76,057	72,615
Public safety - fire protection	3,682	112	112
Public works, flood control, soil and water, general	15,787	15,801	13,963
Public works, general - other protection	891	891	
Sheriff - adult detention	255,907	255,740	253,941
Sheriff - other protection	3,095	3,095	2,372
Sheriff - police protection	455,292	473,787	422,247
Total public protection	1,432,965	1,453,580	1,343,026
Public ways and facilities:			
Public works, dept of gen	1,294	671	91
Public works, general - public ways	4,344	4,373	3,371
Total public ways and facilities	5,638	5,044	3,462
Health and sanitation:			
Environmental health	46,330	46,337	39,690
Health and human services agency - drug and alcohol abuse services	58,514	58,514	51,537
Health and human services agency - health	163,316	165,796	146,203
Health and human services agency - medical care	48,106	48,227	44,576
Health and human services agency - mental health	326,763	326,131	317,106
Total health and sanitation	643,029	645,005	599,112
Public assistance:			
Health and human services agency - medical services	19,967	19,967	16,011
Health and human services agency - other assistance	402,876	419,356	402,674
Health and human services agency - social administration	813,293	794,269	763,191

Continued on next page

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

General Fund

For the Year Ended June 30, 2015
(In Thousands)
(Continued)

	Original Budget	Final Budget	Actual
Health and human services agency - veterans' services	1,072	1,072	1,146
Housing authority	33,412	33,819	17,219
Probation - care of court wards	10,689	11,245	12,176
Total public assistance	1,281,309	1,279,728	1,212,417
Education:			
Agriculture, weights and measures	904	939	900
Total education	904	939	900
Recreation and cultural:			
Parks and recreation	37,838	43,114	34,217
Total recreation and cultural	37,838	43,114	34,217
Contingency reserve	20,669	20,669	
Capital outlay	24,819	39,259	28,674
Debt Service:			
Principal	13,790	13,790	13,718
Interest	25,332	25,340	17,298
Payment to refunded bond escrow agent	5,454	5,454	5,454
Total expenditures	3,822,863	3,870,635	3,486,256
Excess (deficiency) of revenues over (under) expenditures	(383,754)	(431,350)	26,746
Other financing sources (uses):			
Sale of capital assets			111
Transfers in	295,685	289,651	282,392
Transfers out	(405,264)	(410,688)	(153,653)
Total other financing sources (uses)	(109,579)	(121,037)	128,850
Net change in fund balances	(493,333)	(552,387)	155,596
Fund balances at beginning of year	1,731,672	1,731,672	1,731,672
Increase (decrease) in nonspendable inventories		1,108	1,108
Fund balances at end of year	$ 1,238,339	1,180,393	1,888,376

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Public Safety Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$		11
Aid from other governmental agencies:			
State	251,016	251,624	260,974
Total revenues	251,016	251,624	260,985
Expenditures:			
Current:			
Public protection:			
Public safety (Prop 172)	2,444	656	609
Total public protection	2,444	656	609
Total expenditures	2,444	656	609
Excess (deficiency) of revenues over (under) expenditures	248,572	250,968	260,376
Other financing sources (uses):			
Transfers out	(252,498)	(256,362)	(253,287)
Total other financing sources (uses)	(252,498)	(256,362)	(253,287)
Net change in fund balances	(3,926)	(5,394)	7,089
Fund balances at beginning of year	66,221	66,221	66,221
Fund balances at end of year	$ 62,295	60,827	73,310

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Tobacco Endowment Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$ 6,000	6,000	452
Total revenues	6,000	6,000	452
Expenditures:			
Current:			
General government:			
Tobacco settlement	14,000	14,000	126
Total general government	14,000	14,000	126
Total expenditures	14,000	14,000	126
Excess (deficiency) of revenues over (under) expenditures	(8,000)	(8,000)	326
Other financing sources (uses):			
Transfers out	(13,500)	(13,500)	(13,500)
Total other financing sources (uses)	(13,500)	(13,500)	(13,500)
Net change in fund balances	(21,500)	(21,500)	(13,174)
Fund balances at beginning of year	325,346	325,346	325,346
Fund balances at end of year	$ 303,846	303,846	312,172

See notes to required supplementary information.

Pension Plan

The schedule (in thousands) of the County's proportionate share of the San Diego County Employees Retirement Association pension plan collective Net Pension Liability is shown in the table below:

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

		Fiscal Year 2015*
County's proportion of the net pension liability		92.292%
County's proportionate share of the net pension liability	$	1,958,456
County's covered - employee payroll	$	992,239
County's proportionate share of the net pension liability as a percentage of its covered - employee payroll		197.38%
Plan fiduciary net position as a percentage of the total pension liability		82.65%

*Amounts presented above were based on the measurement period ending June 30, 2014.

The schedule (in thousands) of County contributions to the San Diego County Employees Retirement Association pension plan is shown in the table below:

Table 2
Schedule of the County Contributions

		Fiscal Year 2015*
Actuarial determined contributions	$	356,732
Contributions in relation to the actuarially determined contribution		356,732
Contribution deficiency (excess)	$	-
County's covered - employee payroll	$	1,113,677
Contributions as a percentage of covered - employee payroll		32%

*Amounts presented above were based on the fiscal year ended June 30, 2015.

Budgetary Information

General Budget Policies

An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Annual budgets are not required to be adopted for the Tobacco Securitization Joint Special Revenue Fund; and the Debt Service and Capital Projects Funds (other governmental funds). Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year with the approval of the Board of Supervisors.

Appropriations may also be adjusted during the year with the approval of the Board of Supervisors. Additionally, the County Budget Act authorizes the Chief Administrative Officer (CAO) and/or Deputy CAO/Auditor and Controller to approve transfers within a department as long as overall appropriations of the department are not increased. Such adjustments are reflected in the final budgetary data. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

The schedule of revenues, expenditures, and changes in fund balance - budget and actual for the General Fund, Public Safety Fund and the Tobacco Endowment Fund that is presented as Required Supplementary Information was prepared in accordance with generally accepted accounting principles (GAAP).

The Original Budget consists of the adopted budget plus the budget carried forward from the prior fiscal year. Accordingly, encumbrances that are subject to automatic re-appropriation are included as part of the original budget. The County adopts its budget subsequent to the start of each new fiscal year, by mid-August. The final budget includes the original budget plus amended budget changes occurring during the fiscal year.

The Actual column represents the actual amounts of revenue and expenditures reported on a GAAP basis which is the same basis that is used to present the aforementioned original and final budget.

COMBINING & INDIVIDUAL FUND INFORMATION AND OTHER SUPPLEMENTARY INFORMATION

San Diego Skyline and Bay Shore

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Air Pollution Fund

This fund was established to provide for control of air pollution from motor vehicles and other sources in order to attain health based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees. This fund is restricted for air pollution activities.

Asset Forfeiture Program Fund

This fund was established to account for the proceeds of the assets that were seized and forfeited by law enforcement agencies during the investigation of criminal activities. These monies and the investment income derived therefrom are used for activities that enhance public safety and security and for the prevention, investigation, and apprehension of criminal law violators. This fund is restricted for law enforcement activities.

County Library Fund

This fund was established to provide library services for the unincorporated area as well as 11 of the incorporated cities within the county. Property taxes provide most of the fund's revenues; aid from other governmental agencies, grants and revenues from library services provide the remaining principal revenues. This fund is restricted for library services.

County Low and Moderate Income Housing Asset Fund

Pursuant to Health and Safety Code 34176, the County elected to assume the housing functions of the housing assets of the former San Diego County Redevelopment Agency, along with the related rights, powers, liabilities, duties and obligations. As a result, this fund was created on February 1, 2012, and the use of this fund is restricted for housing activities.

County Service District Funds

These special district funds were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service to specific areas in the county. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties. They also derive revenue from cities and from services provided to property owners. This fund is restricted for road, park lighting maintenance, fire protection and ambulance services.

Edgemoor Development Fund

This fund was established pursuant to Board Policy F-38, which provides guidelines for the use, development and disposition of the County's 326 acres of property located in the City of Santee, known as the Edgemoor Property. Future development plans of the Edgemoor Property may include parks, a library, housing, a fire station, post office and other facilities. Revenues are derived from the sale or lease of land within the Edgemoor property, and these revenues are to be used for the reconstruction of the Edgemoor Skilled Nursing Facility. A portion of these reconstruction costs include an annual transfer to reimburse the General Fund for annual lease payments associated with the 2014 Edgemoor Refunding COPs which refunded the 2005 and 2006 Edgemoor COPS. Those COPs were used to fund the redevelopment of the Edgemoor Skilled Nursing Facility, which was completed in 2009. The federal reimbursements with the SB 1128 program are also deposited into this fund. This fund is restricted for Edgemoor development.

Flood Control District Fund

This fund was established to account for revenues and expenditures related to providing flood control in the county. It is financed primarily by ad valorem property taxes. This fund is restricted for flood control future drainage improvements.

Housing Authority - Low and Moderate Income Housing Asset Fund

Pursuant to Health and Safety Code (HSC) 34176 (b) and (b)(2), the City of Santee elected to transfer the housing functions of the Successor Agency to the Community Development Commission of the City of Santee, to the County of San Diego Housing Authority (Housing Authority). Documents identifying the assets elected to be transferred were received by the Housing Authority on March 21, 2014. On May 21, 2014, the Board of Commissioners of the Housing Authority authorized acceptance of the assets contingent on two items. To date, one item has been satisfied and the other is still in progress. This fund was created in fiscal year 2013-14 and the use of this fund is restricted for housing activities.

Housing Authority - Other Fund

This fund was established to account for revenues and expenditures of programs administered by the Housing Authority. These programs assist individuals and families to reside in decent, safe, and sanitary housing. The U.S. Department of Housing and Urban Development (HUD) provides the majority of the funding for the Housing Authority's program expenditures.

In Home Supportive Services Public Authority Fund (IHSSPA)

This authority was established for the administration of the IHSSPA registry, investigation of the qualifications and background of potential registry personnel, referral of registry personnel to IHSSPA recipients and the provision for training of providers and recipients. The authority is funded by the State's social services realignment fund, federal and state programs. The monies are initially deposited into the County's General Fund, and transferred to the IHSSPA fund. This fund is restricted for in home supportive services.

Inactive Wastesites Fund

This fund was established to receive one-time homeowner association deposits and residual funds from the sale of the County's Solid Waste System. Expenditures include repairs, maintenance and care for the County's inactive landfill sites in accordance with all applicable governmental regulations, laws and guidelines. This fund is committed to landfill postclosure and inactive landfill maintenance.

Inmate Welfare Program Fund

This fund was established to receive telephone and other vending commissions and profits from stores operated in connection with the county jails. Fund expenditures, by law, must be solely for the benefit, education and welfare of confined inmates. This fund is restricted for the benefit, education, and welfare of jail inmates.

Lighting Maintenance District Fund

This fund was established to provide street and road lighting services to specified areas of the County. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners. This fund is restricted for street and road lighting maintenance.

Other Special Revenue Funds

These funds were established to receive user fees, land lease revenues and fines. The activities (expenditures) of this fund are restricted for retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purposes capital improvements and repairs, contracts administration, data collection, analysis and reporting, and responding to complaints regarding trash and trash haulers in unincorporated areas.

Park Land Dedication Fund

This fund was established to receive and expend special park land dedication fees from developers of land as a condition for approval of any development. The fees may be used for the purchase of land and the development of land for active park or recreational facilities. These facilities serve the future residents of such developments and the greater county at large. In lieu of the payment of these fees, the developer may dedicate land for active park or recreational facilities. This fund is restricted, as per the Park Land Dedication

Ordinance, to developing new or rehabilitating existing neighborhood or community park or recreational facilities.

Road Fund

This fund was established to provide for 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 user taxes and are supplemented by federal funds, vehicle code fines, and fees and reimbursements for engineering services provided. This fund is restricted for future road improvements.

Tobacco Securitization Joint Special Revenue Fund

The Tobacco Securitization Joint Special Revenue Fund accounts for the transactions of the San Diego County Tobacco Asset Securitization Corporation and Tobacco Securitization Authority of Southern California, two component units, that are blended into the County's financial statements. This fund is funded by restricted tobacco settlement revenues.

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated.

Pension Obligation Bonds Fund

This fund receives payments from the County and other agencies for payment of principal and interest due on taxable pension obligation bonds. The debt issue was used to satisfy the County's requirement to amortize the unfunded actuarial accrued liability with respect to retirement benefits accruing to members of the San Diego County Employees Retirement Association. This fund is restricted for debt service.

San Diego Regional Building Authority Fund

This fund receives rental payments based on the lease purchase agreement from the San Miguel Consolidated Fire Protection District (SMCFPD) for payment of principal and interest due on lease revenue bonds issued for the SMCFPD; secured by the lease purchase payments. This fund also receives interest on monies invested in permissible investments as directed by each San Diego Regional Building Authority (SDRBA) financing's Trust indenture. Debt service payments made in this fund also include payments not accounted for in the County's General Fund related to SDRBA debt issuances; and are secured by interest earnings on the aforementioned permissible investments. This fund is restricted for debt service.

SANCAL Fund

This fund receives interest on monies invested in permissible investments as directed by each San Diego County Capital Asset Leasing Corporation (SANCAL) financing's Trust indenture. Debt service payments made in this fund are secured by the aforementioned interest earnings and represent payments not accounted for in the County's General Fund related to SANCAL debt issuances. This fund is restricted for debt service.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Capital Outlay Fund

This fund is used exclusively to finance the acquisition, construction and completion of permanent public improvements, including public buildings; and for the costs of acquiring land and permanent improvements.

Revenues are obtained from grants; and contributions from other funds when approved by the Board of Supervisors. This fund is committed to capital projects.

San Diego Regional Building Authority Fund

This fund is used to account for the expenditures of the proceeds from the sale of lease revenue bonds of the San Diego Regional Building Authority used for the acquisition and construction of permanent buildings by the County. This fund is restricted for capital projects per various debt covenants.

SANCAL Fund

This fund is used to account for the expenditures of the proceeds from the sale of certificates of participation of the San Diego Capital Asset Leasing Corporation used to pay construction costs for the County Administration Center Waterfront Park and the Cedar Kettner Parking Structure. This fund is restricted for capital projects per various debt covenants.

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Pooled cash and investments	$ 333,965	28,050	12,578	374,593
Investments with fiscal agents	4,986			4,986
Receivables, net	84,570	34	3,565	88,169
Property taxes receivables, net	475			475
Due from other funds	5,683	677	11,791	18,151
Inventories	1,370			1,370
Deposits with others	16			16
Prepaid items	346			346
Restricted assets:				
Cash with fiscal agents	425		4,795	5,220
Investments with fiscal agents	45,503	982	1,011	47,496
Lease receivable		4,451		4,451
Total assets	477,339	34,194	33,740	545,273

Continued on next page

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015
(In Thousands)

(Continued)	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	11,748		14,364	26,112
Accrued payroll	2,915			2,915
Due to other funds	10,456	68	8,421	18,945
Unearned revenue	3,653			3,653
Total liabilities	28,772	68	22,785	51,625
DEFERRED INFLOWS OF RESOURCES				
Non-pension:				
Property taxes received in advance	541			541
Air Quality State Moyer Program	1,566			1,566
Affordable Housing Project	4			4
Housing Administrative Cost Allowance	133			133
Unavailable revenue	59,644	4,451		64,095
Total deferred inflows of resources	61,888	4,451		66,339
FUND BALANCES				
Nonspendable:				
Not in spendable form:				
Loans, due from other funds and prepaids	3,763			3,763
Inventories and deposits with others	1,386			1,386
Restricted for:				
Creditors - Debt service	45,745	29,675		75,420
Creditors - Capital projects			4,318	4,318
Grantors - Housing assistance	22,541			22,541
Laws or regulations of other governments:				
Future road improvements	133,534			133,534
Fund purpose	98,758			98,758
Other purposes	19,822			19,822
Committed to:				
Landfill closure, postclosure and landfill maintenance	60,902			60,902
Capital projects' funding			6,637	6,637
Assigned to:				
Legislative and administrative services	228			228
Total fund balances	386,679	29,675	10,955	427,309
Total liabilities, deferred inflows of resources and fund balances	$ 477,339	34,194	33,740	545,273

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

June 30, 2015
(In Thousands)

	Air Pollution Fund	Asset Forfeiture Program Fund	County Library Fund	County Low and Moderate Income Housing Asset Fund	County Service District Funds	Edgemoor Development Fund
ASSETS						
Pooled cash and investments	$ 23,676	9,451	14,952	5	23,816	4,876
Investments with fiscal agents						
Receivables, net	2,068	9	183	4,136	482	5
Property taxes receivables, net			371		45	
Due from other funds	3	88	176		70	
Inventories	189	252	50		49	
Deposits with others						
Prepaid items				121		
Restricted assets:						
Cash with fiscal agents						
Investments with fiscal agents						
Total assets	25,936	9,800	15,732	4,262	24,462	4,881

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2015
(In Thousands)

(Continued)	Air Pollution Fund	Asset Forfeiture Program Fund	County Library Fund	County Low and Moderate Income Housing Asset Fund	County Service District Funds	Edgemoor Development Fund
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	1,164	29	764		1,954	1
Accrued payroll	579		836			
Due to other funds	587	30	852		369	
Unearned revenue	1,436					
Total liabilities	3,766	59	2,452		2,323	1
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance			414		54	
Air Quality State Moyer Program	1,566					
Affordable Housing Project				4		
Housing Administrative Cost Allowance						
Unavailable revenue	18		458	720	39	
Total deferred inflows of resources	1,584		872	724	93	
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids				3,538		
Inventories and deposits with others	189	252	50		49	
Restricted for:						
Creditors - Debt service						
Grantors - Housing assistance						
Laws or regulations of other governments:						
Future road improvements						
Fund purpose	20,397	9,489	12,130		21,997	4,880
Other purposes						
Committed to:						
Landfill closure, postclosure and landfill maintenance						
Assigned to:						
Legislative and administrative services			228			
Total fund balances	20,586	9,741	12,408	3,538	22,046	4,880
Total liabilities, deferred inflows of resources and fund balances	$ 25,936	9,800	15,732	4,262	24,462	4,881

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

June 30, 2015
(In Thousands)

(Continued)	Flood Control District Fund	Housing Authority - Low and Moderate Income Housing Asset Fund	Housing Authority - Other Fund	In Home Supportive Services Public Authority Fund	Inactive Wastesites Fund	Inmate Welfare Program Fund
ASSETS						
Pooled cash and investments	$ 18,574	141	18,848	131	56,105	14,858
Investments with fiscal agents					4,986	
Receivables, net	1,600	16,675	7,582	1	104	551
Property taxes receivables, net	47					
Due from other funds	40		242	78	4	
Inventories						125
Deposits with others			16			
Prepaid items	8		1			
Restricted assets:						
Cash with fiscal agents			425			
Investments with fiscal agents						
Total assets	20,269	16,816	27,114	210	61,199	15,534

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

June 30, 2015
(In Thousands)

(Continued)	Flood Control District Fund	Housing Authority - Low and Moderate Income Housing Asset Fund	Housing Authority - Other Fund	In Home Supportive Services Public Authority Fund	Inactive Wastesites Fund	Inmate Welfare Program Fund
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	335		582	56	191	370
Accrued payroll					58	
Due to other funds	84	8	2,368	70	48	280
Unearned revenue			1,276			
Total liabilities	419	8	4,226	126	297	650
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance	59					
Air Quality State Moyer Program						
Affordable Housing Project						
Housing Administrative Cost Allowance		133				
Unavailable revenue	41	16,675				
Total deferred inflows of resources	100	16,808				
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids	8		1			
Inventories and deposits with others			16			125
Restricted for:						
Creditors - Debt service			250			
Grantors - Housing assistance			22,541			
Laws or regulations of other governments:						
Future road improvements						
Fund purpose				84		14,759
Other purposes	19,742		80			
Committed to:						
Landfill closure, postclosure and landfill maintenance					60,902	
Assigned to:						
Legislative and administrative services						
Total fund balances	19,750		22,888	84	60,902	14,884
Total liabilities, deferred inflows of resources and fund balances	$ 20,269	16,816	27,114	210	61,199	15,534

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds

June 30, 2015
(In Thousands)

(Continued)		Lighting Maintenance District Fund	Other Special Revenue Funds	Park Land Dedication Fund	Road Fund	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
ASSETS							
Pooled cash and investments	$	1,069	1,428	13,833	132,202		333,965
Investments with fiscal agents							4,986
Receivables, net		1	191	13	37,613	13,356	84,570
Property taxes receivables, net		12					475
Due from other funds					4,982		5,683
Inventories		35			670		1,370
Deposits with others							16
Prepaid items					216		346
Restricted assets:							
Cash with fiscal agents							425
Investments with fiscal agents						45,503	45,503
Total assets		1,117	1,619	13,846	175,683	58,859	477,339

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

June 30, 2015
(In Thousands)

(Continued)	Lighting Maintenance District Fund	Other Special Revenue Funds	Park Land Dedication Fund	Road Fund	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	389	52	5	5,848	8	11,748
Accrued payroll		15		1,427		2,915
Due to other funds	6	17	135	5,602		10,456
Unearned revenue		881		60		3,653
Total liabilities	395	965	140	12,937	8	28,772
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance	14					541
Air Quality State Moyer Program						1,566
Affordable Housing Project						4
Housing Administrative Cost Allowance						133
Unavailable revenue	11			28,326	13,356	59,644
Total deferred inflows of resources	25			28,326	13,356	61,888
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids				216		3,763
Inventories and deposits with others	35			670		1,386
Restricted for:						
Creditors - Debt service					45,495	45,745
Grantors - Housing assistance						22,541
Laws or regulations of other governments:						
Future road improvements				133,534		133,534
Fund purpose	662	654	13,706			98,758
Other purposes						19,822
Committed to:						
Landfill closure, postclosure and landfill maintenance						60,902
Assigned to:						
Legislative and administrative services						228
Total fund balances	697	654	13,706	134,420	45,495	386,679
Total liabilities, deferred inflows of resources and fund balances	$ 1,117	1,619	13,846	175,683	58,859	477,339

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds

June 30, 2015
(In Thousands)

	Pension Obligation Bonds Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Debt Service Funds
ASSETS				
Pooled cash and investments	$ 268	11,509	16,273	28,050
Receivables, net		11	23	34
Due from other funds	677			677
Restricted assets:				
Investments with fiscal agents		982		982
Lease receivable		4,451		4,451
Total assets	945	16,953	16,296	34,194
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Due to other funds	68			68
Total liabilities	68			68
DEFERRED INFLOWS OF RESOURCES				
Non-pension:				
Unavailable revenue		4,451		4,451
Total deferred inflows of resources		4,451		4,451
FUND BALANCES				
Restricted for:				
Creditors - Debt service	877	12,502	16,296	29,675
Total fund balances	877	12,502	16,296	29,675
Total liabilities, deferred inflows of resources and fund balances	$ 945	16,953	16,296	34,194

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

June 30, 2015
(In Thousands)

		Capital Outlay Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Capital Projects Funds
ASSETS					
Pooled cash and investments	$	8,043	2,520	2,015	12,578
Receivables, net		3,563	2		3,565
Due from other funds		11,791			11,791
Restricted assets:					
Cash with fiscal agents		4,795			4,795
Investments with fiscal agents		1,011			1,011
Total assets		29,203	2,522	2,015	33,740
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable		14,347		17	14,364
Due to other funds		8,219		202	8,421
Total liabilities		22,566		219	22,785
FUND BALANCES					
Restricted for:					
Creditors - Capital projects			2,522	1,796	4,318
Committed to:					
Capital projects' funding		6,637			6,637
Total fund balances		6,637	2,522	1,796	10,955
Total liabilities, deferred inflows of resources and fund balances	$	29,203	2,522	2,015	33,740

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ 40,648			40,648
Licenses, permits and franchise fees	9,194			9,194
Fines, forfeitures and penalties	3,377			3,377
Revenue from use of money and property	6,525	1,407	14	7,946
Aid from other governmental agencies:				
State	88,536		17,720	106,256
Federal	124,197		981	125,178
Other	19,185			19,185
Charges for current services	32,177		4	32,181
Other	31,723	6,216	3,509	41,448
Total revenues	355,562	7,623	22,228	385,413
Expenditures:				
Current:				
General government	563	274	8,934	9,771
Public protection	10,075			10,075
Public ways and facilities	70,529			70,529
Health and sanitation	45,753			45,753
Public assistance	133,661			133,661
Education	36,195			36,195
Recreation and cultural	2,621			2,621
Capital outlay	39,944		91,856	131,800
Debt service:				
Principal	14,904	38,920		53,824
Interest	24,203	44,172		68,375
Bond issuance costs		583		583
Payment to refunded bond escrow agent		3,007		3,007
Total expenditures	378,448	86,956	100,790	566,194
Excess (deficiency) of revenues over (under) expenditures	(22,886)	(79,333)	(78,562)	(180,781)
Other financing sources (uses):				
Sale of capital assets	873			873
Issuance of bonds and loans:				
Face value of loans issued	732			732
Premium on issuance of refunding bonds		15,070		15,070
Refunding bonds issued		93,750		93,750
Payment to refunded bond escrow agent		(103,771)		(103,771)
Transfers in	17,056	75,808	59,285	152,149
Transfers out	(19,217)			(19,217)
Total other financing sources (uses)	(556)	80,857	59,285	139,586
Net change in fund balances	(23,442)	1,524	(19,277)	(41,195)
Fund balances at beginning of year	409,804	28,151	30,232	468,187
Increase (decrease) in nonspendable inventories	317			317
Fund balances at end of year	$ 386,679	29,675	10,955	427,309

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

Special Revenue Funds

For the Year Ended June 30, 2015
(In Thousands)

