NEW ISSUE: BOOK-ENTRY ONLY **Ratings: See "Ratings" herein.**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, 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 2016 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 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. 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 2016 Bonds. See "TAX MATTERS."

$89,000,000
COUNTY OF SACRAMENTO
Airport System Senior Revenue Refunding Bonds
Series 2016A

$92,790,000
COUNTY OF SACRAMENTO
Airport System Subordinate Revenue Refunding Bonds
Series 2016B

Dated: Date of Delivery **Due: July 1, as shown on the inside cover pages**

The County of Sacramento (the "County") is issuing its $89,000,000 Airport System Senior Revenue Refunding Bonds, Series 2016A (the "Series 2016 Senior Bonds") and $92,790,000 Airport System Subordinate Revenue Refunding Bonds, Series 2016B (the "Series 2016 Subordinate Bonds" and, together with the Series 2016 Senior Bonds, the "Series 2016 Bonds"). The Series 2016 Senior Bonds are being issued to: (i) refund a portion of the outstanding County of Sacramento Airport System Senior Revenue Bonds, Series 2008A and all of the outstanding County of Sacramento Airport System Senior Revenue Bonds, Series 2009A; and (ii) pay certain costs of issuance of the Series 2016 Senior Bonds, all as more fully described herein. The Series 2016 Subordinate Bonds are being issued to: (i) refund all of the outstanding County of Sacramento Airport System Subordinate and PFC/Grant Revenue Bonds, Series 2009C; and (ii) pay certain costs of issuance of the Series 2016 Subordinate Bonds, all as more fully described herein.

The Series 2016 Senior Bonds are being issued pursuant to a Master Indenture of Trust, dated as of May 1, 2008, between the County and The Bank of New York Mellon Trust Company, NA., as trustee (the "Trustee") (the "Master Indenture"), as supplemented and amended by a Sixth Supplemental Indenture of Trust, dated as of December 1, 2016, between the County and the Trustee (the "Sixth Supplemental Indenture"). The Series 2016 Subordinate Bonds are being issued pursuant to the Master Indenture, as supplemented and amended by a Seventh Supplemental Indenture of Trust, dated as of December 1, 2016, between the County and the Trustee (the "Seventh Supplemental Indenture" and, together with the Master Indenture, as supplemented and amended from time to time, and the Sixth Supplemental Indenture, the "Indenture").

The Series 2016 Bonds are secured by the Trust Estate (as defined herein), subject to the application of the moneys included in the Trust Estate on the terms and conditions and for the purposes set forth in the Indenture. The primary component of the Trust Estate is the Net Revenues (as defined herein) derived by the County from the operation of the Airport System. The Series 2016 Senior Bonds constitute Senior Obligations (as defined herein) pursuant to the Indenture and are secured by the Trust Estate and payable from Net Revenues on a parity basis with Senior Obligations previously issued by the County. The Indenture provides that the County may issue additional Senior Obligations secured by the Trust Estate and payable from the Net Revenues on a parity basis with the Series 2016 Senior Bonds, subject to the terms and conditions of the Indenture, as more fully described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS — Additional Senior Obligations" and " – Existing Senior Obligations."

The Series 2016 Subordinate Bonds constitute Subordinate Obligations (as defined herein) pursuant to the Indenture and are secured by the Trust Estate and payable from the Net Revenues on a subordinate basis to the Senior Obligations and on a parity basis with Subordinate Obligations previously issued by the County. The Indenture provides that the County may incur additional Obligations (as defined herein) secured by the Trust Estate and payable from the Net Revenues on a subordinate basis to the Senior Obligations (the "Subordinate Obligations" and "Junior Subordinate Obligations") subject to the terms and conditions of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS —Additional Subordinate Obligations," " – Existing Subordinate Obligations" and " – Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations."

Interest on the Series 2016 Bonds is payable semiannually on January 1 and July 1 of each year, commencing July 1, 2017, at the rates set forth on the inside cover pages.

THE PRINCIPAL, OR REDEMPTION PRICE, OF AND INTEREST ON THE SERIES 2016 BONDS ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THE PAYMENT THEREOF, AND THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2016 BONDS EXCEPT FROM THE TRUST ESTATE. THE GENERAL FUND OF THE COUNTY IS NOT LIABLE AND THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COUNTY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST ON THE SERIES 2016 BONDS. NO TAX OR ASSESSMENT SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST ON THE SERIES 2016 BONDS AND THE SERIES 2016 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE PROPERTY OF THE COUNTY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE TRUST ESTATE AS PROVIDED IN THE INDENTURE. NEITHER THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST ON THE SERIES 2016 BONDS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OR THE STATE OF CALIFORNIA.

The Series 2016 Bonds will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to beneficial owners in denominations of $5,000 or any integral multiple thereof, through the book – entry system maintained by DTC. The principal of, premium, if any, and interest on the Series 2016 Bonds is payable by the Trustee, to DTC, which is obligated in turn to remit such payments to its participants for subsequent disbursement to beneficial owners as described herein. See APPENDIX D — "BOOK – ENTRY ONLY SYSTEM."

The Series 2016 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their respective stated maturities as described herein. See "THE SERIES 2016 BONDS — Redemption Provisions."

This cover page, including the inside cover pages hereto, contains certain information for general reference only. It is not intended to be a summary of this issue. Potential purchasers must read the entire Official Statement, including but not limited to "INVESTMENT CONSIDERATIONS," to obtain information essential to making an informed investment decision.

The Series 2016 Bonds are offered when, as and if issued and received by the Underwriters, and subject to the approval of their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County. Certain matters will be passed upon on behalf of the County by the Sacramento County Counsel, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, its Disclosure Counsel, and on behalf of the Underwriters by their counsel, Nixon Peabody LLP. It is expected that the Series 2016 Bonds in book – entry form will be available for delivery through the DTC book – entry system, on or about December 21, 2016.

RBC Capital Markets

Loop Capital Markets **Morgan Stanley**

Dated: December 7, 2016

MATURITY SCHEDULE

$89,000,000 Series 2016 Senior Bonds

$89,000,000 5.00% Term Series 2016 Senior Bonds Due July 1, 2041 - Yield 3.73% Price 110.104%*

CUSIP Number 786107PC0 †

$92,790,000 Series 2016 Subordinate Bonds

$16,045,000 Serial Series 2016 Subordinate Bonds

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2035	$2,790,000	5.00%	3.74%	110.020%*	786107PD8
2036	13,255,000	5.00	3.78	109.683*	786107PE6

$76,745,000 5.00% Term Series 2016 Subordinate Bonds Due July 1, 2041 – Yield 3.88% Price 108.848%*
CUSIP† 786107PF3

*Priced to July 1, 2026 par call.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the County or the Underwriters take any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon. 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 2016 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Series 2016 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been furnished by the County and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither 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 of the County since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

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 responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in the following information 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. No assurance is given that actual results will meet the County's forecasts in any way. Except as set forth in the Continuing Disclosure Certificate, a form of which is attached as Appendix E, the County does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

The Series 2016 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act. The Series 2016 Bonds have not been registered or qualified under the securities laws of any state.

County of Sacramento
Board of Supervisors

Phil Serna	Supervisor, District 1
Patrick Kennedy	Supervisor, District 2
Susan Peters	Supervisor, District 3
Roberta MacGlashan	Chair, Supervisor, District 4
Don Nottoli	Vice Chair, Supervisor, District 5

County Officials

Navdeep S. Gill	County Executive
Robyn Truitt Drivon, Esq.	County Counsel
Britt Ferguson	Chief Financial Officer
Ben Lamera	Director of Finance
Kristen Yates	County Debt Officer

Sacramento County Airport System Staff

John Wheat	Director of Airports
Lisa J. Stanton	Chief Operating Officer
Sylvia Ambrogio	Chief Administrative Officer, Finance and Administration
TJ Chen	Chief Administrative Officer, Planning and Development

Special Services

BOND COUNSEL

ORRICK, HERRINGTON & SUTCLIFFE LLP

DISCLOSURE COUNSEL

STRADLING YOCCA CARLSON & RAUTH,
A PROFESSIONAL CORPORATION

TRUSTEE

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.
LOS ANGELES, CALIFORNIA

MUNICIPAL ADVISOR

PUBLIC FINANCIAL MANAGEMENT, INC.
SAN FRANCISCO, CALIFORNIA

VERIFICATION AGENT

THE ARBITRAGE GROUP, INC.
KATY, TEXAS

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$89,000,000
COUNTY OF SACRAMENTO
Airport System Senior Revenue Refunding Bonds
Series 2016A

$92,790,000
COUNTY OF SACRAMENTO
Airport System Subordinate Revenue Refunding Bonds
Series 2016B

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2016 Bonds being offered and a brief description of the Official Statement. All statements contained herein 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. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given to such terms under the Indenture. See APPENDIX C – "SUMMARY OF THE INDENTURE – CERTAIN DEFINITIONS."