	Air Pollution Fund	Asset Forfeiture Program Fund	County Library Fund	County Low and Moderate Income Housing Asset Fund	County Service District Funds	Edgemoor Development Fund
Revenues:						
Taxes	$		30,694		4,657	
Licenses, permits and franchise fees	7,256					
Fines, forfeitures and penalties	674	2,624				
Revenue from use of money and property	110	39	58		242	323
Aid from other governmental agencies:						
State	6,290		345		33	
Federal	2,745		2		152	4,546
Other	10,770		3,907		4,030	
Charges for current services	597		871		8,612	
Other	37	133	1,080	2	359	
Total revenues	28,479	2,796	36,957	2	18,085	4,869
Expenditures:						
Current:						
General government					189	162
Public protection		1,005			1,261	
Public ways and facilities					1,572	
Health and sanitation	29,769				9,374	
Public assistance				77		
Education			36,195			
Recreation and cultural					1,778	
Capital outlay	430	829	18			
Debt service:						
Principal						
Interest					2	
Total expenditures	30,199	1,834	36,213	77	14,176	162
Excess (deficiency) of revenues over (under) expenditures	(1,720)	962	744	(75)	3,909	4,707
Other financing sources (uses):						
Sale of capital assets	20					
Issuance of bonds and loans:						
Face value of loans issued						
Transfers in			326		399	
Transfers out	(670)	(64)	(858)		(1,986)	(9,298)
Total other financing sources (uses)	(650)	(64)	(532)		(1,587)	(9,298)
Net change in fund balances	(2,370)	898	212	(75)	2,322	(4,591)
Fund balances at beginning of year	22,969	8,655	12,193	3,613	19,721	9,471
Increase (decrease) in nonspendable inventories	(13)	188	3		3	
Fund balances at end of year	$ 20,586	9,741	12,408	3,538	22,046	4,880

Continued on next page

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

Special Revenue Funds

For the Year Ended June 30, 2015
(In Thousands)

(Continued)	Flood Control District Fund	Housing Authority - Low and Moderate Income Housing Asset Fund	Housing Authority - Other Fund	In Home Supportive Services Public Authority Fund	Inactive Wastesites Fund	Inmate Welfare Program Fund
Revenues:						
Taxes	$ 4,266					
Licenses, permits and franchise fees						
Fines, forfeitures and penalties						
Revenue from use of money and property	49		1,074	7	562	3,421
Aid from other governmental agencies:						
State	35				86	
Federal	2,114		108,464			
Other	190	17				
Charges for current services	889		2,552	876	1,464	2
Other	2		1,310			647
Total revenues	7,545	17	113,400	883	2,112	4,070
Expenditures:						
Current:						
General government						
Public protection	3,948					3,733
Public ways and facilities						
Health and sanitation					5,670	
Public assistance		17	119,741	13,826		
Education						
Recreation and cultural						
Capital outlay	3,082			175		71
Debt service:						
Principal			144			
Interest			20			
Total expenditures	7,030	17	119,905	14,001	5,670	3,804
Excess (deficiency) of revenues over (under) expenditures	515		(6,505)	(13,118)	(3,558)	266
Other financing sources (uses):						
Sale of capital assets					850	3
Issuance of bonds and loans:						
Face value of loans issued						
Transfers in				13,120		2,000
Transfers out					(215)	(3,142)
Total other financing sources (uses)				13,120	635	(1,139)
Net change in fund balances	515		(6,505)	2	(2,923)	(873)
Fund balances at beginning of year	19,235		29,393	82	63,825	15,718
Increase (decrease) in nonspendable inventories						39
Fund balances at end of year	$ 19,750		22,888	84	60,902	14,884

Continued on next page

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

Special Revenue Funds

For the Year Ended June 30, 2015
(In Thousands)

(Continued)	Lighting Maintenance District Fund	Other Special Revenue Funds	Park Land Dedication Fund	Road Fund	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
Revenues:						
Taxes	$ 1,031					40,648
Licenses, permits and franchise fees			1,921	17		9,194
Fines, forfeitures and penalties		79				3,377
Revenue from use of money and property	5	2	56	567	10	6,525
Aid from other governmental agencies:						
State	9	215		81,523		88,536
Federal		37		6,137		124,197
Other	1			270		19,185
Charges for current services	716	739		14,859		32,177
Other	98	50		1,023	26,982	31,723
Total revenues	1,860	1,122	1,977	104,396	26,992	355,562
Expenditures:						
Current:						
General government					212	563
Public protection		128				10,075
Public ways and facilities	3,242			65,715		70,529
Health and sanitation		940				45,753
Public assistance						133,661
Education						36,195
Recreation and cultural			843			2,621
Capital outlay				35,339		39,944
Debt service:						
Principal					14,760	14,904
Interest					24,181	24,203
Total expenditures	3,242	1,068	843	101,054	39,153	378,448
Excess (deficiency) of revenues over (under) expenditures	(1,382)	54	1,134	3,342	(12,161)	(22,886)
Other financing sources (uses):						
Sale of capital assets						873
Issuance of bonds and loans:						
Face value of loans issued	732					732
Transfers in		148		1,063		17,056
Transfers out		(67)	(244)	(2,673)		(19,217)
Total other financing sources (uses)	732	81	(244)	(1,610)		(556)
Net change in fund balances	(650)	135	890	1,732	(12,161)	(23,442)
Fund balances at beginning of year	1,323	519	12,816	132,615	57,656	409,804
Increase (decrease) in nonspendable inventories	24			73		317
Fund balances at end of year	$ 697	654	13,706	134,420	45,495	386,679

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

Debt Service Funds

For the Year Ended June 30, 2015
(In Thousands)

	Pension Obligation Bonds Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Debt Service Funds
Revenues:				
Revenue from use of money and property	$ 11	1,218	178	1,407
Other	6,216			6,216
Total revenues	6,227	1,218	178	7,623
Expenditures:				
Current:				
General government		274		274
Debt service:				
Principal	38,240	680		38,920
Interest	43,252	509	411	44,172
Bond issuance costs			583	583
Payment to refunded bond escrow agent			3,007	3,007
Total expenditures	81,492	1,463	4,001	86,956
Excess (deficiency) of revenues over (under) expenditures	(75,265)	(245)	(3,823)	(79,333)
Other financing sources (uses):				
Issuance of bonds and loans:				
Premium on issuance of refunding bonds			15,070	15,070
Refunding bonds issued			93,750	93,750
Payment to refunded bond escrow agent			(103,771)	(103,771)
Transfers in	75,719	20	69	75,808
Total other financing sources (uses)	75,719	20	5,118	80,857
Net change in fund balances	454	(225)	1,295	1,524
Fund balances at beginning of year	423	12,727	15,001	28,151
Fund balances at end of year	$ 877	12,502	16,296	29,675

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

Capital Projects Funds

For the Year Ended June 30, 2015
(In Thousands)

	Capital Outlay Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Capital Projects Funds
Revenues:				
Revenue from use of money and property	$ 1	11	2	14
Aid from other governmental agencies:				
State	17,720			17,720
Federal	981			981
Charges for current services	4			4
Other	3,509			3,509
Total revenues	22,215	11	2	22,228
Expenditures:				
Current:				
General government	8,934			8,934
Capital outlay	72,050		19,806	91,856
Total expenditures	80,984		19,806	100,790
Excess (deficiency) of revenues over (under) expenditures	(58,769)	11	(19,804)	(78,562)
Other financing sources (uses):				
Transfers in	59,285			59,285
Total other financing sources (uses)	59,285			59,285
Net change in fund balances	516	11	(19,804)	(19,277)
Fund balances at beginning of year	6,121	2,511	21,600	30,232
Fund balances at end of year	$ 6,637	2,522	1,796	10,955

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Air Pollution Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	$ 8,730	8,730	7,256
Fines, forfeitures and penalties	980	980	674
Revenue from use of money and property	30	30	110
Aid from other governmental agencies:			
State	18,294	18,294	6,290
Federal	2,826	2,826	2,745
Other	10,000	10,000	10,770
Charges for current services	593	593	597
Other			37
Total revenues	41,453	41,453	28,479
Expenditures:			
Current:			
Health and sanitation:			
Air pollution control	22,928	22,928	20,025
Air pollution control, air quality Proposition 1B GMER program	12,916	12,916	2,934
Air pollution control, air quality State AQIP program	809	1,169	677
Air pollution control, improvement trust	3,008	8,835	3,506
Air pollution control, moyer program	4,043	4,042	2,416
Air pollution control, power general mitigation	358	358	211
Total health and sanitation	44,062	50,248	29,769
Capital outlay	503	853	430
Total expenditures	44,565	51,101	30,199
Excess (deficiency) of revenues over (under) expenditures	(3,112)	(9,648)	(1,720)
Other financing sources (uses):			
Sale of capital assets			20
Transfers in	10,566	614	
Transfers out	(11,235)	(1,283)	(670)
Total other financing sources (uses)	(669)	(669)	(650)
Net change in fund balances	(3,781)	(10,317)	(2,370)
Fund balances at beginning of year	22,969	22,969	22,969
Increase (decrease) in nonspendable inventories		(13)	(13)
Fund balances at end of year	$ 19,188	12,639	20,586

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Asset Forfeiture Program Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	$ 1,000	1,022	2,624
Revenue from use of money and property	100	100	39
Other			133
Total revenues	1,100	1,122	2,796
Expenditures:			
Current:			
Public protection:			
District attorney asset forfeiture program - federal	500	500	42
District attorney asset forfeiture program - state	15	58	57
Probation asset forfeiture program	101	101	77
Sheriff's asset forfeiture program	1,231	1,240	829
Total public protection	1,847	1,899	1,005
Capital outlay	829	1,629	829
Total expenditures	2,676	3,528	1,834
Excess (deficiency) of revenues over (under) expenditures	(1,576)	(2,406)	962
Other financing sources (uses):			
Transfers out		(191)	(64)
Total other financing sources (uses)		(191)	(64)
Net change in fund balances	(1,576)	(2,597)	898
Fund balances at beginning of year	8,655	8,655	8,655
Increase (decrease) in nonspendable inventories		188	188
Fund balances at end of year	$ 7,079	6,246	9,741

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

County Library Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 30,483	30,483	30,694
Revenue from use of money and property	105	105	58
Aid from other governmental agencies:			
State	267	361	345
Federal			2
Other	2,121	2,131	3,907
Charges for current services	1,138	1,138	871
Other	1,886	1,886	1,080
Total revenues	36,000	36,104	36,957
Expenditures:			
Current:			
Education:			
County library	39,301	39,720	36,195
Total education	39,301	39,720	36,195
Capital outlay	461	471	18
Total expenditures	39,762	40,191	36,213
Excess (deficiency) of revenues over (under) expenditures	(3,762)	(4,087)	744
Other financing sources (uses):			
Transfers in	300	626	326
Transfers out	(859)	(859)	(858)
Total other financing sources (uses)	(559)	(233)	(532)
Net change in fund balances	(4,321)	(4,320)	212
Fund balances at beginning of year	12,193	12,193	12,193
Increase (decrease) in nonspendable inventories		3	3
Fund balances at end of year	$ 7,872	7,876	12,408

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

County Low and Moderate Income Housing Asset Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Other	$		2
Total revenues			2
Expenditures:			
Current:			
Public assistance:			
CSHAF Gillespie housing	97	97	33
CSHAF USDRIP housing	94	94	44
Total public assistance	191	191	77
Total expenditures	191	191	77
Excess (deficiency) of revenues over (under) expenditures	(191)	(191)	(75)
Net change in fund balances	(191)	(191)	(75)
Fund balances at beginning of year	3,613	3,613	3,613
Fund balances at end of year	$ 3,422	3,422	3,538

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

County Service District Funds

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 4,579	4,579	4,657
Revenue from use of money and property	190	190	242
Aid from other governmental agencies:			
State	27	27	33
Federal			152
Other	4,091	4,091	4,030
Charges for current services	7,924	7,924	8,612
Other			359
Total revenues	16,811	16,811	18,085
Expenditures:			
Current:			
General government:			
Regional Communication System CSA 135 Zone B Del Mar	53	53	41
Regional Communication System CSA 135 Zone F Poway	160	159	121
Regional Communication System CSA 135 Zone H Solana Beach	49	49	27
Total general government	262	261	189
Public protection:			
Fire protection and emerg med svs, CSA135	32	32	20
Fire protection, CSA 107 Elfin Forest	490	490	432
Fire protection, CSA 115 Pepper Drive	365	365	350
Fire protection, CSA 135 EMS	680	680	459
Fire protection, PRD 107 Elfin Forest	144	144	
Fire protection, PRD 115 Pepper Drive	3	3	
Total public protection	1,714	1,714	1,261
Public ways and facilities:			
PRD 6 Pauma Valley	399	399	10
PRD 8 Magee RD-PAL	228	228	4
PRD 9 B Santa Fe	107	107	5
PRD 10 Davis Dr	18	18	3
PRD 11 A Bernardo RD	46	46	3
PRD 11 C Bernardo RD	23	23	11
PRD 11 D Bernardo RD	42	42	3
PRD 12 Lomair	313	313	54
PRD 13 A Pala Mesa	447	447	178
PRD 13 B Stewart Canyon	64	64	5
PRD 16 Wynola	126	126	7
PRD 18 Harrison Park	309	309	135
PRD 20 Daily Road	636	636	255
PRD 21 Pauma Heights	414	414	84
PRD 22 W Dougherty St	8	8	2
PRD 23 Rock Terrce RD	30	30	2
PRD 24 MT Whitney RD	44	44	3
PRD 30 Royal Oaks-CAR	38	38	3
PRD 38 Gay Rio Terrace	33	33	2
PRD 45 Rincon Springs	76	76	60
PRD 46 Rocoso Road	41	41	3

Continued on next page

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

County Service District Funds

For the Year Ended June 30, 2015
(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
PRD 49 Sunset Knls RD	38	38	2
PRD 50 Knoll Park LN	84	84	26
PRD 53 Knoll Park LN EX	177	177	42
PRD 54 MT Helix	222	222	43
PRD 55 Rainbow Crest	370	369	5
PRD 60 River Drive	81	82	38
PRD 61 GRN Meadow Way	213	213	42
PRD 63 Hillview Road	426	426	78
PRD 70 El Camino Cort	63	63	55
PRD 75 A Gay Rio Drive	151	151	3
PRD 75 B Gay Rio Drive	217	217	3
PRD 76 Kingford CT	47	47	2
PRD 77 Montiel TRK TR	82	82	3
PRD 78 Gardena Ay	57	57	3
PRD 80 Harris TRK TRL	230	230	3
PRD 88 East Fifth St	124	123	54
PRD 90 South Cordov	41	41	2
PRD 94 Roble Grnde	367	367	7
PRD 95 Valle Del Sol	315	315	12
PRD 99 Via Allndra	35	35	3
PRD 100 Viejas View	30	30	2
PRD 101 A Hi-Ridge R	11	11	3
PRD 101 Johnson LK	50	50	3
PRD 102 MTN Meadow	212	212	9
PRD 103 Alto Drive	279	279	5
PRD 104 Artesian RO	147	147	58
PRD 105 A Alta Loma D	36	36	3
PRD 105 Alta Loma D	26	26	7
PRD 106 Garrison Ay	148	148	46
PRD 117 Legend Rock	5	5	4
PRD 123 Mizpah Lane	32	32	3
PRD 125 Wrightwood	90	90	4
PRD 126 Sandhurst W	35	35	2
PRD 127 Singing Trails	29	29	3
PRD 130 Wilkes Road	125	125	4
PRD 133 Rnch Creek Rd	31	31	3
PRD 134 Kenora Lane	87	87	54
PRD 1002 Sunny Acres	24	24	11
PRD 1003 Alamo Way	17	17	3
PRD 1005 Eden Valley	75	75	13
PRD 1008 Canter	39	39	17
PRD 1010 Alpine Highlands ZN	172	172	9
PRD 1011 La Cuesta ZN	64	64	2
PRD 1012 8112 Millar	55	55	24
PRD 1013 Singing Trails	77	77	3

Continued on next page

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

County Service District Funds

For the Year Ended June 30, 2015
(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
PRD 1014 Lavender PT Lane	91	90	14
PRD 1015 Landavo Drive ET AL	35	35	3
PRD 1016 El Sereno Way	51	51	2
Total public ways and facilities	8,855	8,853	1,572
Health and sanitation:			
CSA 17 San Dieguito Ambulance	4,384	4,384	3,876
CSA 69 Heartland Paramedics	6,573	6,573	5,474
PRD 122 Otay Mesa East	12	12	
PRD 136 Sundance Detention Basin	54	54	24
Total health and sanitation	11,023	11,023	9,374
Recreation and cultural:			
CSA 26 LMD Zone 2 Julian	38	48	35
CSA 26 Rancho San Diego	108	108	95
CSA 26 San Diego landscape maintenance	113	113	113
CSA 81 Fallbrook Park	235	235	203
CSA 83 San Dieguito	582	582	305
CSA 128 San Miguel Park	472	481	445
CSA 83A 4S Ranch Park	394	394	350
PRD 26 A Cottonwood Village	284	284	119
PRD 26 B Monte Vista	327	327	113
Total recreation and cultural	2,553	2,572	1,778
Capital outlay	20	20	
Debt service:			
Principal	15	15	
Interest	2	2	2
Total expenditures	24,444	24,460	14,176
Excess (deficiency) of revenues over (under) expenditures	(7,633)	(7,649)	3,909
Other financing sources (uses):			
Transfers in	401	401	399
Transfers out	(2,119)	(2,119)	(1,986)
Total other financing sources (uses)	(1,718)	(1,718)	(1,587)
Net change in fund balances	(9,351)	(9,367)	2,322
Fund balances at beginning of year	19,721	19,721	19,721
Increase (decrease) in nonspendable inventories		3	3
Fund balances at end of year	$ 10,370	10,357	22,046

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Edgemoor Development Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$ 639	639	323
Aid from other governmental agencies:			
Federal	4,508	4,508	4,546
Total revenues	5,147	5,147	4,869
Expenditures:			
Current:			
General government:			
Edgemoor development fund	861	848	162
Total general government	861	848	162
Total expenditures	861	848	162
Excess (deficiency) of revenues over (under) expenditures	4,286	4,299	4,707
Other financing sources (uses):			
Sale of capital assets	3,644	3,644	
Transfers out	(9,285)	(9,298)	(9,298)
Total other financing sources (uses)	(5,641)	(5,654)	(9,298)
Net change in fund balances	(1,355)	(1,355)	(4,591)
Fund balances at beginning of year	9,471	9,471	9,471
Fund balances at end of year	$ 8,116	8,116	4,880

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Flood Control District Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 4,011	4,011	4,266
Revenue from use of money and property	50	50	49
Aid from other governmental agencies:			
State	134		35
Federal	2,542	4,485	2,114
Other		134	190
Charges for current services	3,341	9,555	889
Other			2
Total revenues	10,078	18,235	7,545
Expenditures:			
Current:			
Public protection:			
Flood control district	9,118	20,910	3,867
Stormwater maintenance, Blackwolf	11	11	3
Stormwater maintenance, Lake Rancho Viejo	205	205	76
Stormwater maintenance, Ponderosa Estates	23	23	2
Total public protection	9,357	21,149	3,948
Capital outlay	3,184	3,184	3,082
Total expenditures	12,541	24,333	7,030
Excess (deficiency) of revenues over (under) expenditures	(2,463)	(6,098)	515
Net change in fund balances	(2,463)	(6,098)	515
Fund balances at beginning of year	19,235	19,235	19,235
Fund balances at end of year	$ 16,772	13,137	19,750

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Housing Authority - Low and Moderate Income Housing Asset Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Aid from other governmental agencies:			
Other	$ 150	150	17
Total revenues	150	150	17
Expenditures:			
Current:			
Public assistance:			
Other assistance - other budgetary entity	150	150	17
Total public assistance	150	150	17
Total expenditures	$ 150	150	17

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Housing Authority - Other Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$ 1,110	1,110	1,074
Aid from other governmental agencies:			
Federal	115,825	115,825	108,464
Other	3,950	3,742	
Charges for current services	4,894	4,894	2,552
Other	1,360	1,360	1,310
Total revenues	127,139	126,931	113,400
Expenditures:			
Current:			
Public assistance:			
Other assistance - other budgetary entity	128,330	128,331	119,741
Total public assistance	128,330	128,331	119,741
Debt service:			
Principal	144	144	144
Interest	21	21	20
Total expenditures	128,495	128,496	119,905
Excess (deficiency) of revenues over (under) expenditures	(1,356)	(1,565)	(6,505)
Other financing sources (uses):			
Sale of capital assets	117	117	
Transfers in	218	218	
Total other financing sources (uses)	335	335	
Net change in fund balances	(1,021)	(1,230)	(6,505)
Fund balances at beginning of year	29,393	29,393	29,393
Fund balances at end of year	$ 28,372	28,163	22,888

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

In Home Supportive Services Public Authority Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$		7
Charges for current services	603	603	876
Total revenues	603	603	883
Expenditures:			
Current:			
Public assistance:			
IHSS public authority	13,864	13,864	13,826
Total public assistance	13,864	13,864	13,826
Capital outlay	175	175	175
Total expenditures	14,039	14,039	14,001
Excess (deficiency) of revenues over (under) expenditures	(13,436)	(13,436)	(13,118)
Other financing sources (uses):			
Transfers in	13,437	13,437	13,120
Total other financing sources (uses)	13,437	13,437	13,120
Net change in fund balances	1	1	2
Fund balances at beginning of year	82	82	82
Fund balances at end of year	$ 83	83	84

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Inactive Wastesites Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$ 281	281	562
Aid from other governmental agencies:			
State			86
Charges for current services	6,285	6,285	1,464
Total revenues	6,566	6,566	2,112
Expenditures:			
Current:			
Health and sanitation:			
Duck pond landfill cleanup	14	14	11
Inactive waste site management	6,635	6,635	5,659
Total health and sanitation	6,649	6,649	5,670
Total expenditures	6,649	6,649	5,670
Excess (deficiency) of revenues over (under) expenditures	(83)	(83)	(3,558)
Other financing sources (uses):			
Sale of capital assets			850
Transfers out	(67)	(216)	(215)
Total other financing sources (uses)	(67)	(216)	635
Net change in fund balances	(150)	(299)	(2,923)
Fund balances at beginning of year	63,825	63,825	63,825
Fund balances at end of year	$ 63,675	63,526	60,902

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Inmate Welfare Program Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$ 3,270	3,270	3,421
Charges for current services			2
Other	236	236	647
Total revenues	3,506	3,506	4,070
Expenditures:			
Current:			
Public protection:			
Probation inmate welfare	95	595	61
Sheriff's inmate welfare - adult detention	4,339	4,455	3,671
Sheriff's inmate welfare - police protection	14	14	1
Total public protection	4,448	5,064	3,733
Capital outlay	71	4,640	71
Total expenditures	4,519	9,704	3,804
Excess (deficiency) of revenues over (under) expenditures	(1,013)	(6,198)	266
Other financing sources (uses):			
Sale of capital assets			3
Transfers in	2,000	6,568	2,000
Transfers out	(3,459)	(3,459)	(3,142)
Total other financing sources (uses)	(1,459)	3,109	(1,139)
Net change in fund balances	(2,472)	(3,089)	(873)
Fund balances at beginning of year	15,718	15,718	15,718
Increase (decrease) in nonspendable inventories		39	39
Fund balances at end of year	$ 13,246	12,668	14,884

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Lighting Maintenance District Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 930	930	1,031
Revenue from use of money and property	5	5	5
Aid from other governmental agencies:			
State	9	9	9
Other			1
Charges for current services	711	711	716
Other			98
Total revenues	1,655	1,655	1,860
Expenditures:			
Current:			
Public ways and facilities:			
San Diego lighting maintenance	3,414	3,414	3,242
Total public ways and facilities	3,414	3,414	3,242
Debt service:			
Principal	131	131	
Interest	47	47	
Total expenditures	3,592	3,592	3,242
Excess (deficiency) of revenues over (under) expenditures	(1,937)	(1,937)	(1,382)
Other financing sources (uses):			
Issuance of bonds and loans:			
Face value of loans issued	1,560	1,560	732
Total other financing sources (uses)	1,560	1,560	732
Net change in fund balances	(377)	(377)	(650)
Fund balances at beginning of year	1,323	1,323	1,323
Increase (decrease) in nonspendable inventories		24	24
Fund balances at end of year	$ 946	970	697

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Other Special Revenue Funds

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	$ 16	16	79
Revenue from use of money and property			2
Aid from other governmental agencies:			
State	246	246	215
Federal			37
Charges for current services	1,058	1,058	739
Other	43	43	50
Total revenues	1,363	1,363	1,122
Expenditures:			
Current:			
Public protection:			
Agriculture, weights and measures - fish and game	18	18	16
Public works, survey	250	250	112
Total public protection	268	268	128
Health and sanitation:			
Sanitation - waste planning and recycling	1,028	1,176	940
Total health and sanitation	1,028	1,176	940
Total expenditures	1,296	1,444	1,068
Excess (deficiency) of revenues over (under) expenditures	67	(81)	54
Other financing sources (uses):			
Transfers in		148	148
Transfers out	(69)	(69)	(67)
Total other financing sources (uses)	(69)	79	81
Net change in fund balances	(2)	(2)	135
Fund balances at beginning of year	519	519	519
Fund balances at end of year	$ 517	517	654

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Park Land Dedication Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	$ 65	65	1,921
Revenue from use of money and property	14	14	56
Total revenues	79	79	1,977
Expenditures:			
Current:			
Recreation and cultural:			
Local Park Planning Area 4 Lincoln Acres	2	2	
Local Park Planning Area 15 Sweetwater	7	7	6
Local Park Planning Area 19 Jamul	4	609	606
Local Park Planning Area 20 Spring Valley	4	4	4
Local Park Planning Area 25 Lakeside	17	17	4
Local Park Planning Area 26 Crest	2	2	
Local Park Planning Area 27 Alpine	8	8	3
Local Park Planning Area 28 Ramona	6	122	112
Local Park Planning Area 29 Escondido	1	1	
Local Park Planning Area 30 San Marcos	1	1	
Local Park Planning Area 31 San Dieguito	3	3	2
Local Park Planning Area 35 Fallbrook	4	29	25
Local Park Planning Area 36 Bonsall	3	3	
Local Park Planning Area 37 Vista	1	1	
Local Park Planning Area 38 Valley Center	4	137	73
Local Park Planning Area 39 Pauma	1	1	
Local Park Planning Area 40 Palomar-Julian	9	9	3
Local Park Planning Area 42 Anza-Borrego	3	3	1
Local Park Planning Area 43 Central Mountain	3	3	2
Local Park Planning Area 45 Valle de Oro	2	2	2
Total recreation and cultural	85	964	843
Total expenditures	85	964	843
Excess (deficiency) of revenues over (under) expenditures	(6)	(885)	1,134
Other financing sources (uses):			
Transfers out	(1,580)	(1,651)	(244)
Total other financing sources (uses)	(1,580)	(1,651)	(244)
Net change in fund balances	(1,586)	(2,536)	890
Fund balances at beginning of year	12,816	12,816	12,816
Fund balances at end of year	$ 11,230	10,280	13,706

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Road Fund

For the Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	$		17
Revenue from use of money and property	434	434	567
Aid from other governmental agencies:			
State	99,864	100,196	81,523
Federal	7,734	10,025	6,137
Other			270
Charges for current services	11,387	12,572	14,859
Other	10,203	10,310	1,023
Total revenues	129,622	133,537	104,396
Expenditures:			
Current:			
Public ways and facilities:			
Public works, road	126,367	135,768	65,715
Total public ways and facilities	126,367	135,768	65,715
Capital outlay	35,174	35,384	35,339
Total expenditures	161,541	171,152	101,054
Excess (deficiency) of revenues over (under) expenditures	(31,919)	(37,615)	3,342
Other financing sources (uses):			
Sale of capital assets	107		
Transfers in	500	1,080	1,063
Transfers out	(2,733)	(2,733)	(2,673)
Total other financing sources (uses)	(2,126)	(1,653)	(1,610)
Net change in fund balances	(34,045)	(39,268)	1,732
Fund balances at beginning of year	132,615	132,615	132,615
Increase (decrease) in nonspendable inventories		73	73
Fund balances at end of year	$ 98,570	93,420	134,420

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Airport Fund

This fund is used to account for the maintenance, operations and development of County airports. A major objective of the airport program is to develop airport property utilizing federal and state grants in order to enhance the value of public assets, generate new revenues and be a catalyst for aviation and business development.

Jail Stores Commissary Fund

This fund was established to provide for the financing of a Sheriff's commissary store allowing persons incarcerated at various County detention facilities to purchase a variety of goods, including food, snacks, stationery, personal care items and telephone time.

Sanitation District Fund

This fund is used to account for the activities of the sanitation district governed by the County Board of Supervisors.

COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS

June 30, 2015
(In Thousands)

	Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
ASSETS				
Current assets:				
Pooled cash and investments	$ 14,329	2,141	57,111	73,581
Receivables, net	2,848	618	393	3,859
Due from other funds			28	28
Inventories		221	3	224
Total current assets	17,177	2,980	57,535	77,692
Noncurrent assets:				
Due from other funds	3,765			3,765
Capital assets:				
Land	10,504		1,089	11,593
Construction in progress	4,874		2,654	7,528
Buildings and improvements	114,683		11,726	126,409
Equipment	1,137	249	299	1,685
Road infrastructure	9,679			9,679
Sewer infrastructure			99,091	99,091
Accumulated depreciation/amortization	(43,112)	(238)	(44,707)	(88,057)
Total noncurrent assets	101,530	11	70,152	171,693
Total assets	118,707	2,991	127,687	249,385
DEFERRED OUTFLOWS OF RESOURCES				
Pension:				
Changes in proportionate share of contributions	37		39	76
Contributions to the pension plan subsequent to the measurement date	768		803	1,571
Total deferred outflows of resources	805		842	1,647
LIABILITIES				
Current liabilities:				
Accounts payable	216	554	2,162	2,932
Accrued payroll	135		167	302
Due to other funds	396	60	136	592
Unearned revenue	85			85
Loans payable	304			304
Compensated absences	91		88	179
Total current liabilities	1,227	614	2,553	4,394
Noncurrent liabilities:				
Loans payable	171			171
Compensated absences	133		127	260
Net pension liability	4,211		4,406	8,617
Total noncurrent liabilities	4,515		4,533	9,048
Total liabilities	5,742	614	7,086	13,442
DEFERRED INFLOWS OF RESOURCES				
Pension:				
Differences between expected and actual experience in the total pension liability	299		313	612
Net difference between projected and actual earnings on pension plan investments	832		871	1,703
Total deferred inflows of resources	1,131		1,184	2,315
NET POSITION				
Net investment in capital assets	97,290	11	70,152	167,453
Unrestricted net position	15,349	2,366	50,107	67,822
Total net position	$ 112,639	2,377	120,259	235,275

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS

For the Year Ended June 30, 2015
(In Thousands)

	Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
Operating revenues:				
Charges for current services	$ 11,984	4,538	26,831	43,353
Other	99	2,960		3,059
Total operating revenues	12,083	7,498	26,831	46,412
Operating expenses:				
Salaries and employee benefits	3,503		3,895	7,398
Repairs and maintenance	876	12	5,224	6,112
Equipment rental	442	12	713	1,167
Sewage processing			15,440	15,440
Contracted services	5,045	2,267	979	8,291
Depreciation/amortization	3,798	5	2,220	6,023
Utilities	310		18	328
Cost of material		2,041		2,041
Fuel	1	5		6
Other	611	164	2,109	2,884
Total operating expenses	14,586	4,506	30,598	49,690
Operating income (loss)	(2,503)	2,992	(3,767)	(3,278)
Nonoperating revenues (expenses):				
Grants	702			702
Investment earnings	96	1	239	336
Interest expense	(43)			(43)
Gain (loss) on disposal of assets			(4)	(4)
Total nonoperating revenues (expenses)	755	1	235	991
Income (loss) before capital contributions and transfers	(1,748)	2,993	(3,532)	(2,287)
Transfers in	50		309	359
Transfers out	(166)	(2,710)	(176)	(3,052)
Change in net position	(1,864)	283	(3,399)	(4,980)
Net position (deficits) at beginning of year (restated, see Note 30 to the financial statements)	114,503	2,094	123,658	240,255
Net position (deficits) at end of year	$ 112,639	2,377	120,259	235,275

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

For the Year Ended June 30, 2015
(In Thousands)

	Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	$ 12,381	7,013	20,057	39,451
Cash received from other funds	7	1	6,849	6,857
Cash payments to suppliers	(4,780)	(4,199)	(21,035)	(30,014)
Cash payments to employees	(3,792)		(4,191)	(7,983)
Cash payments to other funds	(2,653)	(4,640)	(2,142)	(9,435)
Net cash provided (used) by operating activities	1,163	(1,825)	(462)	(1,124)
Cash flows from noncapital financing activities:				
Operating grants	428			428
Transfers from other funds	50		309	359
Transfers to other funds	(166)	(2,710)	(176)	(3,052)
Other noncapital increases	98			98
Net cash provided (used) by noncapital financing activities	410	(2,710)	133	(2,167)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(802)	(12)	(185)	(999)
Principal paid on long-term debt	(291)			(291)
Interest paid on long-term debt	(43)			(43)
Net cash provided (used) by capital and related financing activities	(1,136)	(12)	(185)	(1,333)
Cash flows from investing activities:				
Investment earnings	94		240	334
Net increase (decrease) in cash and cash equivalents	531	(4,547)	(274)	(4,290)
Cash and cash equivalents - beginning of year	13,798	6,688	57,385	77,871
Cash and cash equivalents - end of year	14,329	2,141	57,111	73,581
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(2,503)	2,992	(3,767)	(3,278)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Decrease (increase) in accounts receivable	351	(484)	55	(78)
Decrease (increase) in due from other funds	1	1	20	22
Decrease (increase) in inventory		9	(2)	7
Increase (decrease) in accounts payable	(161)	271	1,311	1,421
Increase (decrease) in accrued payroll	3		22	25
Increase (decrease) in due to other funds	12	(4,619)	(3)	(4,610)
Increase (decrease) in unearned revenue	(47)			(47)
Increase (decrease) in compensated absences	7		(6)	1
Pension expense	(298)		(312)	(610)
Depreciation/amortization	3,798	5	2,220	6,023
Total adjustments	3,666	(4,817)	3,305	2,154
Net cash provided (used) by operating activities	1,163	(1,825)	(462)	(1,124)
Non-cash investing and capital financing activities:				
Capital acquisitions included in accounts payable	$ 24		253	277

INTERNAL SERVICE FUNDS

Internal service funds are established to account for services furnished to other County departments and are financed primarily by these service charges. Because they are exempt from budgetary control, they are free to employ commercial accounting techniques, and are often used in situations where a more accurate determination of operating results is desired.

Employee Benefits Fund

This fund was established to account for workers' compensation and unemployment insurance. Specifically, for workers' compensation the fund includes: claims payment, the actuarial liability, insurance costs and contributions by various departments.

Facilities Management Fund

This fund was established to account for the financing of facilities maintenance, public service utilities, property management, project management, architectural and engineering services, real estate acquisition and leasing, and mail services provided to County departments on a cost reimbursement basis.

Fleet Services Fund

This fund was established to account for the maintenance, repair, fuel, and financing of Fleet vehicles provided to County departments on a cost reimbursement basis.

Information Technology Fund

This fund was established to account for telecommunications services provided to County departments on a cost reimbursement basis.

Public Liability Insurance Fund

This fund was established to account for all of the County’s public liability claims and related expenses in compliance with the applicable provisions of the law.

Purchasing Fund

This fund was established to account for the procurement of services, materials, and supplies provided to County departments and provides record storage services; all on a cost reimbursement basis.

Road and Communication Equipment Fund

This fund was established to account for the financing of Public Works’ road and communication equipment provided to the following funds: Road, Airport, and Flood Control District; on a cost reimbursement basis.

Special District Loans Fund

This fund was established to provide financing for start up services for new and existing County Service Districts on a cost reimbursement basis.

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2015
(In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
ASSETS					
Current assets:					
Pooled cash and investments	$ 127,144	11,490	20,929	18,121	38,172
Receivables, net	124	1,125	296	98	39
Due from other funds	2,885	5,991	3,950	13,725	
Inventories		35	1,040		
Total current assets	130,153	18,641	26,215	31,944	38,211
Noncurrent assets:					
Capital assets:					
Buildings and improvements			2,963		
Equipment		6,622	106,088		
Software		440	213	3,368	
Accumulated depreciation/ amortization		(1,897)	(68,954)	(3,275)	
Total noncurrent assets		5,165	40,310	93	
Total assets	130,153	23,806	66,525	32,037	38,211
DEFERRED OUTFLOWS OF RESOURCES					
Pension:					
Changes in proportionate share of contributions		271	52		
Contributions to the pension plan subsequent to the measurement date		5,592	1,067		
Total deferred outflows of resources		5,863	1,119		
LIABILITIES					
Current liabilities:					
Accounts payable	4,959	4,380	2,809	23,566	213
Accrued payroll		1,096	215		
Accrued interest		1			
Due to other funds	891	818	537	965	1,422
Unearned revenue		418	1		
Loans payable		721			
Capital lease payable		36			
Compensated absences		690	101		
Claims and judgments	27,755				15,807
Total current liabilities	33,605	8,160	3,663	24,531	17,442
Noncurrent liabilities:					
Loans payable		1,702			
Capital lease payable		48			
Compensated absences		1,002	147		
Claims and judgments	139,121				22,100
Net pension liability		30,709	5,854		
Total noncurrent liabilities	139,121	33,461	6,001		22,100
Total liabilities	172,726	41,621	9,664	24,531	39,542
DEFERRED INFLOWS OF RESOURCES					
Pension:					
Differences between expected and actual experience in the total pension liability		2,179	416		
Net difference between projected and actual earnings on pension plan investments		6,070	1,158		
Total deferred inflows of resources		8,249	1,574		
NET POSITION					
Net investment in capital assets		5,081	40,310	93	
Unrestricted net position	(42,573)	(25,282)	16,096	7,413	(1,331)
Total net position	$ (42,573)	(20,201)	56,406	7,506	(1,331)

Continued on next page

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2015
(In Thousands)

(Continued)	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Pooled cash and investments	$ 4,847	16,295	485	237,483
Receivables, net	4	16		1,702
Due from other funds	515	3	15	27,084
Inventories	3			1,078
Total current assets	5,369	16,314	500	267,347
Noncurrent assets:				
Capital assets:				
Buildings and improvements				2,963
Equipment	220	32,320		145,250
Software	397			4,418
Accumulated depreciation/amortization	(212)	(17,044)		(91,382)
Total noncurrent assets	405	15,276		61,249
Total assets	5,774	31,590	500	328,596
DEFERRED OUTFLOWS OF RESOURCES				
Pension:				
Changes in proportionate share of contributions	57			380
Contributions to the pension plan subsequent to the measurement date	1,182			7,841
Total deferred outflows of resources	1,239			8,221
LIABILITIES				
Current liabilities:				
Accounts payable	12			35,939
Accrued payroll	230			1,541
Accrued interest				1
Due to other funds	144	437		5,214
Unearned revenue				419
Loans payable				721
Capital lease payable				36
Compensated absences	149			940
Claims and judgments				43,562
Total current liabilities	535	437		88,373
Noncurrent liabilities:				
Loans payable				1,702
Capital lease payable				48
Compensated absences	216			1,365
Claims and judgments				161,221
Net pension liability	6,482			43,045
Total noncurrent liabilities	6,698			207,381
Total liabilities	7,233	437		295,754
DEFERRED INFLOWS OF RESOURCES				
Pension:				
Differences between expected and actual experience in the total pension liability	460			3,055
Net difference between projected and actual earnings on pension plan investments	1,281			8,509
Total deferred inflows of resources	1,741			11,564
NET POSITION				
Net investment in capital assets	405	15,276		61,165
Unrestricted net position	(2,366)	15,877	500	(31,666)
Total net position	$ (1,961)	31,153	500	29,499

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2015
(In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
Operating revenues:					
Charges for current services	$ 45,168	107,261	38,069	142,421	15,320
Other	134	1,341	260	3	1
Total operating revenues	45,302	108,602	38,329	142,424	15,321
Operating expenses:					
Salaries and employee benefits		27,198	5,426		
Repairs and maintenance		27,318	8,483		
Equipment rental		56	109		
Contracted services	10,626	22,224	1,564	147,418	8,738
Depreciation/amortization		497	9,824	1,374	
Utilities		26,696	261		
Cost of material		4,195	138		
Claims and judgments	36,487				16,911
Fuel		286	9,825		
Other		2,947	1,942		2
Total operating expenses	47,113	111,417	37,572	148,792	25,651
Operating income (loss)	(1,811)	(2,815)	757	(6,368)	(10,330)
Nonoperating revenues (expenses):					
Grants		5,280			
Investment earnings	541	10	93	4	186
Interest expense		(80)			
Gain (loss) on disposal of assets		(299)	658		
Total nonoperating revenues (expenses)	541	4,911	751	4	186
Income (loss) before capital contributions and transfers	(1,270)	2,096	1,508	(6,364)	(10,144)
Capital contributions		194	1,410		
Transfers in	284	2,142	797	4,734	
Transfers out		(1,228)	(231)		
Change in net position	(986)	3,204	3,484	(1,630)	(10,144)
Net position (deficits) at beginning of year (restated, see Note 30 to the financial statements)	(41,587)	(23,405)	52,922	9,136	8,813
Net position (deficits) at end of year	$ (42,573)	(20,201)	56,406	7,506	(1,331)

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2015
(In Thousands)

(Continued)	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
Operating revenues:				
Charges for current services	$ 6,594	7,412		362,245
Other	1,089	18		2,846
Total operating revenues	7,683	7,430		365,091
Operating expenses:				
Salaries and employee benefits	5,455			38,079
Repairs and maintenance	194	3,252		39,247
Equipment rental	33			198
Contracted services	1,444	497		192,511
Depreciation/amortization	75	2,285		14,055
Utilities	68			27,025
Cost of material				4,333
Claims and judgments				53,398
Fuel		1,313		11,424
Other	653		1	5,545
Total operating expenses	7,922	7,347	1	385,815
Operating income (loss)	(239)	83	(1)	(20,724)
Nonoperating revenues (expenses):				
Grants				5,280
Investment earnings	23	72		929
Interest expense				(80)
Gain (loss) on disposal of assets		82		441
Total nonoperating revenues (expenses)	23	154		6,570
Income (loss) before capital contributions and transfers	(216)	237	(1)	(14,154)
Capital contributions	5			1,609
Transfers in	722	1,250		9,929
Transfers out	(256)		(405)	(2,120)
Change in net position	255	1,487	(406)	(4,736)
Net position (deficits) at beginning of year (restated, see Note 30 to the financial statements)	(2,216)	29,666	906	34,235
Net position (deficits) at end of year	$ (1,961)	31,153	500	29,499

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2015
(In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
Cash flows from operating activities:					
Cash received from customers	$ 134	2,761	1,704	344	3
Cash received from other funds	44,528	106,742	36,407	144,683	15,317
Cash payments to suppliers	(1,281)	(81,230)	(20,420)	(152,634)	(1,452)
Cash payments to employees		(29,227)	(5,830)		
Cash payments to other funds	(10,079)	(2,815)	(3,608)	(1,043)	(6,850)
Cash paid for claims and judgments	(23,422)				(9,855)
Other payments		(97)			
Net cash provided (used) by operating activities	9,880	(3,866)	8,253	(8,650)	(2,837)
Cash flows from noncapital financing activities:					
Operating grants		4,563			
Transfers from other funds	284	2,142	797	4,734	
Transfers to other funds		(1,228)	(231)		
Principal paid on long-term debt		(1,427)			
Interest paid on long-term debt		(75)			
Proceeds from loans		843			
Other noncapital increases					
Net cash provided (used) by noncapital financing activities	284	4,818	566	4,734	
Cash flows from capital and related financing activities:					
Capital contributions			871		
Acquisition of capital assets		(24)	(10,808)		
Proceeds from sale of assets			1,004		
Principal paid on capital lease		(35)			
Interest paid on long-term debt		(6)			
Net cash provided (used) by capital and related financing activities		(65)	(8,933)		
Cash flows from investing activities:					
Investment earnings	531	9	94	4	189
Net increase (decrease) in cash and cash equivalents	10,695	896	(20)	(3,912)	(2,648)
Cash and cash equivalents - beginning of year	116,449	10,594	20,949	22,033	40,820
Cash and cash equivalents - end of year	127,144	11,490	20,929	18,121	38,172
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(1,811)	(2,815)	757	(6,368)	(10,330)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Decrease (increase) in accounts receivable		(50)	112	42	
Decrease (increase) in due from other funds	(640)	983	(330)	2,562	
Decrease (increase) in inventory		11	35		
Increase (decrease) in accounts payable	(216)	(547)	(1,869)	(5,308)	203
Increase (decrease) in accrued payroll		128	18		
Increase (decrease) in due to other funds	(518)	86	124	(952)	235
Increase (decrease) in unearned revenue		(32)			
Increase (decrease) in compensated absences		40	(4)		
Increase (decrease) in claims and judgments	13,065				7,055
Pension expense		(2,167)	(414)		
Depreciation/amortization		497	9,824	1,374	
Total adjustments	11,691	(1,051)	7,496	(2,282)	7,493
Net cash provided (used) by operating activities	9,880	(3,866)	8,253	(8,650)	(2,837)
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable			1,486		
Governmental contributions of capital assets	$	194	539		

Continued on next page

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2015
(In Thousands)

(Continued)	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 1,092	18		6,056
Cash received from other funds	6,571	7,421		361,669
Cash payments to suppliers	(191)	(137)		(257,345)
Cash payments to employees	(5,842)			(40,899)
Cash payments to other funds	(2,227)	(5,111)	(1)	(31,734)
Cash paid for claims and judgments				(33,277)
Other payments				(97)
Net cash provided (used) by operating activities	(597)	2,191	(1)	4,373
Cash flows from noncapital financing activities:				
Operating grants				4,563
Transfers from other funds	722	1,250		9,929
Transfers to other funds	(256)		(405)	(2,120)
Principal paid on long-term debt				(1,427)
Interest paid on long-term debt				(75)
Proceeds from loans				843
Other noncapital increases			15	15
Net cash provided (used) by noncapital financing activities	466	1,250	(390)	11,728
Cash flows from capital and related financing activities:				
Capital contributions				871
Acquisition of capital assets		(3,530)		(14,362)
Proceeds from sale of assets		239		1,243
Principal paid on capital lease				(35)
Interest paid on long-term debt				(6)
Net cash provided (used) by capital and related financing activities		(3,291)		(12,289)
Cash flows from investing activities:				
Investment earnings	22	72		921
Net increase (decrease) in cash and cash equivalents	(109)	222	(391)	4,733
Cash and cash equivalents - beginning of year	4,956	16,073	876	232,750
Cash and cash equivalents - end of year	4,847	16,295	485	237,483
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(239)	83	(1)	(20,724)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Decrease (increase) in accounts receivable				104
Decrease (increase) in due from other funds	(21)	9		2,563
Decrease (increase) in inventory	(2)			44
Increase (decrease) in accounts payable	2	(107)		(7,842)
Increase (decrease) in accrued payroll	23			169
Increase (decrease) in due to other funds	(38)	(79)		(1,142)
Increase (decrease) in unearned revenue				(32)
Increase (decrease) in compensated absences	62			98
Increase (decrease) in claims and judgments				20,120
Pension expense	(459)			(3,040)
Depreciation/amortization	75	2,285		14,055
Total adjustments	(358)	2,108		25,097
Net cash provided (used) by operating activities	(597)	2,191	(1)	4,373
Non-cash investing and capital financing activities:				
Capital acquisitions included in accounts payable				1,486
Governmental contributions of capital assets	$ 5			738

AGENCY FUNDS

Agency funds are used to account for situations where the County's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, assets reported in the agency funds are offset by a liability to the party on whose behalf they are held.

Property Tax Collection Funds

These funds are used for recording the collection and distribution of property taxes.

Other Agency Funds

These funds maintain assets held in an agent capacity for other governments, organizations and individuals. These assets do not support the County's programs or services. Any portion of agency fund assets held at fiscal year end for other funds are reported in those funds rather than in the agency funds.

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended June 30, 2015
(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
PROPERTY TAX COLLECTION FUNDS				
ASSETS				
Pooled cash and investments	$ 55,544	17,210,309	17,205,115	60,738
Receivables:				
Investment earnings receivable	479	3,002	3,039	442
Taxes receivable		5,948,835	5,948,835	
Total assets	56,023	23,162,146	23,156,989	61,180
LIABILITIES				
Accounts payable	151	1,641,579	1,641,044	686
Due to other governments	55,872	20,438,756	20,434,134	60,494
Total liabilities	56,023	22,080,335	22,075,178	61,180
OTHER AGENCY FUNDS				
ASSETS				
Pooled cash and investments	293,115	20,310,462	20,274,231	329,346
Cash with fiscal agents	839	10,121	10,104	856
Receivables:				
Accounts receivable	13	1	3	11
Investment earnings receivable	1,861	16,027	10,111	7,777
Other receivables		2,613	2,613	
Total assets	295,828	20,339,224	20,297,062	337,990
LIABILITIES				
Accounts payable	19,392	2,347,635	2,339,471	27,556
Warrants outstanding	158,429	9,840,073	9,804,113	194,389
Due to other governments	118,007	2,383,478	2,385,440	116,045
Total liabilities	295,828	14,571,186	14,529,024	337,990
TOTAL AGENCY FUNDS				
ASSETS				
Pooled cash and investments	348,659	37,520,771	37,479,346	390,084
Cash with fiscal agents	839	10,121	10,104	856
Receivables:				
Accounts receivable	13	1	3	11
Investment earnings receivable	2,340	19,029	13,150	8,219
Taxes receivable		5,948,835	5,948,835	
Other receivables		2,613	2,613	
Total assets	351,851	43,501,370	43,454,051	399,170
LIABILITIES				
Accounts payable	19,543	3,989,214	3,980,515	28,242
Warrants outstanding	158,429	9,840,073	9,804,113	194,389
Due to other governments	173,879	22,822,234	22,819,574	176,539
Total liabilities	$ 351,851	36,651,521	36,604,202	399,170

INTRODUCTION

Government Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)* requires that certain detailed statistical information be presented in this section, typically in ten-year trends, to assist users in utilizing the basic financial statements, notes to the financial statements, and required supplementary information in order to assess the economic condition of the County. Provisions of this Statement require that governments preparing this statistical section are encouraged but not required, to report all years of information retroactively.

In this regard, when available, ten year trend information has been provided. When accounting data or other information is unavailable, statistical tables are footnoted to indicate as such. Generally, information was unavailable because non-accounting trend data called for by Statement No. 44 which was significantly different than data reported in previous fiscal years' statistical tables was either not available from external sources in the format required or was not available in internal archived data.

Sources: Unless otherwise noted, the information in the following tables is derived from the comprehensive annual financial reports for the relevant year.