Purpose

The purpose of this Official Statement, which includes the cover page, the inside cover pages and appendices hereto, is to set forth certain information concerning the issuance and sale of $89,000,000 Airport System Senior Revenue Refunding Bonds, Series 2016A (the "Series 2016 Senior Bonds") and $92,790,000 Airport System Subordinate Revenue Refunding Bonds, Series 2016B (the "Series 2016 Subordinate Bonds" and, together with the Series 2016 Senior Bonds, the "Series 2016 Bonds"). The Series 2016 Senior Bonds are being issued to: (i) refund a portion of the outstanding County of Sacramento Airport System Senior Revenue Bonds, Series 2008A and all of the outstanding of Sacramento Airport System Senior Revenue Bonds, Series 2009A; and (ii) pay certain costs of issuance of the Series 2016 Senior Bonds, all as more fully described herein. The Series 2016 Subordinate Bonds are being issued to: (i) refund all of the outstanding County of Sacramento Airport System Subordinate and PFC/Grant Revenue Bonds, Series 2009C; and (ii) pay certain costs of issuance of the Series 2016 Subordinate Bonds, all as more fully described herein. The portion of the Series 2008A Bonds to be refunded, and the Series 2009A Bonds and the Series 2009C Bonds, are collectively referred to herein as the "Refunded Bonds." See "PLAN OF REFUNDING."

The Airport System

The County is a political subdivision of the State of California. The County's Board of Supervisors oversees the operation of the Airport System, which is comprised of Sacramento International Airport ("International Airport"), Sacramento Mather Airport ("Mather Airport"), Sacramento Executive Airport ("Executive Airport"), and Franklin Field. The Airport System is owned by the County (except for Mather Airport and Executive Airport, which are leased as described herein), is operated as a self sufficient enterprise and is administered by the Director of Airports (the "Director"). The Director reports to the County Executive. See "THE AIRPORT SYSTEM" and "MANAGEMENT OF THE AIRPORT SYSTEM."

International Airport is the primary commercial airport facility serving the County and six neighboring counties and is classified as a medium air traffic hub by the Federal Aviation Administration

(the "FAA"). Mather Airport is a civilian cargo and general aviation airport and Executive Airport is a general aviation facility. Franklin Field is a general aviation training facility.

International Airport primarily serves origin-destination passengers (i.e., passengers beginning or ending their journeys at International Airport). In calendar year 2015, it was ranked 46th in the United States in terms of total passengers according to Airports Council International Airport ("ACI"). In the fiscal year ended June 30, 2016, International Airport served a total of approximately 9.9 million passengers. Origin-destination traffic for the first six months of calendar year 2016 accounted for approximately 94.8% of annual passengers, with the remaining 5.2% being passengers connecting between flights.

As of July 1, 2016, 12 scheduled passenger airlines, including five mainline airlines, three regional affiliates of which one is associated with one or more mainline airlines, two low-cost carriers and two foreign-flag airlines, offered 140 daily non-stop flights at International Airport. In addition, the Airport System is also served by two scheduled all-cargo airlines. See "THE AIRPORT SYSTEM."

The Series 2016 Bonds

The Series 2016 Senior Bonds are being issued pursuant to a Master Indenture of Trust, dated as of May 1, 2008, between the County and The Bank of New York Mellon Trust Company, NA., as trustee (the "Trustee") (the "Master Indenture"), as supplemented and amended by a Sixth Supplemental Indenture of Trust, dated as of December 1, 2016, between the County and the Trustee (the "Sixth Supplemental Indenture"). The Series 2016 Subordinate Bonds are being issued pursuant to the Master Indenture, as supplemented and amended by a Seventh Supplemental Indenture of Trust, dated as of December 1, 2016, between the County and the Trustee (the "Seventh Supplemental Indenture" and, together with the Master Indenture, as supplemented and amended from time to time, and the Sixth Supplemental Indenture, the "Indenture"). See APPENDIX C – "SUMMARY OF THE INDENTURE."

The Series 2016 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their stated maturities as described herein. See "THE SERIES 2016 BONDS – Redemption Provisions."

The Series 2016 Bonds are being issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be made available to beneficial owners through the book-entry only system maintained by DTC. See APPENDIX D– "BOOK-ENTRY ONLY SYSTEM."

Security for the Series 2016 Bonds

The Series 2016 Bonds are secured by the Trust Estate (as defined herein), subject to the application of the moneys included in the Trust Estate on the terms and conditions and for the purposes set forth in the Indenture. The primary component of the Trust Estate is the Net Revenues (as defined herein) derived by the County from the operation of the Airport System. The Series 2016 Senior Bonds constitute Senior Obligations (as defined herein) pursuant to the Indenture and are secured by the Trust Estate and payable from Net Revenues on a parity basis with Senior Obligations previously issued by the County. The Indenture provides that the County may issue additional Senior Obligations secured by the Trust Estate and payable from the Net Revenues on a parity basis with the Series 2016 Senior Bonds and other Senior Obligations previously issued by the County, subject to the terms and conditions of the Indenture, as more fully described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS — Additional Senior Obligations" and " – Existing Senior Obligations."

The Series 2016 Subordinate Bonds constitute Subordinate Obligations (as defined herein) pursuant to the Indenture and are secured by the Trust Estate and payable from the Net Revenues on a subordinate basis to the Senior Obligations and on a parity basis with Subordinate Obligations previously issued by the County. The Indenture provides that the County may incur additional Obligations (as defined herein) secured by the Trust Estate and payable from the Net Revenues on a subordinate basis to the Senior Obligations (the "Subordinate Obligations" and "Junior Subordinate Obligations") subject to the terms and conditions of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS —Additional Subordinate Obligations," " – Existing Subordinate Obligations" and " – Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations."

THE PRINCIPAL, OR REDEMPTION PRICE, OF AND INTEREST ON THE SERIES 2016 BONDS ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THE PAYMENT THEREOF, AND THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2016 BONDS EXCEPT FROM THE TRUST ESTATE. THE GENERAL FUND OF THE COUNTY IS NOT LIABLE AND THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COUNTY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST ON THE SERIES 2016 BONDS. NO TAX OR ASSESSMENT SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST ON THE SERIES 2016 BONDS AND THE SERIES 2016 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE PROPERTY OF THE COUNTY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE TRUST ESTATE AS PROVIDED IN THE INDENTURE. NEITHER THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST ON THE SERIES 2016 BONDS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OR THE STATE OF CALIFORNIA.

Senior Debt Service Reserve Fund

The Indenture provides that the Series 2016 Senior Bonds will be secured by the Senior Debt Service Reserve Fund established pursuant to the Indenture. The Indenture requires that the Senior Debt Service Reserve Fund be funded in an amount equal to the Senior Debt Service Reserve Requirement (as defined herein). Amounts in the Senior Debt Service Reserve Fund are to be used solely for the purpose of payment of principal of and interest on the Series 2016 Senior Bonds and any other Participating Senior Bonds (including the Series 2008 Senior Bonds, the Series 2009 Senior Bonds and the Series 2010 Senior Bonds (as defined below)) in the event that amounts on deposit in the Senior Debt Service Fund are insufficient for such purpose, or for the retirement of all Senior Bonds (as defined herein) upon the terms provided in the Indenture. "Participating Senior Bonds" are defined in the Indenture as all Series of Senior Bonds except those which are determined by the County pursuant to a Supplemental Indenture not to be secured by the Senior Debt Service Reserve Fund. The Series 2016 Senior Bonds, the 2010 Senior Bonds, the Series 2009 Senior Bonds and the Series 2008 Senior Bonds constitute Participating Senior Bonds.

In lieu of the deposits and transfers to the Senior Debt Service Reserve Fund (or in substitution for amounts already on deposit therein), the Indenture authorizes the County to utilize a Reserve Guaranty or Reserve Guaranties to satisfy all or a portion of the Senior Debt Service Reserve Requirement, subject to satisfaction of the conditions set forth in the Indenture. The Senior Debt Service Reserve Fund does not secure payment of principal, or Redemption Price, of or interest on any Subordinate Obligation (including the Series 2016 Subordinate Bonds), Junior Subordinate Obligation or Junior Obligation (as defined herein).

In connection with the issuance of the Series 2008 Senior Bonds, the County elected to satisfy the then Senior Debt Service Reserve Requirement by utilizing a municipal bond debt service reserve insurance policy (the "2008 Senior Reserve Policy") issued by Financial Security Assurance, Inc. (now doing business as Assured Guaranty Municipal Corp.) (the "2008 Reserve Policy Provider") in the amount of $35,562,012.50. Prior to the issuance of the Series 2016 Senior Bonds, the 2008 Senior Reserve Policy constitutes approximately 65.9% of the Senior Debt Service Reserve Requirement. Upon issuance of the Series 2016 Senior Bonds, the 2008 Senior Reserve Policy is expected to constitute approximately 65.7% of the Senior Debt Service Reserve Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 SENIOR BONDS – Senior Debt Service Reserve Fund."

As described below under the heading "Certain Amendments to the Master Indenture," purchasers of the Series 2016 Senior Bonds will, by their purchase and acceptance of the Series 2016 Senior Bonds, give their consent to amendments to the Master Indenture implementing certain changes to the way the Senior Debt Service Reserve Requirement is calculated. Such amendments will become effective when the Outstanding Series 2016 Senior Bonds and any other Senior Obligations, the Owners of which have also given their consent to such amendments (which includes the owners of the Series 2009 Bonds and the Series 2010 Bonds), become a majority in aggregate principal amount of all Outstanding Senior Obligations. Upon the issuance of the Series 2016 Senior Bonds, the County expects that consent will have been received from the Owners of approximately 48.7% in aggregate principal amount of the Senior Obligations Outstanding.