Table 1
County of San Diego
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

		Fiscal Year				
		2006	2007	2008	2009	2010
Net position						
Governmental activities						
Net investment in capital assets	$	2,367,442	2,409,050	2,468,142	2,582,854	2,595,105
Restricted		224,635	162,318	181,198	314,107	247,585
Unrestricted		(197,916)	178,231	351,326	319,669	535,103
Total governmental activities net position		2,394,161	2,749,599	3,000,666	3,216,630	3,377,793
Business-type activities						
Net investment in capital assets		97,212	112,549	126,237	148,146	164,845
Restricted						
Unrestricted		81,125	84,779	92,686	88,909	87,254
Total business-type activities net position		178,337	197,328	218,923	237,055	252,099
Primary government						
Net investment in capital assets		2,464,654	2,521,599	2,594,379	2,731,000	2,759,950
Restricted		224,635	162,318	181,198	314,107	247,585
Unrestricted		(116,791)	263,010	444,012	408,578	622,357
Total primary government net position	$	2,572,498	2,946,927	3,219,589	3,453,685	3,629,892

		Fiscal Year				
		2011	2012	2013	2014	2015
Net position						
Governmental activities						
Net investment in capital assets	$	2,675,240	2,770,556	2,861,061	3,015,405	3,042,782
Restricted		529,808	553,249	619,855	669,832	619,565
Unrestricted (1)		365,165	454,565	514,015	655,954	(1,268,029)
Total governmental activities net position		3,570,213	3,778,370	3,994,931	4,341,191	2,394,318
Business-type activities						
Net investment in capital assets		163,268	162,874	167,430	171,911	167,453
Restricted						
Unrestricted		89,602	87,348	81,185	78,547	67,948
Total business-type activities net position		252,870	250,222	248,615	250,458	235,401
Primary government						
Net investment in capital assets		2,838,508	2,933,430	3,028,491	3,187,316	3,210,235
Restricted		529,808	553,249	619,855	669,832	619,565
Unrestricted (1)		454,767	541,913	595,200	734,501	(1,200,081)
Total primary government net position	$	3,823,083	4,028,592	4,243,546	4,591,649	2,629,719

(1) 2015 reflects the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.*

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

		Fiscal Year			
	2006	2007	2008	2009	2010
Expenses					
Governmental activities					
General government	$ 240,158	249,993	298,607	275,508	304,305
Public protection	1,021,464	1,079,320	1,180,114	1,158,162	1,091,910
Public ways and facilities	128,268	133,148	144,452	151,125	131,982
Health and sanitation	559,709	580,384	638,869	678,217	681,448
Public assistance	1,015,481	1,043,454	1,114,453	1,177,320	1,171,603
Education	32,488	33,223	36,355	42,424	39,165
Recreation and cultural	23,376	28,469	33,941	34,542	33,629
Interest on long-term debt	116,692	146,997	119,138	118,927	111,942
Total governmental activities expenses	3,137,636	3,294,988	3,565,929	3,636,225	3,565,984
Business-type activities					
Airport	7,699	8,209	8,848	10,614	12,389
Wastewater management	4,733	4,422	5,320	16,666	5,523
Sanitation district	15,133	15,620	17,574	5,794	18,831
Total business-type activities expenses	27,565	28,251	31,742	33,074	36,743
Total primary government expenses	3,165,201	3,323,239	3,597,671	3,669,299	3,602,727
Program revenues					
Governmental activities					
Charges for services:					
General government	99,083	98,365	130,645	93,939	90,503
Public protection	202,941	201,332	217,953	215,343	204,405
Other activities	153,535	153,717	137,020	133,834	150,461
Operating grants and contributions	2,067,803	2,113,585	2,152,380	2,181,366	2,192,591
Capital grants and contributions	5,283	7,559	24,474	60,703	33,246
Total governmental activities program revenues	2,528,645	2,574,558	2,662,472	2,685,185	2,671,206
Business-type activities					
Charges for services:					
Airport	7,433	9,367	16,097	9,397	9,299
Wastewater management	4,322	4,662	5,318	6,567	6,616
Sanitation district	17,251	17,995	20,060	20,114	19,823
Operating grants and contributions	9,994	8,257	7,725	12,974	15,330
Capital grants and contributions	58	464			
Total business-type program revenues	39,058	40,745	49,200	49,052	51,068
Total primary government program revenues	2,567,703	2,615,303	2,711,672	2,734,237	2,722,274
Net (Expense) Revenue					
Governmental activities	(608,991)	(720,430)	(903,457)	(951,040)	(894,778)
Business-type activities	11,493	12,494	17,458	15,978	14,325
Total primary government net (expense) revenue	$ (597,498)	(707,936)	(885,999)	(935,062)	(880,453)

Continued on next page

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2011	**2012**	**2013**	**2014**	**2015**
Expenses					
Governmental activities					
General government	$ 229,767	271,485	240,409	249,066	258,169
Public protection	1,128,967	1,179,815	1,236,708	1,312,074	1,309,087
Public ways and facilities	130,239	132,166	135,432	148,209	161,341
Health and sanitation	721,939	790,907	851,246	631,543	640,020
Public assistance	1,191,559	1,175,678	1,183,923	1,418,703	1,327,664
Education	35,734	34,669	34,104	35,647	37,686
Recreation and cultural	36,699	36,128	34,204	38,903	42,748
Interest on long-term debt	106,381	102,338	95,801	92,709	86,816
Total governmental activities expenses	3,581,285	3,723,186	3,811,827	3,926,854	3,863,531
Business-type activities					
Airport	12,876	12,736	14,107	14,118	14,664
Wastewater management	5,806	5,980	22,936		
Sanitation district	21,699	22,335	5,754	28,291	30,745
Jail Stores Commissary				4,816	4,506
Total business-type activities expenses	40,381	41,051	42,797	47,225	49,915
Total primary government expenses	3,621,666	3,764,237	3,854,624	3,974,079	3,913,446
Program revenues					
Governmental activities					
Charges for services:					
General government	92,085	99,872	98,205	100,328	92,109
Public protection	235,913	237,632	244,612	240,850	250,054
Other activities	160,067	168,851	153,958	169,274	162,578
Operating grants and contributions	2,211,946	2,317,522	2,467,966	2,519,619	2,467,817
Capital grants and contributions	25,329	11,005	32,728	114,310	39,224
Total governmental activities program revenues	2,725,340	2,834,882	2,997,469	3,144,381	3,011,782
Business-type activities					
Charges for services:					
Airport	11,301	11,568	11,077	12,647	11,984
Wastewater management	6,509	6,502	6,561		
Sanitation district	20,431	18,406	18,564	25,037	26,831
Jail Stores Commissary				5,659	4,538
Operating grants and contributions	1,544	539	4,933	3,793	702
Capital grants and contributions					
Total business-type program revenues	39,785	37,015	41,135	47,136	44,055
Total primary government program revenues	2,765,125	2,871,897	3,038,604	3,191,517	3,055,837
Net (Expense) Revenue					
Governmental activities	(855,945)	(888,304)	(814,358)	(782,473)	(851,749)
Business-type activities	(596)	(4,036)	(1,662)	(89)	(5,860)
Total primary government net (expense) revenue	$ (856,541)	(892,340)	(816,020)	(782,562)	(857,609)

Continued on next page

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2006	**2007**	**2008**	**2009**	**2010**
General revenues and other changes in net position					
Governmental activities					
Taxes:					
Property taxes	$ 516,569	559,726	637,491	618,048	$ 593,553
Other taxes	34,219	26,760	20,374	15,167	15,991
Transient occupancy tax					
Real property transfer tax					
Miscellaneous taxes					
Intergovernmental unrestricted:					
Property taxes in lieu of VLF (1)	261,695	277,930	303,348	316,925	308,842
Sales and use taxes	23,475	26,534	24,872	22,435	20,576
Investment earnings	63,810	88,974	87,554	57,859	30,941
Other general revenues	78,651	95,343	80,804	118,929	85,693
Total governmental general revenues	978,419	1,075,267	1,154,443	1,149,363	1,055,596
Special Item: gain or loss on sale of properties					
Transfers	1,090	601	81	151	345
Total governmental activities	979,509	1,075,868	1,154,524	1,149,514	1,055,941
Business-type activities					
Investment earnings	7,048	4,189	4,113	2,237	1,046
Other general revenues	160	2,909	105	68	18
Total business-type general revenues	7,208	7,098	4,218	2,305	1,064
Transfers	(1,090)	(601)	(81)	(151)	(345)
Total business-type activities	6,118	6,497	4,137	2,154	719
Total primary government	985,627	1,082,365	1,158,661	1,151,668	1,056,660
Change in net position					
Governmental activities	370,518	355,438	251,067	198,474	161,163
Business-type activities	17,611	18,991	21,595	18,132	15,044
Total change in net position	$ 388,129	374,429	272,662	216,606	176,207

(1) In 2005, the County's share of vehicle license fee (VLF) was eliminated and replaced with property tax revenue.

Continued on next page

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2011	**2012**	**2013**	**2014**	**2015**
General revenues and other changes in net position					
Governmental activities					
Taxes:					
Property taxes	$ 580,570	616,183	587,145	627,709	648,974
Other taxes	16,207	17,200	20,912		
Transient occupancy tax				3,404	4,166
Real property transfer tax				20,074	21,049
Miscellaneous taxes				14	15
Intergovernmental unrestricted:					
Property taxes in lieu of VLF (1)	303,625	304,614	303,646	313,844	332,928
Sales and use taxes	22,457	25,055	24,809	24,871	27,847
Investment earnings	22,024	12,338	3,504	16,635	12,250
Other general revenues	104,260	110,676	90,789	132,612	93,889
Total governmental general revenues	1,049,143	1,086,066	1,030,805	1,139,163	1,141,118
Transfers	(778)	(28)	114	7,086	2,693
Extraordinary gain		10,423			
Total governmental activities	1,048,365	1,096,461	1,030,919	1,146,249	1,143,811
Business-type activities					
Investment earnings	582	1,151	46	502	336
Other general revenues	7	209	123	2,565	3,055
Total business-type general revenues	589	1,360	169	3,067	3,391
Transfers	778	28	(114)	(7,086)	(2,693)
Total business-type activities	1,367	1,388	55	(4,019)	698
Total primary government	1,049,732	1,097,849	1,030,974	1,142,230	1,144,509
Change in net position					
Governmental activities	192,420	208,157	216,561	363,776	292,062
Business-type activities	771	(2,648)	(1,607)	(4,108)	(5,162)
Total change in net position	$ 193,191	205,509	214,954	359,668	286,900

(1) In 2005, the County's share of vehicle license fee (VLF) was eliminated and replaced with property tax revenue.

Table 3
County of San Diego
Fund Balances Governmental Funds
Last Ten Fiscal Years
(In Thousands)

		Fiscal Year			
	2006	2007	2008	2009	2010
General Fund					
Reserved	$ 272,936	410,244	273,231	266,434	162,257
Unreserved	625,949	744,838	947,235	923,604	1,057,851
Total general fund	898,885	1,155,082	1,220,466	1,190,038	1,220,108
All Other Governmental Funds					
Reserved	278,878	274,024	199,472	213,984	175,900
Unreserved, reported in:					
Special Revenue Funds (1)	633,430	624,996	672,652	668,626	705,469
Capital Projects Funds	65,452	73,923	30,210	157,221	89,926
Total other governmental funds	$ 977,760	972,943	902,334	1,039,831	971,295

		Fiscal Year			
	2011	2012	2013	2014	2015
General Fund					
Reserved					
Unreserved					
Nonspendable(2)	$ 11,257	12,443	12,347	12,276	13,379
Restricted (2)	214,956	245,713	295,264	296,548	269,294
Committed (2)	514,739	515,234	464,831	492,175	478,980
Assigned (2)	40,614	51,325	184,526	217,628	328,588
Unassigned (2)	612,814	663,132	644,454	713,045	798,135
Total general fund	1,394,380	1,487,847	1,601,422	1,731,672	1,888,376
All Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Special Revenue Funds (1)					
Capital Projects Funds					
Nonspendable (2)	5,148	5,281	5,600	4,884	5,149
Restricted (2)	372,730	424,512	433,952	459,579	427,703
Committed (2)	467,950	440,767	413,796	395,291	379,711
Assigned (2)					228
Total other governmental funds	$ 845,828	870,560	853,348	859,754	812,791

(1) The increase in the unreserved fund balance of special revenue funds was principally due to the proceeds received from the issuance of San Diego County Tobacco Securitization Corporation Series Tobacco Settlement Asset-Backed Bonds in 2006.

(2) Beginning in fiscal year 2011, governmental fund balances are required to be reported as nonspendable, restricted, committed, assigned, and unassigned.

Table 4
County of San Diego
Changes in Fund Balances Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year				
	2006	**2007**	**2008**	**2009**	**2010**
Revenues:					
Taxes	$ 1,102,032	1,146,937	971,616	973,899	946,324
Licenses, permits and franchise fees	41,824	43,807	45,257	49,990	47,578
Fines, forfeitures and penalties	60,071	58,355	63,014	59,348	57,869
Revenue from use of money and property	76,608	93,246	137,963	70,911	46,100
Aid from other governmental agencies:					
State	867,063	927,850	1,169,642	1,161,312	1,136,756
Federal	793,039	820,851	908,582	858,066	963,285
Other	94,866	100,323	79,066	144,205	102,708
Charges for current services	314,021	325,049	312,018	316,214	318,283
Other	67,419	76,680	73,745	111,431	81,219
Total revenues	3,416,943	3,593,098	3,760,903	3,745,376	3,700,122
Expenditures:					
General government	199,349	233,471	277,286	249,324	205,456
Public protection	1,014,653	1,065,984	1,145,807	1,133,843	1,063,890
Public ways and facilities	67,145	74,319	80,051	85,802	66,393
Health and sanitation	556,165	577,389	633,382	669,725	675,256
Public assistance	1,011,315	1,043,293	1,111,701	1,172,400	1,169,287
Education	32,043	32,961	35,569	41,461	37,422
Recreation and cultural	22,964	26,774	32,042	32,561	29,982
Total CAFR Governmental functions	2,903,634	3,054,191	3,315,838	3,385,116	3,247,686
Capital outlay	109,897	138,017	157,818	179,662	205,512
Debt service:					
Principal	57,245	73,816	184,614	112,275	169,059
Interest	109,491	116,095	107,631	103,831	101,036
Bond issuance costs	6,172	885		3,959	739
Payment to refunded bond escrow agent	24,256				15,377
Total expenditures	3,210,695	3,383,004	3,765,901	3,784,843	3,739,409
Excess (deficiency) of revenues over (under) expenditures	206,248	210,094	(4,998)	(39,467)	(39,287)
Other financing sources (uses)					
Sale of capital assets	12,355	1,601	68	31	365
Issuance of bonds and loans:					
Face value of bonds issued	166,611	42,390		136,885	
Face value of loans issued		462			
Discount on issuance of bonds	(20,501)				
Premium on issuance of bonds	1,308	606		1,175	7,803
Long-term debt proceeds					
Refunding bonds issued	461,230			443,515	80,940
Payment to refunded bond escrow agent	(467,458)			(441,038)	(83,173)
Transfers in	867,973	512,386	594,512	525,424	452,018
Transfers (out)	(868,908)	(514,680)	(594,882)	(525,689)	(457,683)
Total other financing sources (uses)	152,610	42,765	(302)	140,303	270
Net change in fund balances	$ 358,858	252,859	(5,300)	100,836	(39,017)
Debt service as a percentage of noncapital expenditures	5.38%	5.85%	8.10%	5.99%	7.64%

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Table 4
County of San Diego
Changes in Fund Balances Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2011	2012	2013	2014	2015
Revenues:					
Taxes	934,737	966,512	941,644	987,061	1,038,552
Licenses, permits and franchise fees	51,144	51,823	52,746	55,819	54,181
Fines, forfeitures and penalties	54,267	53,818	50,070	47,125	49,200
Revenue from use of money and property	39,545	29,765	21,918	34,855	23,033
Aid from other governmental agencies:					
State	1,192,401	1,276,289	1,374,266	1,513,606	1,490,603
Federal	945,168	969,818	946,356	919,151	917,901
Other	72,071	82,292	138,575	169,724	106,691
Charges for current services	359,239	369,586	366,442	389,224	387,788
Other	90,486	104,647	78,455	61,409	91,903
Total revenues	3,739,058	3,904,550	3,970,472	4,177,974	4,159,852
Expenditures:					
General government	223,290	210,375	226,648	231,370	237,875
Public protection	1,088,377	1,149,575	1,187,848	1,277,698	1,353,710
Public ways and facilities	61,967	64,922	66,514	75,565	73,991
Health and sanitation	714,022	782,504	840,735	620,319	644,865
Public assistance	1,184,632	1,171,662	1,178,112	1,410,925	1,346,078
Education	34,599	32,210	32,034	33,431	37,095
Recreation and cultural	33,054	33,302	31,092	31,604	36,838
Total CAFR Governmental functions	3,339,941	3,444,550	3,562,983	3,680,912	3,730,452
Capital outlay	186,342	212,304	165,737	264,015	160,474
Debt service:					
Principal	64,016	61,241	75,687	59,535	67,542
Interest	97,290	94,320	93,678	93,232	85,673
Bond issuance costs	349	374	393		583
Payment to refunded bond escrow agent	3,437				8,461
Total expenditures	3,691,375	3,812,789	3,898,478	4,097,694	4,053,185
Excess (deficiency) of revenues over (under) expenditures	47,683	91,761	71,994	80,280	106,667
Other financing sources (uses)					
Sale of capital assets	2,673	740	5,997	58,420	984
Issuance of bonds and loans:					
Face value of bonds issued		32,665	29,335		732
Face value of loans issued					
Discount on issuance of bonds		(182)			
Premium on issuance of bonds	1,237		574		15,070
Long-term debt proceeds					
Refunding bonds issued	19,260				93,750
Payment to refunded bond escrow agent	(18,774)				(103,771)
Transfers in	426,611	460,192	460,931	478,533	434,541
Transfers (out)	(430,527)	(465,106)	(472,183)	(480,236)	(439,657)
Total other financing sources (uses)	480	28,309	24,654	56,717	1,649
Extraordinary loss		(3,126)			
Net change in fund balances	48,163	116,944	96,648	136,997	108,316
Debt service as a percentage of noncapital expenditures	4.60%	4.32%	4.54%	3.98%	3.94%

Table 5
County of San Diego
Assessed Value of Taxable Property
Last Ten Fiscal Years (1)
(In Thousands)

	Real Property		Personal Property		Less: Tax Exempt			
Fiscal Year	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured	Total Taxable Assessed Value	Total Direct Tax Rate
2006	$ 310,318,786	$ 2,748,781	$ 3,273,999	$ 9,533,091	$ 6,958,731	$ 957,441	$ 317,958,485	1.00000
2007	347,969,648	3,380,284	2,461,837	10,739,964	7,500,343	1,053,199	355,998,191	1.00000
2008	381,485,632	3,321,363	3,528,453	10,387,757	8,219,783	1,207,922	389,295,500	1.00000
2009	398,804,220	3,411,110	3,604,712	10,891,875	9,043,072	1,293,899	406,374,946	1.00000
2010	389,083,154	3,261,524	3,597,697	11,596,968	9,779,505	1,465,316	396,294,522	1.00000
2011	384,566,788	3,361,476	3,642,380	10,997,174	10,332,112	1,458,658	390,777,048	1.00000
2012	387,715,176	3,326,188	3,604,459	10,878,963	10,959,285	1,578,206	392,987,295	1.00000
2013	388,067,793	3,362,102	3,785,463	10,908,493	11,532,649	1,632,359	392,958,843	1.00000
2014	401,174,212	3,471,163	3,857,452	11,337,598	12,195,985	1,660,818	405,983,622	1.00000
2015	424,400,547	3,837,190	3,708,390	11,638,652	12,531,830	1,812,206	429,240,743	1.00000

(1) Due to the passage of Proposition 13 (Prop 13) in 1978, the County does not track the estimated actual value of real and personal properties; therefore, assessed value as a percentage of actual value is not applicable. Under Prop 13, property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value.

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 6
County of San Diego
Property Tax Rates - Direct and Overlapping Governments
(Per $100 of Assessed Value)
Last Ten Fiscal Years

	Fiscal Years									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Direct Rates (1)										
County of San Diego	0.133	0.140	0.139	0.138	0.140	0.140	0.140	0.140	0.139	0.140
Cities (3)	0.200	0.219	0.225	0.229	0.232	0.232	0.231	0.232	0.233	0.233
Schools (4)	0.637	0.605	0.600	0.597	0.594	0.594	0.595	0.594	0.594	0.593
Special Districts	0.030	0.036	0.036	0.036	0.034	0.034	0.034	0.034	0.034	0.034
Total Direct Rates	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Overlapping Rates (2)										
Cities (3)	0.004	0.005	0.005	0.004	0.004	0.004	0.004	0.004	0.004	0.004
Schools	0.059	0.055	0.058	0.050	0.063	0.066	0.073	0.073	0.103	0.102
Special Districts	0.008	0.009	0.009	0.007	0.008	0.008	0.009	0.009	0.009	0.009
Total Overlapping Rates	0.071	0.069	0.072	0.061	0.075	0.078	0.086	0.086	0.116	0.115
Total Direct and Overlapping Rates	1.071	1.069	1.072	1.061	1.075	1.078	1.086	1.086	1.116	1.115

(1) The $1.00 per $100 of Assessed Value (Proposition 13) tax rate beginning in Fiscal Year 1978-79 is distributed according to State Law on a percentage basis to each of the eligible taxing agencies in the County.

(2) Overlapping rates for cities, schools and special districts are chargeable to property owners within their respective tax rate areas (TRA). Overlapping rates do not apply to all property owners (e.g. the rates for special districts apply only to property owners whose property is located within the geographic boundary (TRA) of the special district.)

(3) Includes property tax revenue that is distributed in the Redevelopment Property Tax Trust Fund (RPTTF) starting fiscal year 2012 (Redevelopment Agencies' dissolution was February 1, 2012) to present. Prior to dissolution, property tax revenue was distributed to the redevelopment agencies.

(4) Includes property tax revenue that is distributed in the Educational Revenue Augmentation Fund (ERAF).

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 7
County of San Diego
Principal Property Taxpayers
Current Year and Nine Years Ago
(In Thousands)

	2015			2006		
Taxpayer	Secured Taxable Assessed Value	Rank	Percentage of Total Secured Taxable Assessed Value	Secured Taxable Assessed Value	Rank	Percentage of Total Secured Taxable Assessed Value
San Diego Gas & Electric Company	$ 6,736,977	1	1.62%	$ 2,862,550	1	0.93%
Qualcomm Inc	2,002,918	2	0.48%	617,429	6	0.20%
Irvine Company	1,720,791	3	0.41%	520,902	8	0.17%
Southern California Edison Company	1,587,999	4	0.38%	1,646,607	2	0.54%
Kilroy Realty LP	1,280,663	5	0.31%	751,874	4	0.25%
Host Hotels and Resorts	781,292	6	0.19%			
Pacific Bell Telephone Company	728,065	7	0.18%	801,580	3	0.26%
O C/S D Holdings LLC	612,096	8	0.15%			
B S K Del Partners LLC	587,672	9	0.14%			
La Mirage Apartments LLC	496,808	10	0.12%			
Pfizer Incorporated				640,043	5	0.21%
San Diego Ballpark Funding				603,072	7	0.20%
San Diego Family Housing LLC				473,816	9	0.15%
Fashion Valley Mall				428,018	10	0.14%
Totals	$ 16,535,281		3.98%	$ 9,345,891		3.05%

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 8
County of San Diego
Property Tax Levies and Collections
Last Ten Fiscal Years
(In Thousands)

		Collections within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Total Tax Levy for Fiscal Year (1)	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2006	$ 3,179,585	$ 3,110,799	97.84%	$ 60,105	$ 3,170,904	99.73%
2007	3,559,982	3,454,709	97.04%	96,465	3,551,174	99.75%
2008	3,892,955	3,739,090	96.05%	137,975	3,877,065	99.59%
2009	4,063,749	3,903,633	96.06%	131,070	4,034,703	99.29%
2010	3,962,945	3,821,278	96.43%	92,748	3,914,026	98.77%
2011	3,907,770	3,795,900	97.14%	56,597	3,852,497	98.59%
2012	3,929,873	3,819,892	97.20%	45,365	3,865,257	98.36%
2013	3,929,588	3,871,591	98.52%	29,381	3,900,972	99.27%
2014	4,059,836	4,011,889	98.82%	22,479	4,034,368	99.37%
2015	4,292,407	4,241,271	98.81%	N/A	4,241,271	98.81%

(1) Includes secured, unsecured and unitary tax levy for the County and school districts, cities and special districts under the supervision of independent governing boards.

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 9
County of San Diego
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(In Thousands, Except Per Capita Amount)

		Fiscal Year				
		2006	2007	2008	2009	2010
Governmental Activities:						
Certificates of Participation & Lease Revenue Bonds	$	360,625	369,685	335,532	475,913	432,760
San Diego County Redevelopment Agency Revenue Refunding Bonds		15,955	15,597	15,279	14,945	14,602
Tobacco Settlement Asset-Backed Bonds		523,123	541,108	543,687	543,374	548,817
Pension Obligation Bonds		1,231,369	1,203,698	1,068,200	1,003,490	872,540
Capital and retrofit loans		8,098	7,920	7,043	7,043	7,404
Capitalized Leases		31,894	29,623	27,590		242
Business-type Activities:						
Capital Loans		2,745	2,551	2,255	2,038	1,809
Total Primary Government	$	2,173,809	2,170,182	1,999,586	2,046,803	1,878,174
Percentage of Personal Income (1)		1.72%	1.63%	1.39%	1.52%	1.37%
Per Capita (1)	$	737	730	636	643	582

		Fiscal Year				
		2011	2012	2013	2014	2015
Governmental Activities:						
Certificates of Participation & Lease Revenue Bonds	$	402,396	410,126	413,992	396,173	376,955
San Diego County Redevelopment Agency Revenue Refunding Bonds (2)		14,243				
Tobacco Settlement Asset-Backed Bonds		556,039	562,391	551,350	551,442	542,883
Pension Obligation Bonds		839,652	805,272	769,068	732,330	692,338
Capital and retrofit loans		7,162	6,167	5,169	5,124	5,188
Capitalized Leases		212	185	152	119	84
Business-type Activities:						
Capital Loans		1,566	1,313	1,046	766	475
Total Primary Government	$	1,821,270	1,785,454	1,740,777	1,685,954	1,617,923
Percentage of Personal Income (1)		1.20%	1.15%	1.11%	0.99%	0.90%
Per Capita (1)	$	585	571	552	528	501

(1) See Table 13 Demographic and Economic Statistics

(2) Pursuant to California Assembly Bill ABx1 26, the responsibility for the payment of this debt was transferred to the County of San Diego Successor Agency Private Purpose Trust Fund

Table 10
County of San Diego
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, Except Per Capita Amount)

		Fiscal Year				
		2006	**2007**	**2008**	**2009**	**2010**
Certificates of Participation & Lease Revenue Bonds	$	360,625	369,685	335,532	475,913	432,760
Less: Amounts Available in Debt Service Fund		29,380	35,238	26,474	50,513	35,547
Net Certificates of Participation & Lease Revenue Bonds		331,245	334,447	309,058	425,400	397,213
Pension Obligation Bonds		1,231,369	1,203,698	1,068,200	1,003,490	872,540
Less: Amounts Available in Debt Service Fund		50,822	27,328	15,248	15,741	3,364
Net Pension Obligation Bonds		1,180,547	1,176,370	1,052,952	987,749	869,176
Total Net Bonded Debt	$	1,511,792	1,510,817	1,362,010	1,413,149	1,266,389
Percentage of Actual Taxable Value of Property (1)		0.48%	0.42%	0.35%	0.35%	0.32%
Per Capita (2)	$	513	508	433	444	393

		Fiscal Year				
		2011	**2012**	**2013**	**2014**	**2015**
Certificates of Participation & Lease Revenue Bonds	$	402,396	410,126	413,992	396,173	376,955
Less: Amounts Available in Debt Service Fund		26,867	26,860	28,140	27,728	28,798
Net Certificates of Participation & Lease Revenue Bonds		375,529	383,266	385,852	368,445	348,157
Pension Obligation Bonds		839,652	805,272	769,068	732,330	692,338
Less: Amounts Available in Debt Service Fund		2,117	629	161	423	877
Net Pension Obligation Bonds		837,535	804,643	768,907	731,907	691,461
Total Net Bonded Debt	$	1,213,064	1,187,909	1,154,759	1,100,352	1,039,618
Percentage of Actual Taxable Value of Property (1)		0.31%	0.30%	0.29%	0.27%	0.24%
Per Capita (2)	$	389	380	366	345	322

(1) See Table 5 Assessed Value of Taxable Property - Total Assessed Value
(2) See Table 13 Demographic and Economic Statistics - Population Data

Table 11
County of San Diego
Legal Debt Margin Information
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit (1)	Legal Debt Margin	Legal Debt Margin/ Debt Limit
2006	$ 3,974,481		3,974,481	100%
2007	4,449,977		4,449,977	100%
2008	4,866,194		4,866,194	100%
2009	5,079,687		5,079,687	100%
2010	4,953,682		4,953,682	100%
2011	4,884,713		4,884,713	100%
2012	4,912,341		4,912,341	100%
2013	4,911,986		4,911,986	100%
2014	5,074,795		5,074,795	100%
2015	5,365,509		5,365,509	100%

Legal Debt Margin Calculation for Fiscal Year 2015	
Assessed value	$ 429,240,743
Debt limit (1.25% of total assessed value) (2)	5,365,509
Debt applicable to limit:	
General obligation bonds	
Less: Amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	
Legal debt margin	$ 5,365,509

(1) For the fiscal years presented, the County had no debt that qualified as indebtedness subject to the bonded debt limit under the California Constitution.

(2) Under California State law, the total amount of bonded indebtedness shall not at any time exceed 1.25% of the taxable property of the County as shown by the last equalized assessment roll.

Table 12
County of San Diego
Pledged-Revenue Coverage
Last Ten Fiscal Years
(In Thousands)

	Tobacco Settlement Asset-Backed Bonds (1)					
Fiscal Year	**Tobacco Settlement Revenues**	**Less: Operating Expenses (2)**	**Net Available Revenue**	**Principal (3)**	**Interest**	**Coverage**
2006	$ 27,915	$ 173	$ 27,742	$ 1,550	$ 11,975	2.05
2007	29,219	164	29,055	3,100	26,820	0.97
2008	31,106	146	30,960	6,865	26,599	0.93
2009	34,181	156	34,025	10,000	26,273	0.94
2010	28,503	151	28,352	4,500	25,798	0.94
2011	26,976	158	26,818	2,995	25,584	0.94
2012	27,509	165	27,344	3,755	25,442	0.94
2013	41,460	111	41,349	17,035	25,263	0.98
2014	27,256	195	27,061	5,750	24,453	0.90
2015	26,982	190	26,792	14,760	24,181	0.69

(1) Data for fiscal years 2006 applies to the Series 2001 Tobacco Settlement Asset-Backed (Tobacco) bonds that were issued in 2002. In May 2006, the Series 2001 Tobacco bonds were refunded and the Series 2006 Tobacco Settlement Asset-Backed bonds were issued.

(2) Operating expenses do not include interest.

(3) Tobacco Principal Debt Service requirements include Turbo Principal payments.

Table 13
County of San Diego
Demographic and Economic Statistics
Last Ten Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (in dollars)	School Enrollment (3)	Unemployment Rate (4)
2006	2,948,362	$ 126,194,000	$ 42,801	495,228	4.1
2007	2,974,861	133,369,000	44,832	496,699	4.6
2008	3,146,274	143,873,000	45,728	494,016	6.0
2009	3,185,462	134,696,000	42,285	496,702	9.7
2010	3,224,432	137,525,000	42,651	496,995	10.7
2011	3,115,810	151,539,000	48,635	498,243	10.7
2012	3,128,734	155,500,000	49,701	498,263	9.5
2013	3,150,178	156,600,000	49,711	499,850	8.1
2014	3,194,362	170,300,000	53,313	503,096	6.4
2015	3,227,496	179,800,000	55,709	503,848	5.0

Sources:
Primary
(1) California Department of Finance
(2) Los Angeles County Economic Development Corporation, The Kyser Center for Economic Research
(3) California Department of Education
(4) U.S. Department of Labor, Bureau of Labor Statistics
Secondary
(1) U.S. Department of Commerce, Bureau of Economic Analysis

Table 14
County of San Diego
Principal Employers
Current Year and Nine Years Ago

	2015			2006		
Employer	**Employees (1)**	**Rank**	**Percentage of Total County Employment (2)**	**Employees (1)**	**Rank**	**Percentage of Total County Employment (3)**
University of California, San Diego	29,287	1	1.97%	27,200	3	1.90%
County of San Diego (4)	17,044	2	1.15%	16,772	5	1.17%
Sharp HealthCare	16,896	3	1.14%	13,377	6	0.93%
Scripps Health	14,644	4	0.98%	10,932	8	0.76%
Qualcomm Inc.	13,500	5	0.91%			
Kaiser Permanente	7,535	6	0.51%	7,432	9	0.52%
UC San Diego Health	7,229	7	0.49%			
YMCA of San Diego County	5,487	8	0.37%			
Rady Children's Hospital - San Diego	5,122	9	0.34%			
General Atomics Aeronautical Systems Inc.	5,088	10	0.34%			
Federal Government				39,100	1	2.73%
State of California				38,800	2	2.71%
San Diego Unified School District				19,777	4	1.38%
City of San Diego				11,777	7	0.82%
U.S. Postal Service, San Diego District				6,937	10	0.48%
Total	121,832		8.20%	192,104		13.40%

Sources:
(1) San Diego Business Journal
(2) California Labor Market Info
Percentage is calculated by dividing employees by total employment of 1,487,900 as of June 2015
(3) California Labor Market Info
Percentage is calculated by dividing employees by total employment of 1,431,800 as of June 2006
(4) County of San Diego 2015 and 2006 Adopted Operational Plans

Table 15
County of San Diego
Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

	Fiscal Year				
Function	**2006**	**2007**	**2008**	**2009**	**2010**
General	1,486	1,505	1,538	1,515	1,487
Public protection	7,673	7,804	8,027	7,879	7,575
Public ways and facilities	366	373	393	405	390
Health and sanitation	2,127	2,188	2,242	2,222	2,136
Public assistance	3,761	3,659	3,781	3,659	3,497
Education	275	295	297	312	293
Recreation and cultural	158	168	180	176	173
Total	15,846	15,992	16,458	16,168	15,551

	Fiscal Year				
Function	**2011**	**2012**	**2013**	**2014**	**2015**
General	1,477	1,451	1,485	1,479	1,485
Public protection	7,362	7,430	7,638	7,859	7,923
Public ways and facilities	374	367	369	366	356
Health and sanitation	2,088	2,045	2,068	2,029	1,994
Public assistance	3,321	3,440	3,728	4,160	4,368
Education	277	256	251	246	259
Recreation and cultural	169	171	162	172	166
Total	15,068	15,160	15,701	16,311	16,551

Source: County of San Diego Auditor and Controller, Central Payroll Administration

Table 16
County of San Diego
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year				
Function	**2006**	**2007**	**2008**	**2009**	**2010**
General					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	96.10%	94.50%	99.80%	94.00%	93.00%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	100.00%	100.00%	100.00%	100.00%	100.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	98.00%	97.20%	96.00%	96.30%	97.00%
Public protection					
Child Support Services: Percent of current support collected (federal performance measure #3)	49.00%	50.00%	51.00%	50.00%	53.00%
Sheriff: Number of jail bookings	144,727	146,566	142,357	144,756	139,314
Sheriff: Daily average – number of inmates	5,184	5,118	5,209	5,141	4,751
District Attorney: Felony defendants received	31,182	30,357	27,849	28,150	27,744
District Attorney: Misdemeanor defendants received	28,068	28,081	28,458	29,512	28,896
Planning and Land Use: Building inspections completed next day	100.00%	100.00%	100.00%	100.00%	100.00%
Animal Services: Percent of euthanized animals that were treatable	12.90%	13.80%	15.80%	15.90%	24.00%
Public ways and facilities					
Public Works: Protect water quality through Department of Public Works roads/drainage waste debris removal (cubic yards removed)	51,287	28,700	29,580	29,180	28,802
Health and sanitation					
Regional Operations: Children age 0-4 years receive age-appropriate vaccines	(1)	(1)	(1)	(1)	99.00%
Regional Operations: Children age 11-18 years receive age-appropriate vaccines	(1)	(1)	(1)	(1)	97.00%
Regional Operations: Children age 0-18 years receive age-appropriate vaccines	(1)	(1)	(1)	(1)	(1)
Behavioral Health Services: Wait time for children's mental health outpatient treatment	4 days	4 days	4 days	7 days	5 days
Public assistance					
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	96.00%	96.00%	95.00%	96.00%	95.00%
Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equivalent)	79.00%	83.00%	86.00%	87.00%	85.20%
Child Welfare Services: Family participation in joint case planning and meetings quarterly	(1)	(1)	(1)	(1)	(1)
Eligibility Operations: CalWORKs applications processed timely to help eligible families become more self-sufficient	(1)	(1)	(1)	(1)	(1)
Education					
County Library: Annual average circulation per item	2.57	3.08	3.10	5.44	6.46
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and managed	40,600	41,100	41,500	45,043	44,616
Parks and Recreation: Number of miles of trails managed in the County trails program	275	305	315	320	325

(1) Trend data not available

Source: Various County departments

Continued on next page

Table 16
County of San Diego
Operating Indicators by Function
Last Ten Fiscal Years

(Continued)

Function	Fiscal Year 2011	2012	2013	2014	2015
General					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	94.00%	98.00%	74.30%	99.00%	98.00%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	100.00%	99.00%	99.00%	100.00%	100.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	98.00%	97.00%	98.00%	99.10%	99.10%
Public protection					
Child Support Services: Percent of current support collected (federal performance measure #3)	59.00%	64.00%	67.00%	68.00%	71.00%
Sheriff: Number of jail bookings	136,451	130,044	126,836	89,936	82,702
Sheriff: Daily average – number of inmates	4,622	4,846	5,274	5,706	5,226
District Attorney: Felony defendants received	26,619	25,983	27,745	27,424	22,302
District Attorney: Misdemeanor defendants received	28,926	26,800	25,080	27,441	31,242
Planning and Land Use: Building inspections completed next day	100.00%	100.00%	100.00%	98.00%	98.00%
Animal Services: Percent of euthanized animals that were treatable	26.40%	25.30%	28.00%	20.00%	12.80%
Public ways and facilities					
Public Works: Protect water quality through Department of Public Works roads/drainage waste debris removal (cubic yards removed)	27,680	25,404	25,000	60,045	27,010
Health and sanitation					
Regional Operations: Children age 0-4 years receive age-appropriate vaccines	99.00%	99.00%	99.50%	(1)	(1)
Regional Operations: Children age 11-18 years receive age-appropriate vaccines	97.00%	99.00%	99.40%	(1)	(1)
Regional Operations: Children age 0-18 years receive age-appropriate vaccines	(1)	(1)	(1)	99.00%	99.00%
Behavioral Health Services: Wait time for children's mental health outpatient treatment	5 days	5 days	4 days	3.5 days	(1)
Public assistance					
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	96.00%	96.00%	97.00%	95.00%	97.00%
Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equivalent)	82.00%	79.00%	83.00%	79.00%	(1)
Child Welfare Services: Family participation in joint case planning and meetings quarterly	(1)	(1)	(1)	(1)	56.00%
Eligibility Operations: CalWORKs applications processed timely to help eligible families become more self-sufficient	(1)	(1)	(1)	(1)	96.00%
Education					
County Library: Annual average circulation per item	9.95	7.98	7.52	6.84	7.47
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and managed	45,187	45,661	47,270	47,907	48,098
Parks and Recreation: Number of miles of trails managed in the County trails program	326	329	330	336	359

(1) Trend data not available

Source: Various County departments

Table 17
County of San Diego
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
Function	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
General government										
Fleet vehicles	1,797	1,492	2,186	1,841	1,608	1,664	1,872	1,762	1,762	1,825
Buildings	1,029	1,108	1,131	1,135	1,092	1,096	1,085	1,126	1,136	1,114
Land	896	917	940	989	1,015	1,042	1,073	1,090	1,124	1,136
Public protection										
Building - sub stations	5	9	12	12	11	12	12	12	15	16
Patrol units	920	1,415	1,491	1,519	1,806	1,404	1,310	1,402	1,473	1,448
Detention facilities	9	10	10	10	10	10	10	9	10	10
Public ways and facilities										
Road miles	1,911.18	1,921.25	1,927.99	1,929.40	1,930.70	1,932.05	1,932.83	1,938.63	1,938.71	1,940.48
Bridges	174	174	178	178	178	178	196	200	200	201
Airports	8	8	7	7	7	7	7	7	7	7
Road stations	32	15	15	15	15	14	14	13	13	13
Health and sanitation										
Inactive landfills	11	18	17	17	23	23	23	23	23	23
Sewer lines miles	379.31	379.83	406.00	425.10	427.00	432.00	432.00	432.00	432.00	432.00
Water pollution control facilities	2	3	3	3	4	5	5	5	6	1
Wastewater treatment plants	(1)	(1)	(1)	(1)	(1)	(1)	3	3	3	3
Wastewater pump stations	(1)	(1)	(1)	(1)	(1)	(1)	8	8	8	8
Public assistance										
Administration building	1	1	1	1	1	1	0	1	1	1
Housing facilities	6	6	6	6	6	6	6	6	6	6
Education										
Libraries	27	20	20	20	20	20	20	20	20	20
Recreation and cultural										
Parks/open space area	90	92	95	92	92	91	91	91	91	109
Campgrounds	9	9	9	8	8	8	8	8	8	8

(1) Trend data not available

Source: Various County departments

Photo credits

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County of San Diego, California

County Administration Center

1600 Pacific Highway, San Diego CA 92101
www.sdcounty.ca.gov

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Indenture, the Facility Lease and the Site Lease are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2016A Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

"Additional Bonds" means the additional bonds authorized by a Supplemental Indenture that are authenticated and delivered by the Trustee under and pursuant to the Indenture.

"Additional Payments" means the additional payments payable by the County under and pursuant to the Facility Lease as summarized herein in paragraph (b) under the caption "THE FACILITY LEASE – Rental Payments – Rental Payments."

"Additional Project" means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Bonds.

"Administrative Expense Fund" means the fund by that name established in accordance with the Indenture.

"Annual Debt Service" means, for any Fiscal Year, the sum of (1) the interest payable on all Outstanding Bonds in such Fiscal Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Fiscal Year, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid in such Fiscal Year (together with the redemption premiums, if any, thereon).

"Assignment Agreement" means that certain Assignment Agreement, dated as of March 1, 2016, by and between the Authority and the Trustee, as it may from time to time be amended.

"Authority" means the San Diego Regional Building Authority, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Average Annual Debt Service" means an amount equal to the average of the Annual Debt Service for all Fiscal Years, including the Fiscal Year in which the calculation is made.

"Base Rental Payment Date" means 1st day of the month preceding each Interest Payment Date.

"Base Rental Payments" means the aggregate base rental payments with interest components and principal components payable by the County under and pursuant to the Facility Lease, as summarized herein in paragraph (a) under the caption "THE FACILITY LEASE – Rental Payments – Rental Payments."

"Beneficial Owner" shall have the meaning set forth in the Continuing Disclosure Agreement.

"Bond Insurance Policy" means the Bond Insurance Policy, if any, issued by the applicable Insurer and guaranteeing, in whole or in part, the scheduled payment of principal of and interest on a Series of Bonds when due.

"Bonds" means the Series 2016A Bonds and all Additional Bonds.

"Bond Year" means the twelve month period ending on October 15 of each year to which reference is made.

"Business Day" means a day other than (i) Saturday or Sunday or (ii) a day on which banking institutions in Los Angeles, California, New York, New York, or the city or cities in which the principal corporate trust office of the Trustee are closed or (iii) a day on which the New York Stock Exchange is closed. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture, and, unless otherwise specifically provided in the Indenture, no interest shall accrue for the period from and after such nominal date.

"Certificate of Completion" means a Certificate of the County filed with the Trustee, stating that construction of the Project has been substantially completed and that all Construction Costs have been paid or provided for.

"Certificate," "Statement," "Written Request" and "Requisition" of the Authority or of the County means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by its Chair, Vice Chair, Secretary or Assistant Secretary, or any other person designated and authorized to sign for the Authority in writing to the Trustee, and with respect to the County means the DCAO/Auditor and Controller, the Treasurer-Tax Collector, the Chief Deputy Treasurer, the Chief Investment Officer, the Group Finance Director, the Debt Finance Manager or such other person as may be designated and authorized to sign for the County in writing to the Trustee. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing Date" means March 3, 2016.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Reserve Account" means the account of that name established in the Reserve Fund pursuant to the Indenture to secure the Common Reserve Bonds.

"Common Reserve Bonds" means the Series 2016A Bonds and any Series of Additional Bonds secured by the Common Reserve Account as provided in the Supplemental Indenture providing for the issuance of each such Series of Additional Bonds.

"Construction Costs" means all costs of constructing the Project, including, but not limited to:

(1) all costs which the Authority or the County shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the construction, installation or improvement of the Project;

(2) obligations of the Authority, the County or others incurred for labor and materials (including obligations payable to the Authority, the County or others for actual out-of-pocket expenses of the Authority, the County or others) in connection with the construction, installation or improvements of the Project, including reimbursement to the Authority, the County or others for all advances and payments made in connection with the Project prior to or after delivery of the Bonds.

(3) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of construction, installation or improvement of the Project;

(4) all costs of engineering and architectural services, including the actual out-of-pocket costs of the Authority or the County for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper construction, installation or improvement of the Project; and

(5) any sums required to reimburse the Authority or the County for advances made by the Authority or the County for any of the above items or for any other costs incurred and for work done by the Authority or the County which are properly chargeable to the construction, installation or improvement of the Project.

"Construction Fund" means the fund by that name established pursuant to the Indenture.

"Continuing Disclosure Agreement" means collectively, the Continuing Disclosure Agreement executed by the County at the time of the initial issuance of the Series 2016A Bonds, together with any Continuing Disclosure Agreement executed by the County at the time of the execution and delivery of any Additional Bonds, as originally executed and as each such Agreement may be amended from time to time in accordance with the terms thereof.

"Cost of Issuance Fund" means the fund by that name established in accordance with the Indenture.

"Costs of Issuance" means all the costs of executing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement, the Bonds and the preliminary official statement and final official statement pertaining to the Bonds; rating agency fees; financial advisor fees; verification agent fees; bidding agent fees; title insurance fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the Facility Lease of the Leased Property; any computer and other expenses incurred in connection with the Bonds; the fees and expenses of the Trustee, including fees and expenses of their respective counsel; and other fees and expenses incurred in connection with the execution of the Bonds, to the extent such fees and expenses are approved by the County.

"County" means the County of San Diego, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

"Defeasance Securities" means any of the following:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations;
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA); and
- State and Local Government Series; and

(3) Obligations described in paragraph (7) of the definition of Permitted Investments.

"DTC" means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds including any such successor appointed pursuant to the Indenture.

"Earnings Fund" means the fund by that name established in accordance with the Indenture.

"Event of Default" means any occurrence or event specified in and defined by the Indenture.

"Expiry Date" means October 15, 2035.

"Facility Lease" means that certain Facility Lease, dated as of March 1, 2016, with respect to the Leased Property, by and between the County, as sublessee, and the Authority, as sublessor, as originally executed and as it may be amended from time to time.

"Financial Newspaper" means The Wall Street Journal or The Bond Buyer or, if neither such newspaper is being regularly published, any other newspaper or journal publishing financial news and selected by the County that is printed in the English language, is customarily published on each Business Day and is circulated in Los Angeles, California and New York, New York.

"Fiscal Year" means the fiscal year of the County which, as of the Closing Date, is the period from July 1 to and including the following June 30.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

"Hazardous Substances" means any substances, pollutants, wastes and contaminants now or hereafter included in such (or similar term) term under any federal state or local statute, ordinance, code or regulation now existing or hereafter enacted or amended.

"Indenture" means the Indenture by and among the Trustee, the County and the Authority, dated as of March 1, 2016, as originally executed and as it may from time to time be amended or supplemented in accordance with the Indenture.

“Insurance Consultant” means an individual or firm retained by the County as an independent insurance consultant, experienced in the field of risk management.

“Insurance Proceeds and Condemnation Awards Fund” means the fund by that name established in accordance with the Indenture.

“Insurer” means the issuer or issuers of a policy or policies of municipal bond insurance obtained by the County to insure the payment of principal of and interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. All consents, approvals or actions required by the Insurer shall mean the unanimous action of all Insurers if there is more than a single Insurer. There is no Insurer with respect to the Series 2016A Bonds.

“Interest Account” means the Series 2016A Interest Account and each additional account established for the payment of interest of a Series of Additional Bonds within the Revenue Fund in accordance with the Indenture.

“Interest Payment Date” means October 15, 2016 and each April 15, and October 15, thereafter.

“Interest Period” means each period from and including one Interest Payment Date to but excluding the next following Interest Payment Date, except that the initial Interest Period will be the period from and including the date of the initial delivery of the Series 2016A Bonds to but excluding October 15, 2016.

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement by and between the County and the San Diego Metropolitan Transit Development Board, dated August 25, 1987, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions of the Indenture and thereof.

“Leased Property” means the real property and the improvements thereon (as the same may be changed from time to time by Removal or Substitution).

“Lease Year” means the period from each July 1 to and including the following June 30 during the term of the Facility Lease; *provided* that the final Lease Year shall terminate on the Expiry Date.

“Mandatory Sinking Account Payment” means the principal amount of any Bond required to be paid on each Mandatory Sinking Account Payment Date pursuant to the terms of the Indenture or any Supplemental Indenture.

“Mandatory Sinking Account Payment Date,” if applicable, means October 15 of each year set forth in the Indenture and in any Supplemental Indenture.

“Maximum Annual Debt Service” means an amount equal to the largest Annual Debt Service for all future Fiscal Years beginning in the Fiscal Year in which the calculation is made.

“Moody’s” means Moody’s Investors Service, Inc. a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

"MTS" means the San Diego Metropolitan Transit System, a body corporate and politic, duly organized and existing under and by virtue of the laws of the State of California.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

"Outstanding" when used as of any particular time with reference to Bonds, means all Bonds, including, but not limited to, the Bonds as described in the Indenture, except:

(1) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds which pursuant to the Indenture are not deemed outstanding;

(3) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(4) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered by the Trustee pursuant to the Indenture.

"Owner" means any person who shall be the registered owner of any Outstanding Bond as indicated in the registration books of the Trustee.

"Permitted Encumbrances" means, as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Facility Lease, permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) the Facility Lease, as it may be amended from time to time; (iv) the Site Lease, as it may be amended from time to time; (v) the Indenture, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of San Diego; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of the Facility Lease and to which the Authority and the County consent in writing and certify to the Trustee will not materially impair the ownership interests of the Authority or use of the Facilities by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest on the Bonds.

"Permitted Investments" means any of the following to the extent then permitted by applicable laws and any investment policies of the County:

(1) Defeasance Securities;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank;
- Rural Economic Community Development Administration;
- U.S. Maritime Administration;
- Small Business Administration;
- U.S. Department of Housing & Urban Development (PHAs);
- Federal Housing Administration; and
- Federal Financing Bank.

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- — Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
- — Obligations of the Resolution Funding Corporation (REFCORP);
- — Senior debt obligations of the Federal Home Loan Bank System; and
- — Senior debt obligations of other Government Sponsored Agencies approved by the Insurer.

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P.

(7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of "Defeasance Securities" contained in the Indenture, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal Obligations rated in the top two rating categories or higher by both Moody's and S&P.

(9) Investment Agreements rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel);

(10) Any investment authorized by California Government Code Section 53061;

(11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture;

(12) The San Diego County Investment Pool, managed by the Treasurer-Tax Collector of the County of San Diego, California; and

(13) Other forms of investments rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel).

Any references to long-term rating categories in this definition of "Permitted Investments" shall not take into account any plus or minus sign or numerical modifiers.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee at the address set forth in the Indenture, except for purposes of payment, registration, transfer, exchange and surrender of Bonds, means the corporate trust office of the Trustee in Los Angeles, California, or such other office specified by the Trustee.

"Principal Account" means the Series 2016A Principal Account and each additional account established for the payment of principal of a Series of Additional Bonds within the Revenue Fund established in accordance with the Indenture.

"Principal Payment" means the principal amount of Bonds required to be paid on each Principal Payment Date.

"Principal Payment Date" means October 15 of each year, commencing October 15, 2016.

"Project" means, as appropriate, the 2009 Project and/or any Additional Project.

"Real Property" means the real property described in the Facility Lease.

"Rebate Requirement" means the Rebate Requirement as defined in the Tax Certificate.

"Record Date" means the close of business on the 1st day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established in accordance with the Indenture.

"Removal" means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Site Lease as provided in the Facility Lease.

"Rental Payments" means, collectively, the Base Rental Payments and the Additional Payments.

"Representation Letter" means the Letter of Representations from the County and the Trustee to DTC, or any successor securities depository for the Bonds, in which the County and the Trustee make certain representations with respect to the Bonds, the payment with respect thereto and delivery of notices with respect thereto.

"Reserve Account" means either the Common Reserve Account or any other reserve account established pursuant to the Indenture, which account may secure one or more Series of Additional Bonds as provided in the Supplemental Indenture providing for the establishment thereof.

"Reserve Fund" means the fund by that name established in accordance with the Indenture.

"Reserve Fund Credit Facility" shall mean a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in a Reserve Account in lieu of or in partial substitution for cash or securities on deposit therein.

"Reserve Fund Requirement" means (a) with respect to Common Reserve Bonds an amount equal to the lesser of (i) 50% of the Maximum Annual Debt Service attributable to the Outstanding Common Reserve Bonds or (ii) 125% of Average Annual Debt Service attributable to the Outstanding Common Reserve Bonds; provided however, that the Reserve Fund Requirement when issuing a new Series of Common Reserve Bonds shall be the lesser of (i) or (ii) above, but limited to the addition to the Reserve Fund of no more than 10% of the proceeds from the sale of such Series of Bonds and (b) with respect to any Series of Additional Bonds that are not Common Reserve Bonds, such amount, if any, as shall be specified in the Supplemental Indenture authorizing the issuance of such Series of Additional Bonds; and (c) provided however, that the Reserve Fund Requirement shall in no event exceed an amount permitted by the Code.

"Revenue Fund" shall have the meaning given to such term in the Indenture.