Subordinate Debt Service Reserve Fund

The Indenture provides that the Series 2016 Subordinate Bonds will be secured by the Subordinate Debt Service Reserve Fund established pursuant to the Indenture. The Indenture requires that the Subordinate Debt Service Reserve Fund be funded in an amount equal to the Subordinate Debt Service Reserve Requirement (as defined herein). Amounts in the Subordinate Debt Service Reserve Fund are to be used solely for the purpose of payment of principal of and interest on the Series 2016 Subordinate Bonds and any other Participating Subordinate Bonds (including the Series 2008 Subordinate Bonds and Series 2009 Subordinate Bonds (as defined below)) in the event that amounts on deposit in the Subordinate Debt Service Fund are insufficient for such purpose, or for the retirement of all Subordinate Bonds (as defined herein) upon the terms provided in the Indenture. "Participating Subordinate Bonds" are defined in the Indenture as all Series of Subordinate Bonds except those which are determined by the County pursuant to a Supplemental Indenture not to be secured by the Subordinate Debt Service Reserve Fund. The Series 2016 Subordinate Bonds, the Series 2009 Subordinate Bonds and the Series 2008 Subordinate Bonds are Participating Subordinate Bonds.

In lieu of the deposits and transfers to the Subordinate Debt Service Reserve Fund, the Indenture authorizes the County to utilize a Reserve Guaranty or Reserve Guaranties to satisfy all or a portion of the Subordinate Debt Service Reserve Requirement, subject to the satisfaction of the conditions set forth in the Indenture. The Subordinate Debt Service Reserve Fund does not secure payment of principal, or Redemption Price of, or interest on the Series 2016 Senior Bonds or any other Senior Obligation, Junior Subordinate Obligation or Junior Obligation.

As described below under the heading "Certain Amendments to the Master Indenture" purchasers of the Series 2016 Subordinate Bonds will, by their purchase and acceptance of the Series 2016 Subordinate Bonds, give their consent to amendments to the Master Indenture implementing certain changes to the way the Subordinate Debt Service Reserve Requirement is calculated. Such amendments will become effective when the Outstanding Series 2016 Senior Bonds and any other Senior Obligations,

the Owners of which have also given their consent to such amendments, become a majority in aggregate principal amount of all Outstanding Senior Obligations, as described above.

Existing Obligations

Senior Obligations. The following table describes the County's outstanding Senior Obligations:

Series	Outstanding Principal Amount*
Airport System Senior Revenue Bonds, Series 2008A (Non-AMT) (the "Series 2008A Bonds")	$78,710,000
Airport System Senior Revenue Bonds, Series 2008B (AMT) (the "Series 2008B Bonds" and collectively with the Series 2008A Bonds, the "Series 2008 Senior Bonds")	$296,930,000
Airport System Senior Revenue Bonds, Series 2009A (the "Series 2009A Bonds")	$0
Airport System Senior Revenue Bonds, Series 2009B (the "Series 2009B Bonds," and, together with the Series 2009A Bonds, the "Series 2009 Senior Bonds")	$148,900,000
Airport System Senior Revenue Bonds, Series 2010 (the "Series 2010 Bonds")	$119,280,000
Airport System Senior Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds")	$89,000,000

* After the refunding of Refunded Bonds and issuance of the Series 2016 Senior Bonds.

The Series 2008 Senior Bonds were issued pursuant to the Master Indenture, as supplemented by a First Supplemental Indenture of Trust, dated as of May 1, 2008, between the County and the Trustee (the "First Supplemental Indenture"). The Series 2009 Senior Bonds were issued pursuant to the Master Indenture, as supplemented and amended by a Third Supplemental Indenture of Trust, dated as of July 1, 2009, between the County and the Trustee (the "Third Supplemental Indenture"). The Series 2010 Senior Bonds were issued pursuant to the Master Indenture, as supplemented and amended by a Fifth Supplemental Indenture of Trust, dated as of August 1, 2010, between the County and the Trustee (the "Fifth Supplemental Indenture").

Subordinate Obligations. The following table describes the County's outstanding Subordinate Obligations:

Series	Outstanding Principal Amount*
Airport System Subordinate and PFC Revenue Refunding Bonds, Series 2008D (Non-AMT) (the "Series 2008D Bonds")	$30,310,000
Airport System Subordinate and PFC Revenue Refunding Bonds, Series 2008E (AMT) (the "Series 2008E Bonds" and, together with the Series 2008D Bonds, the "Series 2008 Subordinate Bonds")	$22,170,000
Airport System Subordinate and PFC/Grant Revenue Bonds, Series 2009C (the "Series 2009C Bonds")	$0
Airport System Subordinate and PFC/Grant Revenue Bonds, Series 2009D (the "Series 2009D Bonds" and, together with the Series 2009C Bonds, the "Series 2009 Subordinate Bonds").	$120,045,000
Airport System Subordinate Revenue Refunding Bonds, Series 2016 (the "Series 2016 Subordinate Bonds")	$92,790,000

*After the refunding of Refunded Bonds and issuance of the Series 2016 Subordinate Bonds.

The Series 2008 Subordinate Bonds were issued pursuant to the Master Indenture, as supplemented by a Second Supplemental Indenture of Trust, dated as of May 1, 2008, between the County and the Trustee (the "Second Supplemental Indenture"). The Series 2009 Subordinate Bonds were issued pursuant to the Master Indenture, as supplemented by a Fourth Supplemental Indenture of Trust, dated as of July 1, 2009, between the County and the Trustee (the "Fourth Supplemental Indenture").

The Series 2008 Senior Bonds and the Series 2008 Subordinate Bonds are collectively referred to herein as the "Series 2008 Bonds." The Series 2009 Senior Bonds and the Series 2009 Subordinate Bonds are collectively referred to herein as the "Series 2009 Bonds."

Rate Covenant

The County has covenanted in the Indenture to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, at levels specified in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Rate Covenant" and APPENDIX C– "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE – Covenants and Obligations of the County –Rates and Charges."

As described below under the heading "Certain Amendments to the Master Indenture," purchasers of the Series 2016 Bonds will, by their purchase and acceptance of the Series 2016 Bonds, give their consent to amendments to the Master Indenture implementing certain changes in the way calculations are made with respect to the rate covenant. Such amendments will become effective when the Outstanding Senior Bonds and any other Senior Obligations, the Owners of which have also given their consent to such amendments (which includes the Owners of the Series 2009 Senior Bonds and the Series 2010 Senior Bonds), become a majority in aggregate principal amount of all Outstanding Senior Obligations.

Investment Considerations

An investment in the Series 2016 Bonds involves risk. For a summary of certain risk factors associated with an investment in the Series 2016 Bonds, see "INVESTMENT CONSIDERATIONS."

Continuing Disclosure

The County has covenanted for the benefit of the holders and beneficial owners of the Series 2016 Bonds to provide certain financial information and operating data relating to the Airport System by not later than 210 days following the end of the County's Fiscal Year (presently June 30) (the "Annual Report"), commencing with the report for Fiscal Year 2015-16, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of events will be filed by the County electronically with the Electronic Municipal Market Access ("EMMA") system. The specific nature of the information to be contained in the Annual Report and the notice of events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

See "CONTINUING DISCLOSURE."

Certain Amendments to the Master Indenture

In connection with the issuance of the Series 2016 Bonds, the County is seeking to amend and clarify certain provisions of the Master Indenture. The amendments include, among others, (1) changes in the method of calculating the Senior Debt Service Reserve Requirement and the Subordinate Debt Service Reserve Requirement; (2) changes in the treatment of revenues derived from any future hotel that is owned by the County (or an entity controlled by the County) as part of, or in connection with, the Airport System; (3) a change to the definition of Revenues; (4) the addition of a definition of "Subsidy;" (5) changes in the way Aggregate Adjusted Annual Debt Service and Net Revenues are calculated for purposes of the incurrence of additional Senior Obligations and additional Subordinate Obligations; and (6) changes in the way Accrued Debt Service and Net Revenues are calculated for purposes of the rate covenant.

The amendments implementing these changes are described in more detail in this Official Statement under the headings "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Pledge of Trust Estate; Net Revenues," "—Released Revenues," "—Senior Debt Service Reserve Fund," "-Subordinate Debt Service Reserve Fund" "—Additional Senior Obligations, "—Additional Subordinate Obligations" and "—Rate Covenant" and in APPENDIX C– SUMMARY OF THE INDENTURE." See APPENDIX C – "SUMMARY OF THE INDENTURE – Certain Amendments to the Master Indenture." Paragraphs that are additions to the Master Indenture are described in *italicized* text. Additions to existing provisions of the Master Indenture are described in **bold double underlined text**.

Purchasers of the Series 2016 Bonds will, by their purchase and acceptance of the Series 2016 Bonds, give their consent to such amendments to the Master Indenture. Such amendments will become effective when the Outstanding Series 2016 Senior Bonds and any other Senior Obligations, the Owners of which have also given their consent to such amendments (which includes the owners of the Series 2009 Senior Bonds and the Series 2010 Senior Bonds), become a majority in aggregate principal amount of all Outstanding Senior Obligations. Upon the issuance of the Series 2016 Senior Bonds, the County expects that consent will have been received from the Owners of approximately 48.7% in aggregate principal amount of the Senior Obligations Outstanding.

SUMMARIES AND ADDITIONAL INFORMATION

There follows in this Official Statement a description of the Airport System and its management and operations, and certain information relating to the County and sources of payment for the Series 2016 Bonds, together with summaries of the terms of the Series 2016 Bonds and certain provisions of the Indenture. All references herein to agreements and documents are qualified in their entirety by reference to the definitive forms thereof, and all references to the Series 2016 Bonds are further qualified by reference to the information with respect thereto contained in the Indenture.

This Official Statement speaks only as of its date. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale on the basis hereof shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Airport System since the date hereof.

PLAN OF REFUNDING

A portion of the proceeds of the Series 2016 Senior Bonds will be used to refund a portion of the outstanding Series 2008A Bonds and all of the outstanding Series 2009A Bonds. A portion of the Series 2016 Subordinate Bonds will be used to refund all of the outstanding Series 2009C Bonds. The portion of the Series 2008A Bonds to be refunded, the Series 2009A Bonds and the Series 2009C Bonds, are referred to herein as the "Refunded Bonds."

Such portions of the proceeds of the Series 2016 Senior Bonds and the Series 2016 Subordinate Bonds, together with other available moneys, will be deposited in separate escrow funds for each series of the Refunded Bonds (each an "Escrow Fund," and, collectively, the "Escrow Funds") to be created and maintained by The Bank of New York Mellon Trust Company, NA., as trustee, acting as escrow agent (the "Escrow Agent") under separate escrow agreements (each, an "Escrow Agreement," and, collectively, the "Escrow Agreements"), between the County and the Escrow Agent. Moneys in the Escrow Funds will be invested in Defeasance Securities (as defined in the Indenture). Upon the deposit of the portion of the Series 2016 Bond proceeds in the respective Escrow Funds, together with other available moneys, as described above, the Refunded Bonds will be discharged in accordance with the Indenture. See "VERIFICATION."

Certain information relating to the Refunded Bonds is set forth below.

COUNTY OF SACRAMENTO AIRPORT SYSTEM
Senior Revenue Bonds, Series 2008A

Maturity Date (July 1)	Interest Rate	Principal Amount	Redemption Price	Redemption Date	CUSIP† (Base: 786107)
2019	4.000%	$310,000	100%	July 1, 2018	HU9
2020	5.000%	320,000	100%	July 1, 2018	HV7
2021	5.000%	590,000	100%	July 1, 2018	HW5
2022	5.000%	620,000	100%	July 1, 2018	HX3
2023	5.000%	650,000	100%	July 1, 2018	HY1
2024	5.000%	680,000	100%	July 1, 2018	HZ8
2041	5.000%	58,215,000	100%	July 1, 2018	JH6
TOTAL		$ 61,385,000			

COUNTY OF SACRAMENTO AIRPORT SYSTEM
Senior Revenue Bonds, Series 2009A

Maturity Date (July 1)	Interest Rate	Principal Amount	Redemption Price	Redemption Date	CUSIP† (Base: 786107)
2041	5.500%	$31,115,000	100%	July 1, 2018	KZ4

COUNTY OF SACRAMENTO AIRPORT SYSTEM
Subordinate and PFC/Grant Revenue Bonds, Series 2009C

Maturity Date (July 1)	Interest Rate	Principal Amount	Redemption Price	Redemption Date	CUSIP† (Base: 786107)
2039	6.000%	$52,630,000	100%	July 1, 2018	LZ3
2039	5.750	20,000,000	100	July 1, 2018	MB5
2041	6.000	40,230,000	100	July 1, 2018	MA7
TOTAL		$112,860,000			

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the County, the Underwriters nor their agents or counsel assumes any responsibility for the accuracy of such numbers.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Series 2016 Senior Bonds are as follows:

SOURCES:	
Par Amount	$181,790,000.00
Net Original Issue Premium	17,345,997.25
Amounts Available from Refunded Bonds	26,751,677.35
TOTAL	$225,887,674.60
USES:	
Refunded Bonds Escrows	$224,962,269.70
Costs of Issuance[(1)]	925,404.90
TOTAL	$225,887,674.60

(1) Includes fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Trustee, and the Rating Agencies; Underwriters' discount; printing costs; and other miscellaneous expenses. For a description of the Underwriters' discount, see "UNDERWRITING."

THE SERIES 2016 BONDS

General

The Series 2016 Bonds shall be dated the date of delivery, shall be issued in fully registered form in denominations of $5,000 or any integral multiple of $5,000 and shall mature on the dates and in the principal amounts as set forth on the inside cover pages. Interest on the Series 2016 Bonds is payable on July 1, 2017 and semiannually thereafter on January 1 and July 1 in each year, at the rates set forth on the inside cover pages.

The Series 2016 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2016 Bonds. For so long as Cede & Co., as nominee of DTC, is registered owner of the Series 2016 Bonds, payments of the principal of, premium, if any, and interest on the Series 2016 Bonds will be made directly to DTC. Disbursement of such payment to Direct Participants and Indirect Participants is the responsibility of the Direct Participants and the Indirect Participants, each such term as hereinafter defined. See APPENDIX D– "BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

Optional Redemption. *Series 2016 Senior Bonds.* The Series 2016 Senior Bonds are subject to redemption prior to their stated maturity, at the option of the County and from any source of funds, in whole or in part (in such amounts as may be specified by the County) on any date on or after July 1, 2026 at the Redemption Price equal to the principal amount of the Series 2016 Senior Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium.

Series 2016 Subordinate Bonds. The Series 2016 Subordinate Bonds are subject to redemption prior to their stated maturities, at the option of the County and from any source of funds, in whole or in part (in such amounts as may be specified by the County) on any date on or after July 1, 2026 at the Redemption Price equal to the principal amount of the Series 2016 Subordinate Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Redemption. *Series 2016 Senior Bonds*. The Series 2016 Senior Bonds are subject to mandatory redemption prior to their maturity, or payment at maturity, as the case may be, by the County, in part by lot on July 1 of each year on and after July 1, 2039, from and in the amount of the Sinking Fund Installments due and payable on the dates and in the amounts, as provided below, at the Redemption Price equal to the principal amount of such Series 2016 Senior Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium.

Sinking Fund Installment Date (July 1)	Sinking Fund Installment
2039	$5,900,000
2040	40,535,000
2041†	42,565,000

† Maturity Date

Series 2016 Subordinate Bonds. The Series 2016 Subordinate Bonds maturing on July 1, 2041 are subject to mandatory redemption prior to their maturity, or payment at maturity, as the case may be, by the County, in part by lot on July 1 of each year on and after July 1, 2037, from and in the amount of the Sinking Fund Installments due and payable on the dates and in the amounts, as provided below, at the Redemption Price equal to the principal amount of such Series 2016 Subordinate Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium.

Sinking Fund Installment Date (July 1)	Sinking Fund Installment
2037	$13,920,000
2038	14,605,000
2039	15,315,000
2040	16,060,000
2041†	16,845,000

† Maturity Date

Selection of Series 2016 Bonds to Be Redeemed. If less than all of an Outstanding Series of the Series 2016 Bonds are to be redeemed at the option of the County at any one time, the County may select the principal amounts, sinking fund installments and maturities of such Series of the Series 2016 Bonds to be redeemed (which Series, maturities, sinking fund installments and principal amounts to be redeemed shall be determined by the County in its sole discretion, subject to any limitations with respect thereto contained in the Indenture and provided that, with respect to any Series 2016 Bond to be redeemed in part, the portion of such Series 2016 Bond which is not to be redeemed shall be in an Authorized Denomination).

Notice. Notice of redemption shall be mailed, by first class mail, postage prepaid, not more than 60 nor less than 30 days before the redemption date to the Owners of any Series 2016 Bonds to be redeemed (in whole or in part) at their addresses appearing in the Bond Register. Such notice shall specify the Series and maturity date of the Series 2016 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption shall be payable and, if less than all of the Series 2016 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2016 Bonds so to be redeemed, and, in the case of Series 2016 Bonds to be redeemed in part only, such notice shall also specify the respective portion of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2016 Bond to be redeemed the Redemption Price thereof, or the Redemption

Price of the specified portion of the principal amount thereof to be redeemed in the case of Series 2016 Bonds to be redeemed in part only, and that, if sufficient moneys are available on the redemption date to pay the Redemption Price of all Series 2016 Bonds to be redeemed, from and after such date interest on such Series 2016 Bond or the portion of such Series 2016 Bond to be redeemed shall cease to accrue and be payable.

Receipt of such notice shall not be a condition precedent to the redemption of Series 2016 Bonds and failure of any Owner of a Series 2016 Bond to receive any such notice or any insubstantial defect in such notice shall not affect the validity of the proceedings for the redemption of Series 2016 Bonds. Any defect in such notice given to the Owners of less than all of the Series 2016 Bonds to be redeemed shall not affect the validity of the proceedings for the redemption of the Series 2016 Bonds as to which the notice of redemption did not contain such defect.

In the event that funds required to pay the Redemption Price of the Series 2016 Bonds are not on deposit with the Trustee at the time the notice with respect to any redemption of Series 2016 Bonds at the option of the County is given, such notice shall state that such redemption is conditioned upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the Series 2016 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the County shall not be required to redeem such Series 2016 Bonds. In the event a notice of redemption of Series 2016 Bonds contains such a condition and such moneys are not so received, the redemption of Series 2016 Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given that such moneys were not so received and that there shall be no redemption of Series 2016 Senior Bonds pursuant to the conditional notice of redemption.