"Revenues" means all Base Rental Payments pursuant to the Facility Lease, and all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority from the operation or use of the Leased Property, including interest or profits from the investment of money in any account or fund (other than the Excess Earnings Fund) pursuant to the Indenture.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

"Series", when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture or a Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Series 2009A Bonds" means the San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project), Series 2009A.

"Series 2016A Bonds" means the San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A.

"Serial Bonds" means Bonds for which no sinking fund payments are provided.

"Site Lease" means that certain Site Lease, dated as of March 1, 2016, with respect to the Leased Property, by and between the County, as lessor, and the Authority, as lessee, as originally executed and as it may be amended from time to time.

"Substitution" means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Site Lease, and the lease of substituted real property and improvements under the Facility Lease and under the Site Lease as provided in the Facility Lease.

"Supplemental Indenture" means an agreement amending or supplementing the terms of the Indenture entered into pursuant to the terms of the Indenture.

"Surplus Subaccount" means the account by that name established in accordance with the Indenture.

"Tax Certificate" means that Tax Certificate and Agreement, by and between the County and the Authority, executed at the time of execution and delivery of a Series of Bonds relating to the requirements of Section 148 of the Code, as such Tax Certificate and Agreement may be amended or supplemented.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Trustee" means Zions Bank, a division of ZB, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and having a principal corporate trust office located at Los Angeles, California, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture.

"2009 Project" means the public facilities financed with the proceeds of the Series 2009A Bonds.

"Underwriter" means Barclays Capital Inc., on its own behalf and as representative of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Fidelity Capital Markets.

INDENTURE

The Bonds

Terms of Series 2016A Bonds. The Series 2016A Bonds shall be designated "San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A," shall be executed and delivered in the form of fully registered Series 2016A Bonds, without coupons, in Authorized Denominations and shall be payable in lawful money of the United States of America.

The Series 2016A Bonds shall be dated their date of delivery. Each Series 2016A Bond shall bear interest from the Interest Payment Date to which interest has been paid or duly provided for next preceding its date of authentication, unless such date of authentication shall be (i) prior to the close of business on October 15, 2016, in which case such Series 2016A Bond shall bear interest from its date of delivery, (ii) subsequent to a Record Date but before the related Interest Payment Date, in which case such Series 2016A Bond shall bear interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such Series 2016A Bond shall bear interest from such date of authentication; *provided, however*, that if, as shown by the records of the Trustee, interest shall be in default, each Series 2016A Bond shall bear interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

Method and Place of Payment. The principal of the Series 2016A Bonds shall be payable, subject to prior redemption, on each Principal Payment Date, as the case may be, in each of the years and in the amounts and with the rate of interest components set forth in the Indenture.

Except as otherwise provided in the Representation Letter, the interest on the Series 2016A Bonds shall be payable on each Interest Payment Date by check sent by first class mail by the Trustee to the respective Owners of the Series 2016A Bonds as of the Record Date for such Interest Payment Date at their addresses shown on the books required to be kept by the Trustee pursuant to the provisions of the Indenture. Payments of defaulted interest on any Series 2016A Bond shall be paid by check to the Owner as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owner of the Series 2016A Bond not less than ten days prior thereto. The principal and premium, if any, of the Series 2016A Bonds shall be payable upon presentation and surrender thereof on maturity or on redemption prior thereto at the Principal Corporate Trust Office of the Trustee.

The Owner of $1,000,000 or more in aggregate principal amount of the Series 2016A Bonds may request in writing that the Trustee pay the interest on the Series 2016A Bonds by wire transfer to an account in the United States of America and the Trustee shall comply with such request for all Interest Payment Dates following the 15th day after receipt of such request.

Principal and Interest Payments. The principal of the Series 2016A Bonds shall be payable on the Principal Payment Dates indicated in the Indenture and the interest on the Series 2016A Bonds shall be payable on each Interest Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

Transfer and Payment of Bonds; Exchange of Bonds. All Bonds may be presented for transfer by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of the Indenture, upon surrender of such Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Bond as the absolute owner of such Bond for all purposes, whether or not such Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability of by such Bond to the extent of the sum or sums so paid.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall execute and deliver a new Bond or Bonds in the same principal amount in Authorized Denominations. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be presented for exchange at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Bond during the period in which the Trustee is selecting Bonds for redemption, nor shall the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption thereof.

Book-Entry Bonds. Notwithstanding any provision of the Indenture to the contrary, the transfer provisions of the Indenture do not apply if the ownership of the Bonds is in book-entry form.

(a) Except as summarized in subparagraph (d) of this section, the registered Owner of all of the Bonds shall be DTC, and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Notwithstanding anything to the contrary contained in the Indenture, payment of interest with respect to any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of same-day funds to the account of Cede & Co. on the Interest Payment Date for the Bonds at the address indicated on the Record Date or special record date for Cede & Co. in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture or as otherwise provided in the Representation Letter.

(b) The Bonds shall be initially executed and delivered in the form of separate single fully registered Bonds in the amount of each separate stated maturity of the Bonds. Upon initial execution and delivery, the ownership of such Bonds shall be registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture in the name of Cede & Co., as nominee of DTC. The Trustee and the County shall treat DTC (or its nominee) as the sole and exclusive Owner of the Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to the Bonds, selecting the Bonds or portions thereof to be prepaid, giving any notice permitted or required to be given to Owners under the Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and neither the Trustee nor the County shall be affected by any notice to the contrary. Neither the Trustee nor the County shall have any responsibility or obligation to any person claiming a beneficial ownership interest in the Bonds under or through DTC, or any other person which is not shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture as being an Owner, with respect to (i) the accuracy of any records maintained by DTC; (ii) the payment by DTC of any amount of the principal, premium, if any, or interest on the Bonds; (iii) any notice which is permitted or required to be given to Owners under the Indenture or the selection by DTC of any person to receive payment in the event of a partial redemption of the Bonds; or (iv) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the County's obligations with respect to the principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except under the conditions of (d) below, no person other than DTC shall receive an executed Bond representing the right to receive principal, premium, if any and interest pursuant to the Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Indenture with respect to Record Dates, the term "Cede & Co." in the Indenture shall refer to such new nominee of DTC.

(c) In order to qualify the Bonds for DTC's book-entry system, the County and the Trustee will execute, countersign and deliver to DTC the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this section or in any other way impose upon the Trustee, the County or the Authority any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture.

(d) In the event (i) DTC, including any successor as securities depository for the Bonds, determines not to continue to act as securities depository for the Bonds, or (ii) the County determines that the incumbent securities depository shall no longer so act and delivers a written certificate to the Trustee to that effect, then the County will discontinue the book-entry system with the incumbent securities depository for the Bonds. If the County determines to replace the incumbent securities depository for the Bonds with another qualified securities depository, the County shall prepare or direct the preparation of a new single, separate fully registered Bond for the aggregate outstanding principal amount of Bonds of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the County, the Trustee and the successor securities depository for the Bonds as are not inconsistent with the terms of the Indenture. If the County fails to identify another qualified successor securities depository for the Bonds to replace the incumbent securities depository, then the Bonds shall no longer be restricted to being registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for the Bonds, or its nominee, shall designate. In such event the Trustee shall execute and deliver a sufficient quantity of Bonds as to carry out the transfers and exchanges summarized in this section. All such Bonds shall be in fully registered form in denominations authorized by the Indenture.

(e) Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest on such Bond and all notices with respect to such Bonds shall be made and given, respectively, as provided in the Representation Letter.

(f) In connection with any notice or other communication to be provided to Owners pursuant to the Indenture by the County or the Trustee with respect to any consent or other action to be taken by Owner, the County or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Bond Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Bonds, which books shall be available for inspection by the Authority and the County at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds on such books as provided in the Indenture. The Trustee will, upon written request, make copies of the foregoing available to any Owner of at least five percent in aggregate principal amount of Outstanding Bonds or his agent duly authorized in writing.

Temporary Bonds. The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee authenticates and delivers temporary Bonds, it will authenticate definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered at the Principal Corporate Trust Office of the Trustee, in exchange for such definitive Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds executed and delivered under the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, payment date in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any 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 indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee shall require payment of a sum not exceeding the actual cost of preparing each new Bond authenticated and delivered by it under this section and of the expenses which may be incurred by it under this section. Any Bond authenticated and delivered under the provisions of this section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture, and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the amount of Bonds which may be executed and delivered under the

Indenture or for the purpose of determining any percentage of Bonds Outstanding under the Indenture, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this section, in lieu of authenticating and delivering a new Bond for a Bond which has been lost, destroyed or stolen and which has matured or will mature within 30 days after the Trustee has received all required indemnity and payments on account of a lost, destroyed or stolen Bond, the Trustee may make payment of such Bond to the Owner thereof on or after the maturity date.

Execution and Delivery of Additional Bonds. The County, the Authority and the Trustee may, by execution of a Supplemental Indenture without the consent of the Owners, provide for the execution and delivery of Additional Bonds payable from additional Revenues. The Trustee may authenticate and deliver to or upon the request of the County such Additional Bonds, and the proceeds of such Additional Bonds may be applied to any lawful purposes of the County or the Authority, but such Additional Bonds may only be authenticated and delivered upon compliance by the County with the provisions of the Indenture and subject to the following specific conditions, which are made conditions precedent to the execution and delivery of any such Additional Bonds:

(a) Neither of the County nor the Authority shall be in default under the Indenture or any Supplemental Indenture or under the Facility Lease or the Site Lease;

(b) Said Supplemental Indenture shall state whether such Additional Bonds shall (i) constitute Common Reserve Bonds secured by the Common Reserve Account, (ii) be secured by any other Reserve Account, or (iii) not be secured by any Reserve Account;

(c) The dated date and the maturity dates of, and the Mandatory Sinking Account Payment dates, if any, for such Additional Bonds; *provided* that (i) each maturity date shall fall upon October 15, (ii) the final maturity date shall not exceed the remaining useful life of the Leased Property, (iii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination and (iv) serial maturities for Serial Bonds or sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective maturity dates;

(d) The interest payment dates for such Additional Bonds shall be Interest Payment Dates;

(e) The aggregate principal amount of Bonds authenticated and delivered and at any time Outstanding under the Indenture or under any Supplemental Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture;

(f) The Site Lease and the Facility Lease shall have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the County thereunder by an aggregate amount at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due *provided, however*, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property, and evidence of the satisfaction of this condition shall be made by a Certificate of the County, as required by the Indenture; and

Any Additional Bonds shall be on a parity with the Bonds and each Owner thereof shall have the same rights upon an Event of Default as the Owner of any other Bonds executed and delivered under the Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are executed and delivered.

The County shall cause to be given to each rating agency rating the Bonds, and the Insurer, notice of any execution and delivery of Additional Bonds.

Proceedings for Authorization of Additional Bonds. Whenever the County and the Authority shall determine to authorize the execution and delivery of any Additional Bonds pursuant to the Indenture, the County, the Authority and the Trustee shall enter into a Supplemental Indenture without the consent of the Owners of any Bonds, providing for the execution and delivery of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

Such Supplemental Indenture shall prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Indenture, shall provide for the distinctive designation, denominations, method of numbering, dates, Principal Payment Dates, interest rates, Interest Payment Dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds shall be executed and delivered, the County and the Authority shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel (which may rely upon the Certificate of the County required by the Indenture and such other opinions and certificates as may be appropriate) setting forth (1) that such Counsel has examined the Supplemental Indenture and the amendment, if any, to the Site Lease and the Facility Lease required by the Indenture; (2) that the execution and delivery of the Additional Bonds have been sufficiently and duly authorized by the County and the Authority; (3) that said amendments to the Site Lease and the Facility Lease and the Supplemental Indenture, when duly executed by the County and the Authority, will be valid and binding obligations of the County and the Authority; (4) that said amendments to the Site Lease and the Facility Lease have been duly authorized, executed and delivered; and (5) that the amendments to the Site Lease and the Facility Lease do not adversely affect the tax-exempt status of interest on by Outstanding Bonds;

(b) A Certificate of the County that the requirements of the Indenture have been met, including a Certificate of the County as to the annual fair rental value of the Leased Property; which Certificate may assume the timely construction and completion of any Additional Project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee (i) in the Construction Fund, in an amount reasonably expected to be sufficient to provide for the Construction Costs of such Additional Project, and (ii) in a capitalized interest account, in an amount sufficient to pay interest on the Additional Bonds for the period of time from their date of issuance until 6 months following the expected delivery date of the Certificate of Completion with respect to such Additional Project;

(c) Certified copies of the resolutions of the County and the Authority, authorizing the execution of the amendments to the Site Lease and Facility Lease required by the Indenture;

(d) An executed counterpart or duly authenticated copy of the amendments to the Site Lease and Facility Lease required by the Indenture;

(e) Certified copies of the policies of insurance required by the Facility Lease or certificates thereof, which shall evidence that the amounts of the insurance required under the Facility Lease have been increased, if necessary, to cover the amount of such Additional Bonds; and

(f) A CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in the Facility Lease.

Upon the delivery to the Trustee of the foregoing instruments so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee, the Trustee shall authenticate and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the request of, the County.

Proceeds of Bonds

Construction Fund.

(a) The Trustee shall hold the moneys in the Construction Fund and shall disburse such moneys therefrom to pay Construction Costs. Such disbursements shall be made from time to time upon receipt of a Written Request of the County on behalf of the Authority which:

(i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred, is a Construction Cost and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement;

(ii) specifies in reasonable detail the nature of the obligation; and

(iii) is accompanied by a bill or statement of account for each obligation.

(b) If at any time there are insufficient moneys in the Costs of Issuance Fund to disburse moneys in accordance with the Indenture, the Trustee shall disburse from the Construction Fund, subject to this section, such additional amounts as are necessary to pay such Costs of Issuance.

(c) Upon the delivery to the Trustee of a Certificate of Completion, the Trustee shall transfer any remaining balance of money in the Construction Fund, first, to the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate Requirement, second, to the related Reserve Account to the extent necessary to make the amount on deposit therein equal to the Reserve Fund Requirement, and third, the remainder to a separate subaccount within the related Principal Account, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Subaccount." The moneys in the Surplus Subaccount shall be applied (unless some other application of such moneys would not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of interest on the Bonds) as directed in writing by the County to pay principal on the Series of Bonds from which such moneys were derived as such principal becomes due and payable, in annual amounts which bear the same ratio to the principal amount of such Series of Bonds maturing in such year that the amount deposited in the Surplus Subaccount bears to the original principal amount of such Series of Bonds. Notwithstanding the Indenture, the moneys in the Surplus Subaccount shall be invested at a yield no higher than the yield on such Outstanding Series of Bonds (unless, in the opinion of Bond Counsel, investment at a higher yield would not adversely affect the tax-exempt status of interest on the Bonds), and all such investment income shall be deposited in the Surplus Subaccount and expended or reinvested as provided above.

Reserve Fund.

(a) There is established in trust under the Indenture a special fund designated as the "Reserve Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. Within the Reserve Fund, the Trustee shall establish and maintain a separate account designated the "Common Reserve Account" and may establish and maintain one or more additional

Reserve Accounts, each of which may secure one or more Series of Bonds pursuant to the Indenture and to the Supplemental Indenture authorizing the issuance thereof. On the Closing Date, the Trustee shall deposit in the Common Reserve Account the amount required to be deposited therein pursuant to the Indenture. In connection with the issuance of Additional Bonds, there shall additionally be deposited in the Common Reserve Account or any other Reserve Account established and/or maintained for such Additional Bonds, as applicable, the amount required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued. Moneys in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purposes set forth in the Indenture.

(i) In the event that, on any date on which the Trustee is to transfer money from the Revenue Fund to the Interest Accounts pursuant to the Indenture or to the Principal Accounts pursuant to the Indenture, amounts in the Revenue Fund are insufficient for such purpose, the Trustee shall withdraw from each Reserve Account, to the extent of any funds therein, the amount of the insufficiency of the related Series of Bonds, and shall transfer any amounts so withdrawn first to the related Interest Account and then to the related Principal Account. If the amount on deposit in any Reserve Account is not sufficient to make such transfer, the Trustee shall make a claim under any available Reserve Fund Credit Facility, in accordance with the provisions thereof, in order to obtain an amount sufficient to allow the Trustee to make such transfer as and when required.

(ii) Monies on deposit in each Reserve Account shall be withdrawn and transferred by the Trustee to be applied for the final payment on the related Series of Bonds.

In the event of any withdrawal or transfer from a Reserve Account, the Trustee shall, within five days thereafter, provide written notice to the County of the amount and the date of such transfer. If at any time the balance in any Reserve Account shall be reduced below the Reserve Fund Requirement, the first of Base Rental Payments thereafter payable by the County under the Facility Lease and not needed to pay the interest and principal components of Base Rental Payments payable by the County under the Facility Lease to the Owners on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date shall be used to increase the balance in such Reserve Account to the Reserve Fund Requirement; provided, however, that such Base Rental Payments shall be allocated among all Reserve Accounts ratably without preference or priority of any kind, according to each Reserve Account's percentage share of the total deficiencies in all Reserve Accounts. If after the payment of principal and interest on any Interest Payment Date the balance in the any Reserve Account shall be in excess of the Reserve Fund Requirement the Trustee shall, upon Written Request of the County, transfer such excess first to the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate Requirement, then to the County for deposit in the Administrative Expense Fund to the extent needed to pay reasonable and necessary operating expenses of the County relating to the Bonds and thereafter to the Revenue Fund. At the termination of both Facility Lease in accordance with their respective terms, any balance remaining in any Reserve Account shall be released and may be transferred to such other fund or account of the County, or otherwise used by the County for any other lawful purposes, as the County may direct in writing. For purposes of determining the amount on deposit in each Reserve Account, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Investments in each Reserve Account shall mature, or be subject to tender, redemption or withdrawal at the option of the holder thereof, not later than five years from the date of investment.

(b) At the option of the County, one or more Reserve Fund Credit Facilities may be substituted for the funds held by the Trustee in any Reserve Account such that the amount available to be drawn under such Reserve Fund Credit Facilities together with funds remaining in such Reserve Account satisfies the Reserve Fund Requirement.

If the County exercises its option to substitute a Reserve Fund Credit Facility for all or a portion of the moneys held by the Trustee in a Reserve Account, then such moneys, on or after the date that the Reserve Fund Credit Facility becomes effective, at the option of the County, shall be transferred (A) to the Redemption Fund for the purpose of redeeming the related Series of Bonds, or (B) to a construction fund to be held by the County and used for capital projects of the County in accordance with the Tax Certificate. Neither the County nor the Trustee may invest such amounts transferred so as to produce a yield greater than the yield permitted under the Tax Certificate. In the event any Reserve Fund Credit Facility is scheduled to terminate prior to the final maturity date of the Bonds and such Reserve Fund Credit Facility is not extended, renewed or replaced with another Reserve Fund Credit Facility or with cash or Permitted Investments in the amount of such Reserve Fund Credit Facility, the Trustee shall draw on or make a claim under such Reserve Fund Credit Facility ten days prior to the date of such expiration in an amount equal to the lesser of (i) the maximum amount available thereunder or (ii) the Reserve Fund Requirement, in either case for deposit into the related Reserve Account.

In the event a Reserve Fund Credit Facility is substituted for all or a portion of the moneys held by the Trustee in a Reserve Account pursuant to the terms of the Indenture, then, notwithstanding any other provision of the Indenture, (1) the Trustee shall draw upon the Reserve Fund Credit Facility for amounts which the terms of the Indenture require to be transferred from the related Reserve Account; *provided* that the Trustee shall first draw upon any cash or Permitted Investments on deposit in the related Reserve Account before drawing upon any Reserve Fund Credit Facility, and thereafter shall draw upon all such Reserve Fund Credit Facilities on a *pro rata* basis, and (2) amounts required by the terms of the Indenture to be deposited or transferred to a Reserve Account (a) in the event the Reserve Fund Credit Facility has been drawn upon, shall be first paid to the provider of such Reserve Fund Credit Facility if the County has an outstanding reimbursement obligation to such provider resulting from such draw, which payment shall result in an increase in the amount then available under the Reserve Fund Credit Facility equal to such payment and (b) to the extent all such draws on Reserve Fund Credit Facilities have been paid, then, second, shall be transferred or deposited to the related Reserve Account in amount such that after giving effect to the deposit the amount on deposit in such Reserve Account is equal to the Reserve Fund Requirement.

The County shall be permitted to make use of a Reserve Fund Credit Facility pursuant to the Indenture at any time.

For purposes of this subsection (b), the term "substitution" shall include such initial funding of the Reserve Fund Requirement by means of a Reserve Fund Credit Facility instead of by deposit of moneys, and shall not be read to mean that the County must first make an initial cash deposit in a Reserve Account before invoking this subsection (b) and satisfying the Reserve Fund Requirement by securing and implementing a Reserve Fund Credit Facility.

Cost of Issuance Fund. There is established in trust under the Indenture a special fund designated as the "Cost of Issuance Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The moneys in the Costs of Issuance Fund shall be applied to the payment of Costs of Issuance of the Bonds, upon a Written Request of the County on behalf of the Authority. All payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. On or before 6 months after the issuance of any Series of Bonds, the Trustee shall transfer any amounts then remaining in the Cost of Issuance Fund first to the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate Requirement, then to the Reserve Fund to the extent the amount on deposit therein is less than the Reserve Fund Requirement, then to the County for deposit in the Administrative Expense Fund to the extent that the amount on deposit therein is less than $20,000, and thereafter to the Interest Fund.

Administrative Expense Fund.

(a) There is established in trust under the Indenture a special fund designated as the "Administrative Expense Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee.

(b) Amounts in the Administrative Expense Fund shall be paid out from time to time by the Trustee at the direction of the County for Administrative Fees and Expenses.

(c) Amounts in the Administrative Expense Fund which are in excess of $20,000 shall be transferred by the Trustee to the Revenue Fund.

Earnings Fund. There is established in trust under the Indenture a special fund designated as the "Earnings Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The Trustee shall administer the Earnings Fund as provided in the Indenture.

The Trustee shall establish and maintain in the Earnings Fund a separate account designated as the "Investment Earnings Account," and a separate account designated as the "Excess Earnings Account." All moneys in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and money held by the Trustee. Pursuant to the Indenture, all investment earnings on the funds and accounts (other than the Excess Earnings Account, the Construction Fund, and the Surplus Subaccount) established under the Indenture shall be deposited into the Investment Earnings Account. All investment earnings on the Construction Fund and the Surplus Subaccount shall be retained therein. Amounts on deposit in the Investment Earnings Account shall be transferred to the Excess Earnings Account upon receipt by the Trustee of written instructions from the County given in accordance with the provisions of the Tax Certificate.

Upon each transfer, any amount remaining in the Earnings Fund or any amount on deposit in the Excess Earnings Account which the County has determines and informs the Trustee in writing exceeds the amount required to be maintained therein pursuant to the provision of the Tax Certificate shall be transferred first, to the Reserve Fund so that following such deposit there shall be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement, and second, to the Revenue Fund. Except as set forth in the proceeding sentence, amounts on deposit in the Excess Earnings Account shall only be applied to payments made to the United States in accordance with written instructions of the County.

Revenues

Pledge of Revenues; Revenue Fund.

(a) There is established a special fund designated as the "Revenue Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. Within the Revenue Fund, the Trustee shall establish and maintain a separate account designated the "Series 2016A Interest Account" and a separate account designated the "Series 2016A Principal Account." Upon the issuance of Additional Bonds, the Trustee shall also establish and maintain, within the Revenue Fund, a separate Interest Account and a separate Principal Account for each Series of Additional Bonds. The County, pursuant to the Indenture, irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Excess Earnings Account), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth in the Indenture, and in and to the Revenues, which shall be used for the punctual payment of the interest and principal of the Bonds and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. It is the intent of the parties to the Indenture that the Authority shall not have any right, title, in or to the Revenues. In the event, however, that it should be determined that the Authority has any right, title or interest in or to the Revenues, then the Authority, pursuant to the Indenture, irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of such right, title and interest, which shall be used for the punctual payment of the interest and principal of the Bonds. These pledges shall constitute a first and exclusive lien on the funds established under the Indenture and the Revenues in accordance with the terms of the Indenture subject in all events to the power of the County and the Authority to cause the execution and delivery of Additional Bonds pursuant to the Indenture which shall be on a parity with the Bonds Outstanding.

(b) All Revenues shall be paid directly by the County to the Trustee, and if received by the Authority at any time shall be deposited by the Authority, as the case may be, with the Trustee within one Business Day after the receipt thereof. All Revenues, the proceeds of rental interruption insurance and liquidated damages, if any, shall be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein shall be held in trust by the Trustee, which fund the Trustee, pursuant to the Indenture, agrees to establish and maintain for the benefit of the Owners until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding; *provided, however*, and notwithstanding the foregoing, if the Trustee receives Revenues in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, as the case may be, after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose under the Indenture, and if the amount then in each Reserve Account is at least equal to the Reserve Fund Requirement and there exists no Event of Default under the Indenture, then amounts in each Revenue Account not needed to make such payments may be utilized by the Trustee, as directed in writing by the County, to make any regular periodic payment due to provider of a Reserve Fund Credit Facility or a Reserve Fund investment which provides for such payments, if any, or for any other purpose.

Deposit of Revenues. Except as otherwise provided in this section, the Trustee shall deposit the amounts in the Revenue Fund at the time and in the priority and manner provided in the Indenture in the following respective accounts, each of which the Trustee, pursuant to the Indenture, agrees to establish and maintain until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding, and the moneys in each of such accounts shall be disbursed only for the purposes and uses authorized in the Indenture.

(a) **Interest Account.** The Trustee, on each Interest Payment Date, shall transfer from the Revenue Fund to each Interest Account an amount equal to the interest on the related Series of Bonds coming due on such Interest Payment Date; provided, however, that if and to the extent that such amount is available for such Series of Bonds in any capitalized interest subaccount established pursuant to a Supplemental Indenture on such Interest Payment Date, the Trustee shall, instead, transfer such amount from such capitalized interest subaccount to the related Interest Account on such Interest Payment Date. Moneys in each Interest Account shall be withdrawn and used by the Trustee for the purpose of paying interest on the related Series of Bonds as and when due and payable.

(b) **Principal Account.** The Trustee, on each Principal Payment Date and Mandatory Sinking Account Payment Date, shall transfer from the Revenue Fund to each Principal Account an amount equal to the principal of the related Series of Bonds, including principal due and payable by reason of a Mandatory Sinking Account Payment coming due on such date. Moneys in each Principal Account shall be withdrawn and used by the Trustee for the purpose of paying principal of the related

Series of Bonds, including principal due and payable by reason of a Mandatory Sinking Account Payment, as and when due and payable.