Effect of Redemption. If notice of redemption has been duly mailed to the Owners of the Series 2016 Bonds to be redeemed (in whole or in part) and the amounts necessary to pay the Redemption Price of the Series 2016 Bonds to be redeemed being available therefor on the date fixed for redemption then the Series 2016 Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the applicable Redemption Price thereof, the Series 2016 Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Series 2016 Bonds or portions thereof shall cease to bear further interest and after the date fixed for redemption no Owner of such Series 2016 Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Indenture, or any other rights, except with respect to payment of the Redemption Price thereof from the amounts so made available.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS

Pledge of Trust Estate; Net Revenues

Subject to the application of the moneys included in the Trust Estate on the terms and conditions and for the purposes set forth in the Indenture, and with the respective priorities set forth therein, the Series 2016 Bonds are payable from and secured by the Trust Estate. The primary component of the Trust Estate is the Net Revenues derived by the County from the operation of the Airport System.

Under the Indenture, the "Airport System" means the whole and each and every part of the existing airport system of the County, including International Airport, Mather Airport, Executive Airport and Franklin Field and any other airport or aviation facility owned or operated by the County and designated by the County to be part of the Airport System, including runways, taxiways, landing pads, aprons, ramps, beacon sites, obstruction lights, navigational and landing aids, control towers, facilities for

storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection therewith, together with all additions, betterments, extensions, replacements, renewals and improvements thereto which may hereafter be undertaken. The term "Airport System," however, does not include a Special Facility so long as Special Facility Obligations are Outstanding with respect to such Special Facility.

The Indenture defines "Net Revenues" as, for any period of time, the Revenues (defined below) for such period less the Operating Expenses (defined below) for such period. Under the Indenture "Revenues" means all income, receipts, earnings and revenues **(including, but not limited to, any Subsidy)** received by or accrued to the Airport System from the ownership or operation of the Airport System, excluding, except to the extent deposited in the Revenue Fund: (a) gifts, grants and other funds otherwise included in the definition of "Revenues" which are restricted by their terms to purposes inconsistent with the payment of Operating Expenses or payment of Obligations; (b) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds are restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of Operating Expenses or the payment of Obligations; (c) except as and to the extent included in calculations made pursuant to the rate covenant contained in the Indenture and described under "—Rate Covenant," any Transfer; (d) except as provided in the Indenture, any Special Facility Revenue; (e) any gain from the sale, exchange or other disposition of capital assets of the Airport System; (f) any Released Revenues; (g) any unrealized gains on securities held for investment by or on behalf of the County; (h) any gains resulting from changes in valuation of any Swap; (i) any unrealized gains from the write-down, reappraisal or revaluation of assets; (j) the proceeds of Obligations; (k) Facilities Construction Credits; (l) Passenger Facility Charges; (m) Customer Facility Charges; (n) Grant Funds; (o) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Obligations; (p) any arbitrage earnings which are required to be paid to the United States of America pursuant to Section 148 of the Code; and (q) interest earnings or other investment earnings on any Account in the Construction Fund established by any Supplemental Indenture unless otherwise provided in such Supplemental Indenture.

The bold double underlined text contained in the definition of "Revenues" above is one of the amendments to the Master Indenture described above under the heading "INTRODUCTION - Certain Amendments to the Master Indenture."

The Indenture provides that for purposes of testing compliance with the rate covenant contained in the Indenture and described below under "—Rate Covenant" and the limitations on the issuance of Obligations contained in the Indenture and described under "—Additional Senior Obligations," "—Additional Subordinate Obligations" and "—Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations," Revenues will be calculated based upon Generally Accepted Accounting Principles, except that such calculation will include and exclude those items specifically included or excluded in the definition thereof described above or in the definition of Accrued Debt Service or Aggregate Adjusted Annual Debt Service, as applicable.

In addition, the Indenture provides that for purposes of meeting any of the tests prescribed by the Indenture, including the rate covenant contained in the Indenture and described below under "—Rate Covenant" and the limitations on the issuance of Obligations contained in the Indenture and described under "—Additional Senior Obligations," "—Additional Subordinate Obligations" and "—Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations," any transfers from the

Capital Improvement Fund to the Revenue Fund will be deemed to be "Revenues." These transfers are not subject to any limit on amount.

The term "Operating Expenses" is defined in the Indenture as the reasonable and necessary costs and expenses of operating, maintaining and administering the Airport System, determined in accordance with Generally Accepted Accounting Principles, including (among other things) salaries and wages, payments in connection with medical, pension and post-retirement medical plans, fees for services, costs of materials, supplies and fuel, reasonable expenses of management, repairs and other expenses necessary to maintain and preserve the Airport System in good repair and working order, reasonable amounts for administration, insurance, taxes (if any) and other similar costs, legal fees and expenses, the fees and expenses of the Fiduciaries, charges under management agreements for the operation and maintenance of the Airport System, the fees and expenses of remarketing agents, auction agents and broker-dealers, the regularly scheduled fees to be paid pursuant to any Credit Support Agreement, expenses (but not debt service) incurred in connection with the purchase or redemption of Obligations, and all other costs properly allocable to the operation, maintenance or administration of the Airport System, but excluding in all cases: (a) amortization of intangibles or other bookkeeping entries of a similar nature; (b) amortization and depreciation of Airport System facilities and assets; (c) charges for the payment of principal, Redemption Price, Purchase Price, interest or other payments on any Obligations; (d) any items chargeable to a capital account; (e) any loss from the sale, exchange or other disposition of capital assets of the Airport System; (f) any unrealized losses on securities held for investment by or on behalf of the County for the Airport System; (g) any losses resulting from changes in valuation of any Swap; (h) any unrealized losses from the write-down, reappraisal or revaluation of assets including investments for "other than temporary" declines in book value; (i) any extraordinary losses; (j) any loss resulting from extinguishment of indebtedness; and (k) the costs and expenses of operating, maintaining and administering any Special Facility.

The Indenture provides that for purposes of testing compliance with the rate covenant contained in the Indenture and described below under "—Rate Covenant" and the limitations on the issuance of Obligations contained in the Indenture and described under "—Additional Senior Obligations," "—Additional Subordinate Obligations" and "—Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations," Operating Expenses will be calculated based upon Generally Accepted Accounting Principles, except that such calculation will include and exclude those items specifically included or excluded in the definition thereof described above.

THE PRINCIPAL, OR REDEMPTION PRICE, OF AND INTEREST ON THE SERIES 2016 BONDS ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THE PAYMENT THEREOF, AND THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2016 BONDS EXCEPT FROM THE TRUST ESTATE. THE GENERAL FUND OF THE COUNTY IS NOT LIABLE AND THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COUNTY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST ON THE SERIES 2016 BONDS. NO TAX OR ASSESSMENT SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST ON THE SERIES 2016 BONDS AND THE SERIES 2016 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE PROPERTY OF THE COUNTY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE TRUST ESTATE AS PROVIDED IN THE INDENTURE. NEITHER THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE, OF OR INTEREST ON THE SERIES 2016 BONDS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OR THE STATE OF CALIFORNIA.

Released Revenues

The Indenture permits the County to cause a category of income, receipts or other revenues then included in the definition of "Revenues" to be excluded from such definition for all purposes of the Indenture (such Revenues so excluded constituting "Released Revenues"). Such exclusion will be effective from the date the County files all of the following with the Trustee: (a) a written request from an Authorized Airport Representative to release such category of income, receipts and other revenues from the definition of "Revenues" contained in the Indenture, accompanied by a written certificate of an Authorized Airport Representative certifying that the County is in compliance with all requirements of the Indenture; (b) a certificate of an Authorized Airport Representative or a report of an Independent Certified Public Accountant to the effect that Net Revenues, excluding the category of Revenues proposed to become Released Revenues, for each of the two Fiscal Years for which audited financial statements are available immediately preceding the date of such certificate or report, were sufficient to satisfy the rate covenant set forth in the Indenture and described under "—Rate Covenant" for each of the two such Fiscal Years, assuming that 150% (instead of 125%) was used in the provisions of the Indenture described in subparagraph (b)(i) under the subheading "—Rate Covenant" below, 125% (instead of 110%) was used in the provisions of the Indenture described in subparagraph (b)(ii) under the subheading "—Rate Covenant" below and 110% (instead of 100%) was used in the provisions of the Indenture described in subparagraph (b)(iii) under the subheading "—Rate Covenant" below; (c) a certificate of an Authorized Airport Representative or an Airport Consultant retained by the County to the effect that based upon current knowledge of the operations of the Airport System, Net Revenues, excluding the category of Revenues proposed to become Released Revenues, for the current Fiscal Year (and the preceding Fiscal Year if such year is not included in the certificate required by the Indenture described in clause (b) of this paragraph) are expected to be sufficient to satisfy the rate covenant set forth in the Indenture and described under "—Rate Covenant" below for such Fiscal Year, assuming that 150% (instead of 125%) was used in the provisions of the Indenture described in subparagraph (b)(i) under the subheading "—Rate Covenant" below, 125% (instead of 110%) was used in the provisions of the Indenture described in subparagraph (b)(ii) under the subheading "—Rate Covenant" below and 110% (instead of 100%) was used in the provisions of the Indenture described in subparagraph (b)(iii) under the subheading "—Rate Covenant" below; and (d) a Rating Confirmation in connection with the withdrawal of the category of income, receipts and other revenues proposed to become Released Revenues.

To date, the County has not designated any Released Revenues. Upon implementation of the amendments to the Master Indenture as described above under the heading "INTRODUCTION - Certain Amendments to the Master Indenture" income receipts and other revenues of the County derived from any hotel owned by the County (or another entity controlled by the County) as part of, or in connection with, the Airport System will be treated as Released Revenues without the need for compliance with the tests described above. See the definition of "Released Revenues" in APPENDIX C – "SUMMARY OF THE INDENTURE - CERTAIN DEFINITIONS."