(c) **Redemption Fund.** The Trustee, on the redemption date specified in the Written Request of the County filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Facility Lease, shall deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Monies in the Redemption Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest of the Bonds to be prepaid.

Application of Insurance Proceeds and Condemnation Awards. The Trustee shall not be responsible for the sufficiency of any insurance required by the Facility Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County or the Authority. Delivery to the Trustee of the schedule of insurance policies under the Facility Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies.

Except as provided in the Indenture, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to the Facility Lease, the County and the Authority shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Revenue Fund) to be used in accordance with the Facility Lease. The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund." The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the County on behalf of the Authority, which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be transferred by the Trustee to Redemption Fund and applied in the manner provided by the Indenture. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay all Outstanding Bonds, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Redemption Fund and used for the redemption of Outstanding Bonds pursuant to the Indenture; *provided*, that if the County elects to so prepay the Outstanding Bonds, then the County shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision in the Indenture, the County shall only prepay less than all of the Outstanding Bonds if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest of the Outstanding Bonds not being prepaid.

The proceeds of any award in eminent domain shall be transferred by the County to the Trustee for deposit in the Redemption Fund and applied to the redemption of Outstanding Bonds pursuant to the Indenture.

Title Insurance. Proceeds of any policy of title insurance received by the County, the Authority or the Trustee in respect of the Leased Property shall be applied and disbursed by the County, the Authority or the Trustee as follows:

(a) If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Property and will not result in an abatement of Rental Payments payable by the County under the Facility Lease, such proceeds shall be deposited first in the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate Requirement, then in the Reserve Fund to the extent that the amount therein is less than the Reserve Fund Requirement, then in the Administrative Expense Fund to the extent needed to pay reasonable and necessary operating expenses of the County with respect to the Bonds, and thereafter amounts not required to be so deposited shall be remitted to the County and used for any lawful purpose thereof; or

(b) If any portion of the Leased Property has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Rental Payments payable by the County under the Facility Lease, then the County, the Authority or the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the redemption of Bonds in the manner provided in the Indenture.

Particular Covenants

Compliance with Indenture. The Trustee will not execute or deliver any Bonds in any manner other than in accordance with the provisions of the Indenture, and neither of the County or the Authority will suffer or permit any default by them to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by them.

Compliance with Facility Lease and Site Lease. The County and the Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Facility Lease and Site Lease required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Facility Lease and Site Lease against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Trustee, the County and the Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The County will keep the Leased Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances (with respect to the Leased Property, as such term is defined in the Facility Lease, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Leased Property, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to take any necessary steps to defend against or to so comply within such ten-day period) may defend against any and all actions or proceedings in which the validity of the Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings;

provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its liability under the Indenture to defend the validity of the Indenture and to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Bonds are Outstanding, neither the County nor the Authority will create or suffer to be created any pledge of or lien on the Revenues other than as provided or permitted under the Indenture.

Prosecution and Defense of Suits. The County will promptly take such action from time to time as may be necessary or proper, in its reasonable discretion, to remedy or cure any known cloud upon or defect in the title to the Leased Property or any portion thereof, whether now existing or hereafter developing, and will prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by it relating to the receipt, deposit and disbursement of the Revenues, and such accounting records shall be available for inspection by the County or the Authority at reasonable hours, under reasonable conditions and with reasonable notice. The Trustee shall deliver a monthly accounting to the County; *provided* that the Trustee shall not be obligated to report as to any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

Recordation and Filing. The Authority will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain the Facility Lease, Site Lease, Assignment Agreement and the Indenture at all times as a security interest in the Revenues, all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to perfect, preserve and protect fully the security of the Owners and the rights and security interests of the Trustee, and the Authority will do whatever else may be necessary or be reasonably required in order to perfect and continue the liens of the Facility Lease, Site Lease, Assignment Agreement and the Indenture.

Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the County and the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Indenture, the Assignment Agreement, Facility Lease or Site Lease.

Excess Earnings Account of the Earnings Fund; Tax Covenants. Pursuant to the Indenture, the Trustee shall establish and maintain an account separate from any other fund or account established and maintained under the Indenture designated as the "Excess Earnings Account." There shall be deposited in the Excess Earnings Account such amounts set forth in a written direction from the County to the Trustee as the County determines are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Excess Earnings Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. The Trustee shall disburse such funds upon receipt of written direction from the County.

Notwithstanding defeasance of the Bonds pursuant to the Indenture or anything to the contrary contained in the Indenture, all amounts required to be deposited into or on deposit in the Excess Earnings Account shall be governed exclusively by the section of the Indenture entitled "Excess Earnings Account of the Earnings Fund; Tax Covenants" and by the Tax Certificate (which is incorporated into the Indenture by reference). The Trustee shall have no duty or obligation to monitor the compliance by the County with the requirements of the Tax Certificate and shall be deemed to have complied with its obligations with respect to the Excess Earnings Account if it follows the written directions of the County.

Any funds remaining in the Excess Earnings Account after payment in full of all of the Bonds and after payment of any amounts described in this section, shall be transferred to the County to be used for any lawful purpose.

Continuing Disclosure. The County, pursuant to the Indenture, covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Owner or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this section; *provided*, that the Trustee shall only be required to take an action under this section to the extent funds have been provided to it or it has been otherwise indemnified to its reasonable satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys.

Default and Limitations of Liability

Events of Default. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of or premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) default by the County in the observance of any of the covenants, agreements or conditions on its part in the Indenture contained, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the County and the Authority by the Trustee, or to the County, the Authority and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; *provided, however*, that if such default can be remedied but not within such 30-day period and if the County has taken all action reasonably possible to remedy such default within such 30-day period, such default shall not become an Event of Default for so long as the County shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time reasonably established by the Trustee; or

(d) an event of default shall have occurred and be continuing under the Facility Lease.

Action on Default. In each and every case during the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding (subject to the provisions of the Indenture) shall be entitled, upon notice in writing to the

County and the Authority to exercise any of the remedies granted to the County under the Facility Lease, to the Authority under the Facility Lease, and in addition, to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Indenture.

Other Remedies of the Trustee. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County, the Authority or any director, officer or employee thereof, and to compel the County or the Authority or any such director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default under the Indenture to require the County and the Authority to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner or Owners, then subject to any adverse determination, the Trustee or such Owner or Owners and the County and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each 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 any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Authority to the Owners. Except as expressly provided in the Indenture, the Authority shall have no obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of the other agreements and covenants required to be performed by it contained in the Facility Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

No Liability by the County to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Facility Lease or in the Indenture, the County shall not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Revenues by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

No Liability by the Trustee to the Owners. Except as expressly provided in the Indenture, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Authority of the other agreements and covenants required to be performed by them, respectively contained in the Facility Lease or Site Lease or in the Indenture.

Application of Amounts After Default. Notwithstanding anything to the contrary contained in the Indenture, after a default by the County, all funds and accounts held by the Trustee and all payments received by the Trustee with respect to the rental of the Leased Property after a default by the County pursuant to the Facility Lease, and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Facility Lease, shall be deposited into the Revenue Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under the Indenture as summarized herein under the heading "THE INDENTURE – The Trustee - Compensation and Indemnification of the Trustee"; and

(b) to the payment of all amounts then due as interest with respect to the Bonds, and thereafter to the payment of all amounts due as principal with respect to the Bonds, in respect of which or for the benefit of which, money has been collected (other than Bonds which have matured or otherwise become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts due and payable with respect to such Bonds.

Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under the Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25% in principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture; such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Bonds; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Owner of Bonds, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all the Owners of Bonds. Nothing in the Indenture contained shall, however, affect or impair the right of any Owner to enforce the payment of the principal of or the redemption price of and the interest of any Bond at and after the maturity or earlier redemption.

The Trustee

Employment of the Trustee. The County and the Authority appoint and employ the Trustee to receive, deposit and disburse the Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained in the Indenture; all in the manner provided in the Indenture and subject to the conditions and terms of the Indenture. By executing and delivering the Indenture, the Trustee accepts the appointment and employment referred to in the Indenture and accepts the rights and obligations of the Trustee provided in the Indenture, subject to the conditions and terms of the Indenture. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Duties, Removal and Resignation of the Trustee. The County and the Authority may, by an instrument in writing and upon 30 days written notice remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), but any such successor Trustee shall be a bank with trust powers or trust company doing business and having a principal corporate trust office in California or New York, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars ($75,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the 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.

The Trustee may at any time resign by giving written notice of such resignation to the County, the Authority and the Insurer and by mailing notice, first class, postage prepaid, of such resignation to the Owners at their addresses appearing on the books required to be kept by the Trustee pursuant to the provisions of the Indenture. Upon receiving such notice of resignation, the County and the Authority shall promptly appoint a successor Trustee by an instrument in writing; *provided, however*, that in the event the County and the Authority do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Indenture and reimburse the Trustee for all its advances and expenditures under the Indenture, including but not limited to payments due any provider of a Reserve Fund Credit Facility or Reserve Fund investment which provides for such payments, advances to and fees and expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the Indenture; *provided, however*, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established under the Indenture or under the Facility Lease (except that such compensation or reimbursement may be made from the Cost of Issuance Fund held by the County to the extent provided in the Indenture). The Trustee may take whatever legal actions are lawfully available to it directly against the County or the Authority.

Except as otherwise expressly provided in the Indenture, no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers under the Indenture.

The County, pursuant to the Indenture, covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs of expenses of defending against any claim of liability including, without limitation, any claim arising out of the use, presence, storage, disposal or lease of any Hazardous Substances on or about the Leased Property, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. Such indemnity shall survive the discharge of the Indenture or the resignation or removal of the Trustee.

Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, opinion, notice, request, requisition, resolution, direction, instruction, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at the request of any such person unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners of the Bonds pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee, against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the County or the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith. If requested by the County, counsel to the Trustee shall be of recognized national standing in the field of law relating to municipal bonds.

The Trustee shall not be responsible for the sufficiency or adequacy of the Bonds, the Facility Lease, the Site Lease, or of the assignment made to it by the Assignment Agreement, or for statements made in the preliminary or final official statement relating to the Bonds or of the title to or value of the Leased Property.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default under the Indenture or an Event of Default under the Indenture, except failure of any of the payments to be made to the Trustee required to be made under the Indenture unless the Trustee shall be specifically notified in writing of such default or Event of Default by the County, the Authority or by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Whenever in the administration of its rights and obligations under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the County or the Authority, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the County as freely as if it were not the Trustee under the Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Indenture and perform any rights and obligations required of it under the Indenture by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Indenture, and the Trustee shall not be answerable for the default or misconduct of any such agent, attorney or receiver selected by it with reasonable care. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Indenture or for anything whatsoever in connection with the funds established under the Indenture, except only for its own willful misconduct or negligence.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority (or other percentage provided for in the Indenture) in aggregate principal amount of the Bonds at the time Outstanding relating to the exercise of any right or remedy available to the Trustee under the Indenture.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Facility Lease, the Site Lease or the Indenture for the existence, furnishing or use of the Property.

Every provision of the Indenture, the Facility Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of the Indenture, including without limitation, this section.

In acting as Trustee under the Indenture, the Trustee acts solely in its capacity as Trustee for the Owners and not in its individual or personal capacity, and all persons, including without limitation, the Owners, the County and the Authority, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee under the Indenture for payment, except as otherwise specifically provided in the Indenture. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The recitals of facts, covenants and agreements in the Indenture and in the Bonds shall be taken as statements, covenants and agreements of the County or the Authority, as the case may be, and the Trustee assumes no responsibility for the correctness of the same.

Amendment or Supplement to the Indenture

Amendment or Supplement. The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee under the Indenture may be amended or supplemented at any time by an amendment of the Indenture or supplement to the Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall (1) extend the Principal Payment Date of any Bond or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby or reduce the amount of any Mandatory Sinking Account Payment without the prior written consent of the Owner of each Bond so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment of the Indenture or supplement to the Indenture without the prior written consent of the Owners of all Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) modify any provision of the Indenture expressly recognizing or granting rights in or to the Insurer in any manner which affects the rights of the Insurer under the Indenture without its prior written assent thereto, or (5) amend this section without the prior written consent of the Insurer and the Owners of all Bonds then Outstanding.

The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee under the Indenture may also be amended or supplemented at any time by an amendment of the Indenture or supplement to the Indenture which shall become binding upon execution, but without the written consents of any Owners, but only to the extent permitted by law and after receipt of an unqualified approving Opinion of Counsel and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required to be observed or performed in the Indenture by the County or the Authority, or to surrender any right or power reserved in the Indenture to or conferred in the Indenture on the County or the Authority, and which in either case shall not materially adversely affect the interests of the Owners; or

(b) to provide for additional or substitute Leased Property as may be requested from time to time by the County in accordance with the Facility Lease; or

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the County or the Authority may deem desirable or necessary and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Owners; or

(d) to provide for the execution and delivery of Additional Bonds in accordance with the Indenture; or

(e) for any other reason, *provided* such amendment or supplement does not materially adversely affect the interests of the Owners or the Insurer, *provided further* that the County, the Authority and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this subsection (e) have been met with respect to such amendment or supplement.

Any provision of the Indenture expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer under the Indenture without the prior written consent of the Insurer.

Disqualified Bonds. Bonds actually known by the Trustee to be owned or held by or for the account of the County (but excluding Bonds held in any pension or retirement fund of the County) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture, and shall not be entitled to consent to or take any other action provided in the Indenture, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Indenture shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this section.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Indenture as summarized herein under the heading "THE INDENTURE - Amendment or Supplement to the Indenture," the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of such Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Trustee shall receive an Opinion of Counsel advising that new Bonds modified to conform to such action are necessary, modified Bonds shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Amendment by Mutual Consent. The provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by such person, *provided* that due notation thereof is made on such Bonds.

Opinion of Counsel. In executing any amendment or supplement to the Indenture, the Trustee may conclusively rely upon an Opinion of Counsel to the effect that all conditions precedent for the execution of an amendment or supplement to the Indenture have been satisfied.

Defeasance

Discharge of Bonds and Indenture. (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal represented thereby at the times and in the manner stipulated in the Indenture and therein, then such Owners shall cease to be entitled to the pledge of and lien on the Revenues as provided in the Indenture, and all agreements and covenants of the County, the Authority and the Trustee to such Owners under the Indenture shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in this subsection (b) if (i) in case said Bonds are to be prepaid on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to redemption prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or redemption price (if applicable) of, and interest due and to become due on, said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event any of said Bonds are not to be prepaid within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to the Indenture, a notice to the Owners of such Bonds and to the securities depositories and information services specified in the Indenture that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this subsection (b) and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or redemption price (if applicable) of said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this subsection (b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price (if applicable) of, and interest on said Bonds; *provided* that Defeasance Securities deposited with the Trustee pursuant to this subsection (b) may be sold upon the written request of the County and the proceeds concurrently reinvested in other Defeasance Securities which satisfy the conditions of (ii) above provided that the Trustee receives an Opinion of Counsel to the effect that such sale and reinvestment does not adversely affect the exclusion of interest on the Bonds from federal income taxes, and *provided further* that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the County, be reinvested in Defeasance Securities maturing at times and in amounts, together with the other moneys and payments with respect to securities then held by the Trustee pursuant to this subsection (b), sufficient to pay when due the principal or redemption price (if applicable) of, and interest to become due with respect to said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Request of the County, be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge. Nothing in this subsection (b) shall preclude redemptions pursuant to the Indenture.

Any release under this subsection (b) shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by the Indenture created and the performance of its powers and duties under the Indenture; *provided however*, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to the Indenture as summarized herein under the heading "THE INDENTURE - Defeasance."

(c) After the payment or deemed payment of all the interest and principal of all Outstanding Bonds as provided in this section, the Trustee shall execute and deliver to the Authority and the County all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the County all moneys 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 on, such Bonds. Notwithstanding the discharge and satisfaction of the Indenture, Owners of Bonds shall thereafter be entitled to payments due under the Bonds pursuant to the Facility Lease, but only from amounts deposited pursuant to subsection (a) above and from no other source.

(d) Notwithstanding anything in this section to the contrary, in the event that the principal, interest, or both due on the Bonds shall be paid by the Insurer pursuant to the Bond Insurance Policy, the Bonds shall not be considered paid by the County or the Authority under the Indenture, and all covenants, agreements and other obligations of the Authority and the County to the benefit of the Owners shall continue to exist and shall run to the benefit of the Insurer and the Insurer shall be subrogated to the rights of the Owners.

Unclaimed Moneys. Anything contained in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal of, premium, if any, and interest on, any of the Bonds which remain unclaimed for two years after the date when the payments on such Bonds have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the principal of, premium, if any, and interest on, such Bonds have become payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the County for the payment of the principal of, premium, if any, and interest on, such Bonds; *provided, however*, that before being required to make any such payment to the County, the Trustee shall mail a notice to the Owner that such unclaimed funds shall be returned to the County within 30 days.

Miscellaneous

Benefits of Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the County, the Authority, the Trustee, the Insurer and the Owners, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation of the Indenture, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the County or the Authority shall be for the sole and exclusive benefit of the County, the Authority, the Trustee, the Insurer and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever any of the County, the Authority, or the Trustee or any officer thereof is named or referred to in the Indenture, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the County, the Authority, or the Trustee or such officer, and all agreements, conditions, covenants and terms required by the Indenture to be observed or performed by or on behalf of the County, the Authority, or the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bond and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of the Indenture.

Any declaration, consent, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the County, the Authority or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Indenture to the contrary, no member, officer, employee or agent of the County, the Authority or the Trustee shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of, premium, if any, and interest on, the Bonds, but nothing contained in the Indenture shall relieve any member, officer, employee or agent of the County from the performance of any official duty provided by any applicable provisions of law or by the Facility Lease, the Site Lease or the Indenture.

Acquisition of Bonds by County. All Bonds acquired by the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Content of Certificates. Every Certificate of the County or Authority with respect to compliance with any agreement, condition, covenant or term contained in the Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions in the Indenture relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certificate of the County or the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the County upon a representation by an officer or officers of the County, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Publication for Successive Weeks. Any publication required to be made under the Indenture for two successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

Funds. Any fund required to be established and maintained under the Indenture by the County or the Trustee may be established and maintained in the accounting records of the County or the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Indenture.

The County and the Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; *provided, however*, that the County and the Trustee shall account separately for the moneys in each fund or account established pursuant to the Indenture.

Investments. Any moneys held by the County in the funds and accounts established under the Indenture shall be invested only in Permitted Investments. Any moneys held by the Trustee in the funds and accounts established under the Indenture shall be invested by the Trustee upon the written request of the County Treasurer only in Permitted Investments. In the absence of such direction, moneys shall be invested by the Trustee solely in Permitted Investments set forth in clause (6) of the definition thereof. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this section. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Any interest or profits on such investments in any funds and accounts (other than the Excess Earnings Account, the Construction Fund, and the Surplus Subaccount) established under the Indenture shall be deposited in the Earnings Fund and are to be transferred as provided in the Indenture. All investment earnings on the Construction Fund and the Surplus Subaccount shall be retained therein. For purposes of determining the amount on deposit in any fund or account under the Indenture, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Investments in the Reserve Fund shall mature, or be subject to tender, redemption or withdrawal at the option of the holder thereof, not later than five years from the date of investment. Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee, as trustee under the Indenture.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms required in the Indenture to be observed or performed by or on the part of the County, the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms of the Indenture and shall in no way affect the validity of the Indenture or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law.

California Law. The Indenture shall be construed and governed in accordance with the laws of the State of California.

Effective Date. The Indenture shall become effective upon its execution and delivery.

FACILITY LEASE

The Leased Property

Lease of the Leased Property. The Authority leases to the County, and the County rents and hires from the Authority, the Leased Property on the conditions and terms set forth in the Facility Lease. The County, pursuant to the Facility Lease, agrees and covenants that during the term of the Facility Lease, except as provided in the Facility Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated by the Facility Lease and so as to permit the Authority to carry out its agreements and covenants contained in the Facility Lease and in the Indenture, and the

County further agrees and covenants that during the term of the Facility Lease that it will not abandon or vacate the Leased Property.

Quiet Enjoyment. The parties to the Facility Lease mutually covenant that the County, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Facility Lease and is not in default under the Facility Lease, shall at all times during the term of the Facility Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Right of Entry and Inspection. The Authority shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Facility Lease and for all other lawful purposes.

Prohibition Against Encumbrance or Sale. The County and the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances, and except incident to the execution and delivery of Additional Bonds as contemplated by the Facility Lease. The County and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Facility Lease. Notwithstanding anything to the contrary contained in the Facility Lease, with the consent of the Insurer, which will not be unreasonably withheld, the County may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, *provided* that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Authority under the Facility Lease, (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations under the Facility Lease, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other section of the Facility Lease, (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to the Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease and (e) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted under the Facility Lease by an amendment to the Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Liens. In the event the County shall at any time during the term of the Facility Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Authority and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Substitution or Removal of Leased Property.

(a) The County may amend the Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, with the consent of the Insurer, which shall not be unreasonably withheld, and upon compliance with all of the conditions set forth in subsection (b) below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Site Lease.

(b) No Substitution or Removal shall take place under the Facility Lease until the County delivers to the Authority and the Trustee the following:

(i) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(ii) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the fair rental value of the Leased Property after said Substitution or Removal; (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(iii) An Opinion of Counsel to the effect that the amendments to the Facility Lease and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Authority enforceable in accordance with their terms;

(iv) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable hereunder, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Series 2016A Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(v) In the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (iv) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

(vi) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Bonds to be includable in gross income of the Owners thereof for federal income tax purposes; and

(vii) Evidence that the County has complied with the covenants contained in clauses (i) and (ii) summarized herein under the caption "THE FACILITY LEASE - Maintenance; Taxes; Insurance and Other Charges – Insurance," with respect to the Substituted Property.

Term of the Facility Lease

Commencement of the Facility Lease. The effective date of the Facility Lease is the Closing Date, and the term of the Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as provided in the Facility Lease. If on the Expiry Date, the rental payable under the Facility Lease shall not be fully paid and all Bonds shall not be fully paid and retired, or if the rental payable under the Facility Lease shall have been abated at any time and for any reason, then the term of the Facility Lease shall be extended until the rental payable under the Facility Lease shall be fully paid and all Bonds shall be fully paid, except that the term of the Facility Lease shall in no event be extended beyond October 15, 2045. If prior to the Expiry Date, the rental payable under the Facility Lease shall be fully paid and all Bonds shall have been fully paid, or deemed fully paid, in accordance with the Indenture, the term of the Facility Lease shall end immediately.

Use of Proceeds; Tax Covenants

Use of Proceeds. The parties to the Facility Lease agree that the proceeds of the Bonds will be used by the Authority to refund the Series 2009A Bonds, to fund a reserve fund and to pay the costs of executing and delivering the Bonds and incidental and related expenses.

Tax Covenants.

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the County or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; *provided*, that if the County shall obtain an Opinion of Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions of the Facility Lease. In the event that at any time the County is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

(b) To the ends covenanted in this section, the County specifically, pursuant to the Facility Lease, agrees to ensure that the following requirements are met:

(i) The County will not invest or allow to be invested proceeds of the Bonds at a yield in excess of the yield on the Bonds, except to the extent allowed under the Tax Certificate.

(ii) The County will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

Rental Payments

Rental Payments. The County, pursuant to the Facility Lease, agrees to pay to the Authority, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

(a) Base Rental. Subject to the immediately following sentence, the County shall pay to the Authority rental under the Facility Lease as Base Rental Payments for the use and occupancy of the Leased Property for each Lease Year or portion thereof, at the times and in the amounts set forth in the Base Rental Payment Schedule attached to the Facility Lease, and made a part of the Facility Lease.

Notwithstanding the dates designated as the Base Rental Payment Dates, all Base Rental Payments due in any Fiscal Year shall be due and payable in one sum on July 5 of each year (the "Prepayment Amount"), commencing on July 5, 2016. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the County under the Facility Lease. The obligation to make the Base Rental Payments set forth in the Facility Lease shall commence as of the Closing Date.

If the term of the Facility Lease shall have been extended pursuant to the Facility Lease, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of the Facility Lease. Upon such extension of the Facility Lease, the County shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at an amount sufficient to pay all unpaid principal and interest on the Bonds.

(b) Additional Payments. The County shall also pay in addition to the Base Rental Payments, to the Authority or the Trustee, as provided in the Facility Lease, such amounts ("Additional Payments") in each year as shall be required for the payment of all costs and expenses incurred in connection with the execution, performance or enforcement of the Facility Lease or the assignment of the Facility Lease, the Indenture, or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the County under the Facility Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Bonds), fees of auditors, accountants, attorneys or engineers, insurance premiums, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or the Indenture.

The foregoing Additional Payments shall be billed to the County by the appropriate party from time to time, together with a statement certifying that the amount billed has been incurred or paid for one or more of the items above described, or that such amount is then so payable for such items. Amounts so billed shall be paid by the County not later than the latest time as such amounts may be paid without penalty or, if no penalty is associated with a late payment of such amounts, within 30 days after receipt of a bill by the County for such amounts.

The Authority may enter into leases to finance facilities other than the Project. The administrative costs of the Authority shall be allocated among said facilities and the Project, as provided in this paragraph. Any taxes levied against the Authority with respect to the Leased Property, the fees of the Trustee, and any other expenses directly attributable to the Leased Property shall be included in the Additional Payments payable under the Facility Lease. Any taxes levied against the Authority with respect to real property other than the Leased Property, the fees of any trustee or paying agent under any resolution securing bonds of the Authority or any Indenture other than the Indenture, and any other expenses directly attributable to any facilities other than the Leased Property shall not be included in the administrative costs of the Leased Property and shall not be paid from the Additional Payments payable under the Facility Lease. Any expenses of the Authority not directly attributable to any particular project of the Authority shall be equitably allocated among all such projects, including the Leased Property, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, shall be final and conclusive determination as to such allocation. The Trustee may conclusively rely upon a Certificate of the Authority in making any determination that costs are payable as Additional Payments under the Facility Lease, and shall not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

(c) Consideration.