Obligations Issued or Incurred under Indenture

Under the Indenture, Obligations may be issued or incurred subject to the terms, conditions and limitations established under the Master Indenture, any Supplemental Indenture or Issuing Instrument. Obligations may consist of Bonds or any other obligation of the County issued pursuant to the Master Indenture, any Supplemental Indenture or Issuing Instrument and are secured under the Indenture as "Senior Obligations," "Subordinate Obligations" or "Junior Subordinate Obligations." In addition, nothing in the Indenture prohibits the County from issuing obligations payable from and secured by the Trust Estate if such obligations are subordinate in payment and priority to the Junior Subordinate Obligations, the Subordinate Obligations and the Senior Obligations (each, a "Junior

Obligation"). Pursuant to the Indenture, all Senior Obligations shall be senior in payment and priority to all Subordinate Obligations, Junior Subordinate Obligations and Junior Obligations.

The Series 2016 Senior Bonds, the Series 2010 Senior Bonds, the Series 2009 Senior Bonds and the Series 2008 Senior Bonds are Senior Obligations under the Indenture. "Senior Obligations" include Senior Bonds, Reimbursement Obligations related to Senior Bonds and Net Payments due under Qualified Swaps related to Senior Bonds but do not include Termination Payments under Qualified Swaps related to Senior Bonds.

The Series 2016 Subordinate Bonds, the Series 2009 Subordinate Bonds and the Series 2008 Subordinate Bonds are Subordinate Obligations under the Indenture. "Subordinate Obligations" include Termination Payments under Qualified Swaps related to Senior Bonds, Subordinate Bonds, Reimbursement Obligations related to Subordinate Bonds and Net Payments under Qualified Swaps related to Subordinate Bonds but do not include Termination Payments under Qualified Swaps related to Subordinate Bonds.

"Junior Subordinate Obligations" include any Termination Payments under Qualified Swaps for Subordinate Bonds, Junior Subordinate Bonds, Reimbursement Obligations related to Junior Subordinate Bonds and Net Payments and Termination Payments under Swaps related to Junior Subordinate Bonds. As of the date of issuance of the Series 2016 Bonds, there will be no Junior Subordinate Obligations or Junior Obligations Outstanding under the Indenture. See APPENDIX C– "SUMMARY OF THE INDENTURE."

Flow of Airport System Revenues

Under the Indenture, all Revenues are required to be promptly deposited upon receipt thereof to the credit of a special fund designated as the "Revenue Fund" held by the County. As soon as practicable in each month, but in any case no later than the first Business Day of such month, the County will withdraw moneys from the Revenue Fund and apply such moneys to the deposits and payments indicated below, in the amounts and in the priority, set forth below. In the event there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments will be made in the priority of the lettered paragraphs below. In the event any of the lettered paragraphs below requires more than one such deposit or payment and there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments will be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available moneys.

(a) First, to the Operating Fund (to be held by the County) the amount which, together with any amount therein available to pay such Operating Expenses (other than amounts in the Operating Reserve Account), is equal to the total amount appropriated for Operating Expenses in such month pursuant to the then current Annual Budget.

(b) Second:

(i) to the Senior Debt Service Fund (to be held by the Trustee), the amount, if any, required so that the balance in said Fund shall equal the Accrued Debt Service on all Outstanding Senior Bonds (including the Series 2016 Senior Bonds) as of the last day of such month;

(ii) to the extent not included in Debt Service on Senior Bonds, to each Credit Provider of a Credit Support Instrument relating to the Senior Bonds, the amount of the Reimbursement

Obligation, if any, payable by the County as of the last day of such month in accordance with each applicable Credit Support Agreement;

(iii) to each Qualified Counterparty, the amount of Net Payments, if any, payable by the County as of the last day of such month in accordance with each applicable Qualified Swap relating to the Senior Obligations; and

(iv) to the applicable trustee or paying agent for, or owner or payee of, Outstanding Senior Obligations not specified above in this subparagraph (b), the amount, if any, required to be paid during such month to such trustee, paying agent, owner or payee as and to the extent required by the Supplemental Indentures or Issuing Instruments for payment of such Outstanding Senior Obligations.

(c) Third:

(i) subject to the provisions of the Indenture permitting the deposit of a Reserve Guaranty or Reserve Guaranties in lieu of cash, to the Senior Debt Service Reserve Fund (to be held by the Trustee) the amount, if any, required to maintain the Senior Debt Service Reserve Fund at the applicable Senior Debt Service Reserve Requirement; provided that the maximum amount required to be deposited into the Senior Debt Service Reserve Fund in any month shall not exceed one-twelfth (1/12) of the applicable Senior Debt Service Reserve Requirement;

(ii) to each Senior Series Debt Service Reserve Fund (to be held by the Trustee), the amount, if any, required to be paid during such month pursuant to the applicable Supplemental Indenture to maintain each Senior Series Debt Service Reserve Fund at the amount required by such Supplemental Indenture;

(iii) to the applicable trustee or paying agent for, or owner of, Outstanding Senior Obligations other than Senior Bonds, the amount, if any, required to be paid during such month to such trustee, paying agent or owner pursuant to the Issuing Instruments for such Outstanding Senior Obligations to maintain each debt service reserve for such Outstanding Senior Obligations at the amount required by the applicable Issuing Instrument; and

(iv) to each Reserve Guaranty Provider relating to Senior Obligations, the amount, if any, payable by the County as of the last day of such month in accordance with each applicable Reserve Guaranty Agreement.

(d) Fourth, to the Rebate Fund (to be held by the County), the amount required to be paid for Senior Obligations pursuant to the Rebate Instructions.

(e) Fifth:

(i) to the Subordinate Debt Service Fund (to be held by the Trustee), the amount, if any, required so that the balance in said Fund shall equal the Accrued Debt Service on all Outstanding Subordinate Bonds (including the Series 2016 Subordinate Bonds) as of the last day of such month;

(ii) to the extent not included in Debt Service on Subordinate Bonds, to each Credit Provider of a Credit Support Instrument relating to the Subordinate Bonds, the amount of the Reimbursement Obligation, if any, payable by the County as of the last day of such month in accordance with each applicable Credit Support Agreement;

(iii) to each Qualified Counterparty, the amount of Net Payments, if any, payable by the County as of the last day of such month in accordance with each applicable Qualified Swap relating to the Subordinate Obligations or investments in funds established by the Indenture;

(iv) to the applicable trustee or paying agent for, or owner or payee of, Outstanding Subordinate Obligations not specified above in this subparagraph (e), the amount, if any, required to be paid during such month to such trustee, paying agent, owner or payee as and to the extent required by the Supplemental Indentures or Issuing Instruments for payment of such Outstanding Subordinate Obligations; and

(v) to each Qualified Counterparty, the balance of the amounts to be paid by the County, if any, as of the last day of such month in accordance with each applicable Qualified Swap relating to Senior Obligations, including any Termination Payments.

(f) Sixth:

(i) subject to the provisions of the Indenture permitting the deposit of a Reserve Guaranty or Reserve Guaranties in lieu of cash, to the Subordinate Debt Service Reserve Fund (to be held by the Trustee), the amount, if any, required to maintain the Subordinate Debt Service Reserve Fund at the applicable Subordinate Debt Service Reserve Requirement; provided that the maximum amount required to be deposited into the Subordinate Debt Service Reserve Fund in any month shall not exceed one-twelfth (1/12) of the applicable Subordinate Debt Service Reserve Requirement;

(ii) to each Subordinate Series Debt Service Reserve Fund (to be held by the Trustee), the amount, if any, required to be paid during such month pursuant to the applicable Supplemental Indenture to maintain each Subordinate Series Debt Service Reserve Fund at the amount required by such Supplemental Indenture;

(iii) to the applicable trustee or paying agent for, or owner of, Outstanding Subordinate Obligations other than Subordinate Bonds, the amount, if any, required to be paid during such month to such trustee, paying agent or owner pursuant to the Issuing Instruments for such Outstanding Subordinate Obligations to maintain each debt service reserve for such Outstanding Subordinate Obligations at the amount required by the applicable Issuing Instrument; and

(iv) to each Reserve Guaranty Provider relating to Subordinate Obligations, the amount, if any, payable by the County as of the last day of such month in accordance with each applicable Reserve Guaranty Agreement.

(g) Seventh, to the Rebate Fund (to be held by the County), the amount required to be paid for Subordinate Obligations pursuant to the Rebate Instructions.

(h) Eighth, to the Operating Reserve Account (to be held by the County) one-twelfth (1/12) of the Operating Reserve Requirement, but only to the extent such deposit is required to make the amount on deposit in the Operating Reserve Account equal to the Operating Reserve Requirement.

(i) Ninth, to the Junior Subordinate Fund (to be held by the Trustee), the amount, if any, required to be paid during such month with respect to Junior Subordinate Obligations.

(j) Tenth, to the Rebate Fund (to be held by the County), the amount required to be paid for Junior Subordinate Obligations pursuant to the Rebate Instructions.

(k) Eleventh, to the Reserve and Contingency Fund (to be held by the County) an amount equal to the greater of (x) one-twelfth (1/12th) of $2,000,000 or (y) the amount, if any, provided for deposit therein during such month pursuant to the then-current Annual Budget, but only to the extent such deposit is required to make the amount on deposit in the Reserve and Contingency Fund equal to the Reserve and Contingency Requirement. "Reserve and Contingency Requirement" means, as of any date of calculation, and amount equal to $2,000,000 or such greater amount as is specified in the then-current Annual Budget.

(l) Twelfth, on the last Business Day of each month after making the deposits and payments required by subsection (a) through subsection (k) above, the County may withdraw from the Revenue Fund and deposit in the Capital Improvement Fund (to be held by the County) the balance, if any, of moneys remaining in the Revenue Fund.

Senior Debt Service Reserve Fund

The Indenture provides that the Series 2016 Senior Bonds will be secured by a Senior Debt Service Reserve Fund established pursuant to the Indenture and held by the Trustee. The Senior Debt Service Reserve Fund also secures any Participating Senior Bonds. "Participating Senior Bonds" are defined in the Indenture as all Series of Senior Bonds except those which are determined by the County pursuant to a Supplemental Indenture not to be secured by the Senior Debt Service Reserve Fund. The Series 2008 Senior Bonds, the Series 2009 Senior Bonds, the Series 2010 Senior Bonds, the Series 2016 Senior Bonds are Participating Senior Bonds.

If on the Business Day immediately preceding an Interest Payment Date for the Series 2016 Senior Bonds, the Series 2010 Senior Bonds, the Series 2009 Senior Bonds, the Series 2008 Senior Bonds and any other Participating Senior Bonds, or any other date on which any principal or interest on the Outstanding Participating Senior Bonds is due, after applying amounts in the Senior Debt Service Fund ratably (based on the amounts due) to the payment of the principal and interest then due with respect to all Outstanding Senior Bonds, the amount in the Senior Debt Service Fund available for payment of the principal and interest then due with respect to all Outstanding Participating Senior Bonds is less than the amount due on such date, the Trustee will apply amounts in the Senior Debt Service Reserve Fund ratably (based on amounts due) to the extent necessary to make good the deficiency for the principal and interest then due with respect to the Outstanding Participating Senior Bonds. The Indenture requires the Senior Debt Service Reserve Fund to be maintained at the Senior Debt Service Reserve Requirement (defined below). Upon issuance of the Series 2016 Senior Bonds and the refunding of a portion of the Series 2008A Bonds and all of the Series 2009A Bonds, the Senior Debt Service Reserve Requirement will equal $53,016,101.12 which will be satisfied by the 2008 Senior Reserve Policy and amounts currently on deposit in the Senior Debt Service Reserve Fund. Prior to the issuance of the Series 2016 Senior Bonds, the 2008 Senior Reserve Policy constitutes approximately 65.9% of the Senior Debt Service Reserve Requirement. Upon issuance of the Series 2016 Senior Bonds, the 2008 Senior Reserve Policy is expected to constitute approximately 65.7% of the Senior Debt Service Reserve Requirement.

With respect to the Senior Debt Service Reserve Fund, "Senior Debt Service Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) 10% of the initial offering price to the public of the Participating Senior Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service for the Participating Senior Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Participating Senior Bond is due, or (c) 125% of the sum of the Bond Debt Service for the Participating Senior Bonds for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of any Participating Senior Bonds) and terminating with the last Fiscal Year in which any

Bond Debt Service for the Participating Senior Bonds is due, divided by the number of such Fiscal Years, all as computed and determined by the County and specified in writing to the Trustee; provided, however that in determining Bond Debt Service with respect to any Participating Senior Bonds that constitute Variable Rate Obligations, the interest rate on such Participating Senior Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Participating Senior Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Participating Senior Bonds shall have been Outstanding (or if such Participating Senior Bonds that constitute Variable Rate Obligations have not yet been issued, then the interest rate on such Participating Senior Bonds shall be assumed to be equal to 110% of the average SIFMA Index during the last 12 months ending with the month preceding the date of calculation).

Upon implementation of the amendments to the Master Indenture as described above under "INTRODUCTION – Certain Amendments to the Master Indenture" the definition of "Bond Debt Service" will be modified as described in APPENDIX C –"SUMMARY OF THE INDENTURE – CERTAIN DEFINITIONS."

The Indenture permits the County to satisfy the Senior Debt Service Reserve Requirement by depositing in the Senior Debt Service Reserve Fund, in lieu of cash, a Reserve Guaranty or Reserve Guaranties in an aggregate amount equal to the difference between the applicable Senior Debt Service Reserve Requirement and the sums, if any, then on deposit in the Senior Debt Service Reserve Fund or being deposited in the Senior Debt Service Reserve Fund concurrently with such Reserve Guaranty or Guaranties. See APPENDIX C – "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE– Establishment and Application of Funds – Senior Debt Service Reserve Fund."

Under the Indenture, all cash and investments in the Senior Debt Service Reserve Fund must be used for payment of debt service on Participating Senior Bonds before any drawing may be made on the 2008 Senior Reserve Policy or any other Reserve Guaranty credited to the Senior Debt Service Reserve Fund in lieu of cash. Draws on all Reserve Guaranties credited to the Senior Debt Service Reserve Fund (including the 2008 Senior Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Senior Debt Service Reserve Fund.

The 2008 Senior Reserve Policy provides that the 2008 Senior Reserve Policy Limit (defined below) will automatically and irrevocably be reduced from time to time by the amount of each reduction in the Senior Debt Service Reserve Requirement. The 2008 Senior Reserve Policy will terminate on the earlier of July 1, 2041 and the date that no Series 2008 Senior Bonds are Outstanding. The 2008 Senior Reserve Policy Limit shall be the dollar amount of the Senior Debt Service Reserve Requirement up to a maximum of $35,562,012.50.

As described above, the Indenture provides that the Senior Debt Service Reserve Fund will secure payment of principal of and interest on all Participating Senior Bonds (including the Series 2008 Senior Bonds, the Series 2009 Senior Bonds, the Series 2010 Senior Bonds and the Series 2016 Senior Bonds). In addition to the Series 2008 Senior Bonds, the Series 2009 Senior Bonds, the Series 2010 Senior Bonds, and the Series 2016 Senior Bonds, additional Participating Senior Bonds secured by the Senior Debt Service Reserve Fund may be issued from time to time upon compliance with the terms of the Indenture. See "—Additional Senior Obligations" below.

The Indenture also permits the County to establish separate Senior Series Debt Service Reserve Funds upon the issuance of additional Senior Bonds that are not Participating Senior Bonds and to establish reserve funds for other Senior Obligations. Such Senior Series Debt Service Reserve Funds and reserve funds for other Senior Obligations will not secure payment of principal, or Redemption Price, of

or interest on the Series 2016 Senior Bonds. In addition, the Indenture permits reserve funds to be established for Subordinate Obligations and Junior Subordinate Obligations. Such reserve funds will not secure payment of principal, or Redemption Price, of or interest on the Series 2016 Senior Bonds. **The Senior Debt Service Reserve Fund does not secure payment of principal, or Redemption Price, of or interest on the Series 2016 Subordinate Bonds or any other Subordinate Obligations, Junior Subordinate Obligation or Junior Obligation.**

Subordinate Debt Service Reserve Fund

The Indenture provides that the Series 2016 Subordinate Bonds will be secured by a Subordinate Debt Service Reserve Fund established pursuant to the Indenture and held by the Trustee. The Subordinate Debt Service Reserve Fund also secures the Series 2008 Subordinate Bonds, the Series 2009 Subordinate Bonds and any other Participating Subordinate Bonds. "Participating Subordinate Bonds" are defined in the Indenture as all Series of Subordinate Bonds except those which are determined by the County pursuant to a Supplemental Indenture not to be secured by the Subordinate Debt Service Reserve Fund. The Series 2016 Subordinate Bonds, the Series 2009 Subordinate Bonds and the Series 2008 Subordinate Bonds constitute Participating Subordinate Bonds.

If on the Business Day immediately preceding an Interest Payment Date for Participating Subordinate Bonds (including the Series 2016 Subordinate Bonds, Series 2008 Subordinate Bonds and the Series 2009 Subordinate Bonds), or any other date on which any principal or interest on the Outstanding Participating Subordinate Bonds is due, after applying amounts in the Subordinate Debt Service Fund ratably (based on the amounts due) to the payment of the principal and interest then due with respect to all Outstanding Subordinate Bonds, the amount in the Subordinate Debt Service Fund available for payment of the principal and interest then due with respect to all Outstanding Participating Subordinate Bonds is less than the amount due on such date, the Trustee will apply amounts in the Subordinate Debt Service Reserve Fund ratably (based on amounts due) to the extent necessary to make good the deficiency for the principal and interest then due with respect to the Outstanding Participating Subordinate Bonds. The Indenture requires the Subordinate Debt Service Reserve Fund to be maintained at the Subordinate Debt Service Reserve Requirement (defined below). Upon issuance of the Series 2016 Subordinate Bonds and the refunding of all of the Series 2009C Bonds, the Subordinate Debt Service Reserve Requirement will equal $19,860,371.26 which will be satisfied by the amounts currently on deposit in the Subordinate Debt Service Reserve Fund.