(i) Such payments of Base Rental Payments for each Lease Year or portion thereof during the term of the Facility Lease shall constitute, together with the Additional Payments, the total amount due for such Lease Year or portion thereof and shall be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the County shall deliver a certificate to the Authority and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties to the Facility Lease have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable under the Facility Lease in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under the Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(ii) The parties to the Facility Lease acknowledge that they may amend the Facility Lease from time to time to increase the Base Rental Payments payable under the Facility Lease so that Additional Bonds may be executed, authenticated and issued pursuant to the Facility Lease and the Indenture. The proceeds of such Additional Bonds shall be used for any lawful purpose. Notwithstanding anything to the contrary contained in the Facility Lease, the Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease.

(d) Payment; Credit. Each installment of Base Rental Payments payable under the Facility Lease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority shall designate. Any such installment of rental accruing under the Facility Lease which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in the Facility Lease as summarized herein under the caption "Rental Abatement" below, and to the extent permitted by law shall bear interest at the rate of ten percent per annum from the date when the same is due under the Facility Lease until the same shall be paid. Notwithstanding any dispute between the

County and the Authority, the County shall make all rental payments when due, without deduction or offset of any kind, and shall not withhold any rental payments pending the final resolution of any such dispute. In the event of a determination that the County was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall, at the option of the County, be credited against subsequent rental payments due under the Facility Lease or be refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to this section on any date shall be reduced to the extent of available amounts on deposit on such date in the Revenue Fund, the Interest Fund or the Principal Fund. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Annual Budgets; Reporting Requirements. The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each fiscal year commencing after the date of the Facility Lease (an "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Application of Rental Payments. All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due under the Facility Lease, then to the principal components (including any prepayment premium components) of the Base Rental Payments due under the Facility Lease and thereafter to all Additional Payments due under the Facility Lease, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default under the Facility Lease.

Rental Abatement. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights under the Facility Lease, as permitted by the Facility Lease, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to the Facility Lease as provided therein and summarized herein under the caption "THE FACILITY LEASE - The Leased Property - Prohibition Against Encumbrance or Sale." Any abatement of rental payments pursuant to this section shall not be considered an Event of Default as defined in the Facility Lease. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to this section due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County, pursuant to the Facility Lease, agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Prepayment of Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to the Facility Lease, all or any portion of the components of Base Rental Payments payable under the Facility Lease relating to any portion of the Leased Property then unpaid, in whole on any date, or in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2016A Bonds and any Additional Bonds which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2016A Bonds and any Additional Bonds.

The County may prepay, from any source of available moneys pursuant to the Indenture, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under the Facility Lease then unpaid so that the aggregate annual amounts of principal components of Base Rental Payments under the Facility Lease which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2016A Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

Before making any prepayment pursuant to this section, at least 45 days before the prepayment date the County shall give written notice to the Authority and the Trustee describing such event, specifying the order of Principal Payment Dates and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Authority and the Trustee.

Obligation to Make Rental Payments. The agreements and covenants on the part of the County contained in the Facility Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained in the Facility Lease agreed to be carried out and performed by the County.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds. In addition to the Series 2016A Bonds to be executed, authenticated and issued under the Indenture the County and the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to issue Additional Bonds on a parity with the Series 2016A Bonds and any previously executed, authenticated and issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Indenture; *provided* that prior to or concurrently with the execution and delivery of the Additional Bonds, the County and the Authority shall have entered into an amendment to the Facility Lease, providing for an increase in the Base Rental Payments to be made under the Facility Lease subject to the limitations set forth in the Facility Lease.

Maintenance; Taxes; Insurance and Other Charges

Maintenance of the Leased Property by the County. The County, pursuant to the Facility Lease, agrees that, at all times during the term of the Facility Lease, it will, at its own cost and expense, maintain, preserve and keep the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Taxes, Other Governmental Charges and Utility Charges. The parties to the Facility Lease contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Authority of the Leased Property is found to be subject to taxation in any form, the County will pay during the term of the Facility Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; *provided*, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are accrued during such time as the Facility Lease is in effect.

Insurance. The County shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by this section. Such insurance shall consist of:

(i) A policy or policies of insurance against loss or damage to the Leased Property known as "all risk," including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (a) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (b) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under the Facility Lease; *provided* that with the consent of the Insurer, the amount of coverage required by this sentence may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot, flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in an amount per occurrence in the aggregate to the amount required by the preceding sentence. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). The County may obtain such coverage as a joint insured with one or more other public agencies located within or without the County of San Diego which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph (i) and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000. Otherwise conforming policies satisfying the requirements of this paragraph (i) may provide that amounts payable as coverage under this paragraph (i) may be reduced by amounts payable under paragraph (c) for the same occurrence, and vice versa. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

(ii) In the event that such coverage is not included in paragraph (i) above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than $75,000,000 per accident; *provided, however*, that the amount of coverage required by this sentence may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to $75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County of San Diego which may be limited in amount to $75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (ii) may provide that amounts payable as coverage under this paragraph (ii) may be reduced by amounts payable under paragraph (iii) for the same occurrence, and vice versa.

(iii) So long as any Bonds are Outstanding, rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance required pursuant to paragraph (i) or (ii) above, as the case may be, in an amount sufficient at all times to pay the total rent payable under the Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; *provided* that such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (i) or (ii) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (iii) as a joint insured with one or more other public agencies within or without the County of San Diego which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (i) or (ii) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (iii) may provide that amounts payable as coverage under this paragraph (iii) may be reduced by amounts payable under paragraph (i) or (ii), as the case may be, for the same occurrence, and vice versa.

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (i) and (ii) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided in the Facility Lease or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance required in the Facility Lease. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

Any insurance policy issued pursuant to paragraph (i), (ii) or (iii) above shall be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (i) or (ii) above shall be applied as provided in the Facility Lease. The net proceeds, if any, of the insurance policy described in paragraphs (i) and (ii) above shall be payable to the County for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (iii) above shall be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in this section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

The County shall file a Certificate of the County with the Trustee and the Insurer not later than January 31 of each year certifying that the insurance policies required by this section are in full force and effect and that the Authority and/or the Trustee is named as a loss payee on each insurance policy which the Facility Lease requires to be so endorsed. The County will provide the Insurer with copies of such insurance policies upon request. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required under the Facility Lease.

Advances. In the event the County shall fail to maintain the full insurance coverage required by the Facility Lease or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Payments, which amounts the County, pursuant to the Facility Lease, agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Title Insurance. The County, pursuant to the Facility Lease, covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount of the principal component of all Base Rental Payments payable under the Facility Lease. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to such exceptions as do not materially affect the County's right to the use and occupancy of the Leased Property.

Damage, Destruction, Title Defect and Condemnation

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term of the Facility Lease (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or Authority acting under governmental authority, then the County and the Authority will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; *provided*, that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due under the Facility Lease attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased

Property and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Bonds pursuant to the provisions of the Indenture as summarized in this Official Statement under the caption "THE SERIES 2016A BONDS - Redemption - *Extraordinary Redemption*" for redemption from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof. Notwithstanding any other provision in the Facility Lease, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to prepay all the Outstanding Bonds, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or prepayment; *provided* that the failure of the County to so budget and/or appropriate shall not be a breach of or default under the Facility Lease.

Disclaimer of Warranties; Vendor's Warranties; Use of the Leased Property

Disclaimer of Warranties. NEITHER THE TRUSTEE NOR THE AUTHORITY MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER THE TRUSTEE NOR THE AUTHORITY IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event shall the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided by the Facility Lease.

Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facility Lease. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County, pursuant to the Facility Lease, agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; *provided*, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Authority in and to the Leased Property or its interest or rights under the Facility Lease.

Assignment and Indemnification

Assignment by Authority. The parties understand that certain of the rights of the Authority under the Facility Lease and under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement, and accordingly the County, pursuant to the Facility Lease, agrees to make all payments due under the Facility Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Facility Lease or otherwise) that the

County may from time to time have against the Authority. The County, pursuant to the Facility Lease, agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term of the Facility Lease.

Assignment by County. The Facility Lease and the interest of the County in the Leased Property may not be assigned or encumbered by the County except as permitted by the Facility Lease.

Indemnification. The County shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the MTS and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the issuance of the Series 2016A Bonds, the entering into of the Facility Lease, the acquisition, construction, installation and use of the Leased Property and each portion thereof or any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the County, the MTS or the Authority; any claim arising out of the use, presence, storage, disposal or release of any Hazardous Substances on or about the Leased Property; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations under the Facility Lease or the termination of the Facility Lease for any reason. The County, the MTS, the Trustee and the Authority mutually agree to promptly give notice to each other of any claim or liability indemnified against by the Facility Lease following the learning thereof by such party.

Default

(a) The following events shall be "Events of Default" under the Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in the Facility Lease, any one or more of the following events:

(i) The County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Facility Lease, *provided*, that the failure to deposit any Base Rental Payments abated pursuant to the Facility Lease shall not constitute an Event of Default;

(ii) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to the Facility Lease; or

(iii) The County shall breach any other terms, covenants or conditions contained in the Facility Lease or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the County; *provided, however*, that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any of the Events of Default specified in subsections (a) or (e) under this caption, it shall be lawful for the Authority or its assignee, subject to the terms of the Facility Lease, and to the direction and control of the Insurer, so long as the Insurer is not in default under the

Municipal Bond Insurance Policy, to exercise any and all remedies available or granted to it pursuant to law or under the Facility Lease.

(c) Upon the occurrence of an Event of Default, the Authority or its assignee must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property; **THIS SHALL BE THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE OR OTHERWISE.** In such event, the County shall remain liable and, pursuant to the Facility Lease, agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the County and, to pay the rent to the end of the term of the Facility Lease and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Facility Lease for the payment of rent under the Facility Lease (without acceleration).

(d) The Authority expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

(e) In addition to any Event of Default resulting from breach by the County of any agreement, condition, covenant or term of the Facility Lease, if the County's interest in the Facility Lease or any part thereof assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by the Facility Lease), either voluntarily or by operation of law; or the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or the County shall abandon or vacate the Leased Property or any portion thereof (except as permitted by the Facility Lease); then in each and every such case the County shall be deemed to be in default under the Facility Lease.

(f) Neither the County nor the Authority shall be in default in the performance of any of its obligations under the Facility Lease (except for the obligation to make Base Rental Payments pursuant to the Facility Lease) unless and until it shall have failed to perform such obligation within 30 days after notice by the County of the Authority, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

(g) The County and Authority and its successors and assigns shall honor the exclusive rights of the County to use the Leased Property.

Miscellaneous

Binding Effect. The Facility Lease shall inure to the benefit of and shall be binding upon the Authority and the County and their respective successors and assigns.

Trustee as Third Party Beneficiary. The Trustee is designated a third party beneficiary under the Facility Lease for the purpose of enforcing any of the rights under the Facility Lease assigned to the Trustee under the Assignment Agreement.

<u>Net Lease</u>. It is the purpose and intent of the Authority and the County that lease payments under the Facility Lease shall be absolutely net to the Authority so that the Facility Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Facility Lease except as expressly set forth in the Facility Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Facility Lease shall be paid by the County.

<u>Amendments</u>. The Facility Lease may be amended in writing as may be mutually agreed by the Authority and the County, subject to the written approval of the Trustee; *provided*, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Bonds Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the principal amount of the Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment of the Facility Lease.

The Facility Lease and the rights and obligations of the Authority and the County under the Facility Lease may also be amended or supplemented at any time by an amendment of the Facility Lease or supplement to the Facility Lease which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the County to be observed or performed in the Facility Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the County, or to surrender any right or power reserved in the Facility Lease to or conferred in the Facility Lease on the Authority or the County, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Facility Lease or in regard to questions arising under the Facility Lease which the Authority or the County may deem desirable or necessary and not inconsistent with the Facility Lease, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a Substitution or Removal in accordance with the Facility Lease;

(d) to facilitate the issuance of Additional Bonds as provided in the Facility Lease; or

(e) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners or the Insurer.

<u>Discharge of County</u>. Upon the payment of all Base Rental Payments and Additional Payments payable under the Facility Lease, all of the obligations of the County under the Facility Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied; *provided, however*, if any Outstanding Bonds shall be deemed to have been paid by virtue of a deposit of Base Rental Payments under the Facility Lease pursuant to the Indenture, then the obligation of the County under the Facility

Lease to make Base Rental Payments under the Facility Lease shall continue in full force and effect until the Outstanding Bonds so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by the Indenture, and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms of the Facility Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms of the Facility Lease shall be affected thereby, and each provision of the Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

California Law. The Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SITE LEASE

Leased Property. The County leases to the Authority and the Authority rents and hires from the County, on the terms and conditions set forth in the Site Lease, the Leased Property.

Term.

(a) The term of the Site Lease will commence on the Closing Date and shall end on the Expiry Date, unless such term is sooner terminated or is extended as provided in the Site Lease. If prior to the Expiry Date all Base Rental Payments under the Facility Lease shall have been paid, or provision therefor has been made in accordance with the Indenture, the term of the Site Lease shall end simultaneously therewith.

(b) If the Facility Lease is extended beyond the Expiry Date pursuant to the terms thereof, the Site Lease shall also be extended to the day following the date of termination of the Facility Lease.

Rent. The Authority shall pay to the County an advance rent of $1, which, together with the execution and delivery of the Facility Lease, shall constitute full consideration for the Site Lease over its term. The Authority waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation

Purpose. The Authority shall use the Leased Property solely for the purpose of subleasing the same to the County; *provided*, that in the event of default by the County under the Facility Lease, the Authority may exercise the remedies provided in the Facility Lease.

Owner in Fee. The County covenants that it is the owner of the Leased Property free and clear of all liens, claims or encumbrances which affect marketability.

Assignments and Leases. Unless the County shall be in default under the Facility Lease, the Authority may not, without the prior written consent of the County, assign its rights under the Site Lease or sublet the Leased Property except that the County expressly approves and consents to the assignment and transfer of the Authority's right, title and interest in the Site Lease to the Trustee pursuant to the Assignment Agreement.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Termination. The Authority, pursuant to the Site Lease, agrees, upon the termination of the Site Lease, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms under the Site Lease, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination of the Site Lease shall remain thereon and title thereto shall vest in the County.

Default. In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the County may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Facility Lease shall be deemed to occur as a result thereof; *provided*, that so long as the Bonds executed and delivered pursuant to the Indenture are Outstanding, the County shall have no power to terminate the Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Authority and the Trustee that authenticates and delivers the Bonds.

Quiet Enjoyment. The Authority at all times during the term of the Site Lease shall peaceably and quietly have, hold and enjoy the Leased Property.

Waiver of Personal Liability. All liabilities under the Site Lease on the part of the Authority shall be solely corporate liabilities of the Authority, and the County releases each and every director, officer and employee of the Authority of and from any personal or individual liability under the Site Lease. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable under the Site Lease for anything done or omitted to be done by the Authority under the Site Lease.

Eminent Domain. In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is determined to be the amount of the then unpaid Base Rental Payments payable under the Facility Lease, and the amount of the unpaid Additional Rental due under the Facility Lease, and the balance of the award, if any, shall be paid to the County.

Amendments. The Site Lease may be amended for the purpose of affecting a Substitution or Removal, as further described in the Facility Lease.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms of the Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms of the Site Lease shall be affected thereby, and each provision of the Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Governing Law. The Site Lease is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

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APPENDIX D

BOOK-ENTRY SYSTEM

The following information concerning The Depository Trust Company ("DTC") and DTC's book-entry system has been obtained from sources that the County, the Authority and the Underwriters believe to be reliable. The County and the Authority make no representations as to the accuracy or completeness of such information. Further, the County and the Authority undertake no responsibility for and make no representations as to the accuracy.

NEITHER THE COUNTY, THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2016A BONDS UNDER THE INDENTURE; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2016A BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE SERIES 2016A BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2016A BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

The Depository Trust Company, New York, New York, will act as securities depository for the Series 2016A Bonds. The Series 2016A Bonds will be issued as full-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 full-registered Series 2016A Bond certificate will be issued for each maturity of the Series 2016A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

DTC 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. The information on such website is not incorporated by reference herein.

Purchases of the Series 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016A 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 Series 2016A 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 or certificates representing their ownership interests in the Series 2016A Bonds, except in the event that use of the book-entry system for the Series 2016A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016A 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 the Series 2016A 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 Series 2016A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016A 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 the Series 2016A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture and the Facility Lease. For example, Beneficial Owners of the Series 2016A Bonds m may wish to ascertain that the nominee holding the Series 2016A 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.

While the Series 2016A Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2016A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016A 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 Authority, as issuer, 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 the Series 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2016A 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 County, the Authority 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 County, the Authority, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, the Authority 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.

DTC may discontinue providing its services as depository with respect to the Series 2016A Bonds at any time by giving reasonable notice to the County, the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2016A Bond certificates are required to be printed and delivered.

The County and the Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). DTC's procedures provide that upon receipt of a withdrawal request from an issuer, DTC will take the following actions: (1) DTC will issue an Important Notice notifying its participants of the receipt of a withdrawal request from the issuer reminding participants that they may utilize DTC's withdrawal procedures if they wish to withdraw their securities from DTC; and (2) DTC will process withdrawal requests submitted by participants in the ordinary course of business, but will not effectuate withdrawals based upon a request from the issuer. In that event, Series 2016A Bond certificates will be printed and delivered to DTC.

The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the County and the Authority believe to be reliable, but the County and the Authority take no responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2016A BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

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APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon issuance of the Series 2016A Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the Series 2016A Bonds in substantially the following form:

March 3, 2016

San Diego Regional Building Authority
San Diego, California

County of San Diego
San Diego, California

San Diego Regional Building Authority
Lease Revenue Refunding Bonds
(County Operations Center)
Series 2016A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Diego Regional Building Authority (the "Authority") in connection with issuance of $105,330,000.00 aggregate principal amount of San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A (the "Series 2016A Bonds"), issued pursuant to an Indenture, dated as of March 1, 2016 (the "Indenture"), by and among the Authority, the County of San Diego (the "County") and Zions Bank, a division of ZB, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed a Facility Lease, dated as of March 1, 2016 (the "Facility Lease"), by and between the Authority and the County, a Site Lease, dated as of March 1, 2016 (the "Site Lease"), by and between the County and the Authority, a Tax Certificate and Agreement, dated the date hereof (the "Tax Certificate"), by and between the County and the Authority and an Assignment Agreement, dated as of March 1, 2016 (the "Assignment Agreement"), by and between the Authority and the Trustee, opinions of counsel to the Authority, the County and the Trustee, certificates of the Authority, the County, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2016A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2016A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2016A Bonds, the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the liens of the Facility Lease, the Site Lease or the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2016A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2016A Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2016A Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Excess Earnings Account, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. Interest on the Series 2016A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2016A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2016A Bonds.

Faithfully yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of March 1, 2016, is executed and delivered by the County of San Diego, California (the "County") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the County through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the County or anyone on the County's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the County for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the County and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means the Chief Financial Officer of the County or his or her designee, or such other person as the County shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the County pursuant to Section 9 hereof.

"Failure to File Event" means the County's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having 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) treated as the owner of any Bonds for federal income tax purposes.

"Information" means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person, including the County, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the County in connection with the Bonds, as listed on Appendix A.

"Trustee" means the institution identified as such in the document under which the Bonds were executed and delivered.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The County shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than nine months after the end of each fiscal year of the County, commencing with the fiscal year ending June 30, 2016. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the County of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the County will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Failure to File Event shall have occurred and the County irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the County are prepared but not available prior to the Annual Filing Date, the County shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the County pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"

2. "Non-Payment related defaults, if material;"

3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"

4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"

5. "Substitution of credit or liquidity providers, or their failure to perform;"

6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"

7. "Modifications to rights of securities holders, if material;"

8. "Bond calls, if material;"

9. "Defeasances;"

10. "Release, substitution, or sale of property securing repayment of the securities, if material;"

11. "Rating changes;"

12. "Tender offers;"

13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"

14. "Merger, consolidation, or acquisition of the obligated person, if material;" and

15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the County pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"
2. "change in obligated person;"
3. "notice to investors pursuant to bond documents;"
4. "certain communications from the Internal Revenue Service;"
5. "secondary market purchases;"
6. "bid for auction rate or other securities;"
7. "capital or other financing plan;"
8. "litigation/enforcement action;"
9. "change of tender agent, remarketing agent, or other on-going party;"
10. "derivative or other similar transaction;" and
11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the County pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"
2. "change in fiscal year/timing of annual disclosure;"
3. "change in accounting standard;"
4. "interim/additional financial information/operating data;"
5. "budget;"
6. "investment/debt/financial policy;"

7. “information provided to rating agency, credit/liquidity provider or other third party;”

8. “consultant reports;” and

9. “other financial/operating data.”

(viii) provide the County evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The County may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the County, including the information provided in the Official Statement in the tables with the following headings in the Appendix A to the Official Statement for the most current fiscal year available:

TOTAL COUNTY EMPLOYEES

ASSESSMENT APPEALS

ASSESSED VALUATION OF PROPERTY SUBJECT TO AD VALOREM TAXATION

TEN LARGEST TAXPAYERS

SECURED TAX ROLL STATISTICS

GENERAL FUND BALANCE SHEET

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND ADOPTED AND AMENDED BUDGETS

HISTORICAL FUNDING STATUS

TRANSFERS OF INVESTMENT EARNINGS TO NON-VALUATION RESERVES

HISTORICAL FUNDING STATUS FOR POST-RETIREMENT HEALTHCARE BENEFITS

PAYMENTS FOR POST-RETIREMENT HEALTHCARE BENEFITS

SUMMARY OF LONG-TERM BONDED OBLIGATIONS PAYABLE FROM THE GENERAL FUND

COUNTY OF SAN DIEGO SUMMARY OF OUTSTANDING PRINCIPAL AND INTEREST PAYMENTS ATTRIBUTABLE TO LONG-TERM OBLIGATIONS PAYABLE FROM THE GENERAL FUND

An update of the financial and operating data relating solely to the County contained under the heading "SAN DIEGO COUNTY INVESTMENT POOL" in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so included by reference.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, in a format similar to the financial statements contained in the final Official Statement, will be included in the Annual Report; and audited financial statements will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the County is an "obligated person" (as defined by the Rule), which have been previously filed with the MSRB or the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

> **Note to subsection (a)(12) of this Section 4:** For the purposes of the event described in subsection (a)(12) of this Section 4, 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 governing 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.

13. 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, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The County shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the County desires to make, contain the written authorization of the County for the Disclosure Dissemination Agent to disseminate such information, and identify the date the County desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the County or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the County determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the County desires to make, contain the written authorization of the County for the Disclosure Dissemination Agent to disseminate such information, and identify the date the County desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the County as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the County shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The County 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 County, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The County acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The County may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the County desires to make, contain the written authorization of the County for the Disclosure Dissemination Agent to disseminate such information, and identify the date the County desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the County as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The County may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure

Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the County desires to make, contain the written authorization of the County for the Disclosure Dissemination Agent to disseminate such information, and identify the date the County desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the County as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The parties hereto acknowledge that the County is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(c) Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the County and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the County is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The County has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The County may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the County or DAC, the County agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the County shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the County.

SECTION 10. Remedies in Event of Default. In the event of a failure of the County or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the County has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the County and shall not be deemed to be acting in any fiduciary capacity for the County, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the County's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the County has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the County at all times.

The obligations of the County under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the County.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the County and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the County or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the County. No such amendment shall become effective if the County shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of California (other than with respect to conflicts of laws).

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.

The Disclosure Dissemination Agent and the County have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Disclosure Dissemination Agent

By: ______________________________________
Name:
Title:

COUNTY OF SAN DIEGO

By: ______________________________________
Name:
Title:

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issue:	San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A
Obligated Person(s):	County of San Diego
Date of Issuance:	March 3, 2016
Date of Official Statement:	February 4, 2016

CUSIP Numbers:

79730EEU0
79730EEV8
79730EEW6
79730EEX4
79730EEY2
79730EEZ9
79730EFA3
79730EFB1
79730EFC9
79730EFD7
79730EFE5
79730EFF2
79730EFG0
79730EFH8
79730EFJ4
79730EFK1
79730EFM7
79730EFN5
79730EFL9
79730EFP0

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Obligor:	County of San Diego
Name of Bond Issue:	San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A
Date of Issuance:	March 3, 2016

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement, dated as of March 1, 2016, between the County and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The County has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____________.

Dated: ______________

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the County

____

cc: Chief Financial Officer, County of San Diego

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: County of San Diego

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the Bonds to which this material event notice relates:

____

Number of pages of attached: _____

____ Description of Notice Events (Check One):

1._____"Principal and interest payment delinquencies;"
2._____"Non-Payment related defaults, if material;"
3._____"Unscheduled draws on debt service reserves reflecting financial difficulties;"
4._____"Unscheduled draws on credit enhancements reflecting financial difficulties;"
5._____"Substitution of credit or liquidity providers, or their failure to perform;"
6._____"Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7._____"Modifications to rights of securities holders, if material;"
8._____"Bond calls, if material;"
9._____"Defeasances;"
10.____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11.____"Rating changes;"
12.____"Tender offers;"
13.____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14.____"Merger, consolidation, or acquisition of the obligated person, if material;" and
15.____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ______________________________ Title: ______________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of March 1, 2016 between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

County of San Diego

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the Bonds to which this notice relates:

____

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1._____"amendment to continuing disclosure undertaking;"
2._____"change in obligated person;"
3._____"notice to investors pursuant to Bond documents;"
4._____"certain communications from the Internal Revenue Service;"
5._____"secondary market purchases;"
6._____"bid for auction rate or other securities;"
7._____"capital or other financing plan;"
8._____"litigation/enforcement action;"
9._____"change of tender agent, remarketing agent, or other on-going party;"
10.____"derivative or other similar transaction;" and
11.____"other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ________________________ Title: ________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of March 1, 2016 between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

County of San Diego

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the Bonds to which this notice relates:

____

Number of pages attached: _____

____ Description of Voluntary Financial Disclosure (Check One):

1._____"quarterly/monthly financial information;"
2._____"change in fiscal year/timing of annual disclosure;"
3._____"change in accounting standard;"
4._____"interim/additional financial information/operating data;"
5._____"budget;"
6._____"investment/debt/financial policy;"
7._____"information provided to rating agency, credit/liquidity provider or other third party;"
8._____"consultant reports;" and
9._____"other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: _________________________________ Title: _______________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

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SAN DIEGO REGIONAL BUILDING AUTHORITY • LEASE REVENUE REFUNDING BONDS (COUNTY OPERATIONS CENTER), SERIES 2016A

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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