With respect to the Subordinate Debt Service Reserve Fund, "Subordinate Debt Service Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) 10% of the initial offering price to the public of the Participating Subordinate Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service for the Participating Subordinate Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Participating Subordinate Bond is due, or (c) 125% of the sum of the Bond Debt Service for the Participating Subordinate Bonds for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of any Participating Subordinate Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service for the Participating Subordinate Bonds is due, divided by the number of such Fiscal Years, all as computed and determined by the County and specified in writing to the Trustee; provided, however that in determining Bond Debt Service with respect to any Participating Subordinate Bonds that constitute Variable Rate Obligations, the interest rate on such Participating Subordinate Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Participating Subordinate Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Participating Subordinate Bonds shall have been Outstanding (or if such Participating Subordinate Bonds

that constitute Variable Rate Obligations have not yet been issued, then the interest rate on such Participating Subordinate Bonds shall be assumed to be equal to 110% of the average SIFMA Index during the last 12 months ending with the month preceding the date of calculation).

Upon implementation of the amendments to the Master Indenture as described above under " – Certain Amendments to the Master Indenture" the definition of "Bond Debt Service" will be modified as described in APPENDIX C –"SUMMARY OF THE INDENTURE – CERTAIN DEFINITIONS."

The Indenture permits the County to satisfy the Subordinate Debt Service Reserve Requirement by depositing in the Subordinate Debt Service Reserve Fund, in lieu of cash, a Reserve Guaranty or Reserve Guaranties in an aggregate amount equal to the difference between the applicable Subordinate Debt Service Reserve Requirement and the sums, if any, then on deposit in the Subordinate Debt Service Reserve Fund or being deposited in the Subordinate Debt Service Reserve Fund concurrently with such Reserve Guaranty or Guaranties. See APPENDIX C – "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE – Establishment and Application of Funds – Subordinate Debt Service Reserve Fund."

Under the Indenture, all cash and investments in the Subordinate Debt Service Reserve Fund must be used for payment of debt service on Participating Subordinate Bonds before any drawing may be made on any Reserve Guaranty credited to the Subordinate Debt Service Reserve Fund in lieu of cash. Draws on all Reserve Guaranties credited to the Subordinate Debt Service Reserve Fund on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Subordinate Debt Service Reserve Fund.

As described above, the Indenture provides that the Subordinate Debt Service Reserve Fund will secure payment of principal of and interest on all Participating Subordinate Bonds (including Series 2016 Subordinate Bonds, the Series 2009 Subordinate Bonds and the Series 2008 Subordinate Bonds). In addition to the Series 2016 Subordinate Bonds, the Series 2009 Subordinate Bonds and the Series 2008 Subordinate Bonds, additional Participating Subordinate Bonds secured by the Subordinate Debt Service Reserve Fund may be issued from time to time upon compliance with the terms of the Indenture. See "— Additional Subordinate Obligations" below.

The Indenture also permits the County to establish separate Subordinate Series Debt Service Reserve Funds upon the issuance of additional Subordinate Bonds that are not Participating Subordinate Bonds and to establish reserve funds for other Subordinate Obligations. Such Subordinate Series Debt Service Reserve Funds and reserve funds for other Subordinate Obligations will not secure payment of principal, or Redemption Price, of or interest on Series 2016 Subordinate Bonds. In addition, the Indenture permits reserve funds to be established for Senior Obligations and Junior Subordinate Obligations. Such reserve funds will not secure payment of principal, or Redemption Price, of or interest on the Series 2016 Subordinate Bonds. **The Subordinate Debt Service Reserve Fund does not secure payment of principal, or Redemption Price, of or interest on the Series 2016 Senior Bonds or any other Senior Obligation, Junior Subordinate Obligation or Junior Obligation.**

Additional Senior Obligations

The Series 2016 Senior Bonds are Senior Obligations under the Indenture. Under the Indenture, the County may, at any time and from time to time, issue any Additional Senior Obligations, provided:

(a) an Authorized County Representative or an Airport Consultant has provided to the Trustee a certificate stating that Net Revenues for either the most recent Fiscal Year for which audited

financial statements of the Airport System are available or any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the month of issuance of the proposed Additional Senior Obligations were sufficient to satisfy the rate covenant set forth in the Indenture and described herein under "—Rate Covenant" for each of the next five full Fiscal Years following issuance of the Additional Senior Obligations, or each of the next two full Fiscal Years from the issuance of the Additional Senior Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Senior Obligations; or

(b) an Airport Consultant has provided to the Trustee a certificate stating that, based upon assumptions the Person signing the certificate deems reasonable, projected Net Revenues will be sufficient to satisfy the rate covenant set forth in the Indenture and described herein under "—Rate Covenant" for each of the next five full Fiscal Years following issuance of the Additional Senior Obligations, or each of the next two full Fiscal Years from issuance of the Additional Senior Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Senior Obligations.

The Indenture provides that, for purposes of (a) and (b) above, the Person signing the certificate required by such clause may assume that, in each relevant Fiscal Year, Accrued Debt Service for Outstanding Obligations will equal Aggregate Adjusted Annual Debt Service for such Fiscal Year.

Pursuant to the Indenture, for purposes of (a) above, the County will be allowed to adjust Net Revenues for earnings arising from any increase in the rates, charges and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Additional Senior Obligations but which, during the Fiscal Year or 12-month period utilized by the County for purposes of (a) above, was not in effect for the entire Fiscal Year or 12-month period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole Fiscal Year or 12-month period under consideration, as determined by an Authorized County Representative.

Under the Indenture, for purposes of (b) above, in estimating Net Revenues, the Person signing the certificate required by such clause may take into account (1) Revenues from Capital Improvements reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which has been approved by the Board and will be in effect during the period for which the estimates are provided or (3) any other increases in Revenues which the Person signing the certificate believes to be a reasonable assumption for such period.

With respect to Operating Expenses of the County, the Person signing the certificate required by the provisions of the Indenture described in (b) above shall use such assumptions as such Person believes to be reasonable, taking into account (1) historical Operating Expenses of the County, (2) Operating Expenses associated with the Capital Improvements to be funded with the proceeds of the Additional Senior Obligations proposed to be issued and any other new Capital Improvements and Airport System facilities and (3) such other factors, including inflation and changing operations or policies of the County, as the Person signing such certificate believes to be appropriate. The Person signing the certificate required by the provisions of the Indenture described in (b) above shall include in such certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Adjusted Annual Debt Service, which calculations may be based upon information provided by the County.

For purposes of preparing the certificate or certificates described above, the Authorized County Representative or Airport Consultant, as applicable, may rely upon financial statements prepared by the County which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized County Representative shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with Generally Accepted Accounting Principles.

Neither of the certificates described under (a) or (b) above shall be required if the proceeds of Additional Senior Obligations being issued will be used to pay Costs of completing the Construction of a Capital Improvement for which Senior Obligations have previously been issued and the principal amount of such Additional Senior Obligations being issued for completion purposes does not exceed an amount equal to 10% of the principal amount of the Senior Obligations originally issued for such Capital Improvement as shown in a written certificate of an Authorized County Representative and there is delivered to the Trustee (1) a certificate of an Authorized County Representative or an Airport Consultant stating that the nature and purpose of such Capital Improvement has not materially changed and that the proceeds of such Additional Senior Obligations plus any other moneys in the Construction Fund available to pay the Costs of such Capital Improvement are expected to be sufficient to pay the Costs of competing the Construction of the Capital Improvement, and (2) a certificate of an Authorized County Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Capital Improvement) of the Senior Obligations issued to finance such Capital Improvement have been or will be used to pay Costs of the Capital Improvement, indicating the amount of such proceeds and investment earnings; and (B) the then estimated Costs of the Construction of the Capital Improvement.

Without satisfying the requirements of the Indenture described above under this subheading "—Additional Senior Obligations," the County may, at any time and from time to time, issue or enter into an Obligation which is a Qualified Swap, the Net Payments under which shall constitute Senior Obligations, provided that at the time of entering into such Swap (1) the Qualified Swap shall relate to a principal amount of Outstanding Senior Obligations or Senior Obligations issued or expected to be issued; (2) the notional amount of the Qualified Swap shall not exceed the principal amount of the related Senior Obligations or Senior Obligations expected to be issued; and (3) the counterparty shall be a Qualified Counterparty.

The County may, at any time and from time to time, issue Refunding Senior Obligations provided that either: (1) the requirements of the Indenture, with respect to issuing Additional Senior Obligations generally, described above under this subheading "—Additional Senior Obligations," are satisfied upon the issuance of such Refunding Senior Obligations and the application of the proceeds thereof; or (2) the Trustee has received a certificate of an Authorized County Representative certifying that the Aggregate Adjusted Annual Debt Service for all Obligations to be Outstanding after the issuance of such Refunding Senior Obligations shall not exceed the Aggregate Adjusted Annual Debt Service for all Obligations Outstanding immediately prior to the issuance of such Refunding Senior Obligations in each Test Year. (The County expects to utilize the foregoing provision in connection with the issuance of the Series 2016 Senior Bonds.)

Without satisfying the requirements of the Indenture described above under this subheading "—Additional Senior Obligations," the County may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Reimbursement Obligations with respect to Senior Obligations.

All Senior Obligations shall be senior in payment and priority to all Subordinate Obligations and Junior Subordinate Obligations, shall be paid with the priority provided in the Indenture, and shall be

entitled to all of the benefits provided to Senior Obligations by the terms of the Indenture and any applicable Issuing Instrument.

Upon implementation of the amendments to the Master Indenture as described above under the heading "INTRODUCTION – Certain Amendments to the Master Indenture" the following paragraph will be added to the Master Indenture:

For purposes of complying with any of the tests relating to the issuance of Additional Senior Obligations described above, (1) any calculation of Aggregate Adjusted Annual Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County expects to receive during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received or expected to be received by the County with respect to or in connection with the specified Obligations during such period of time.

A new definition of "Subsidy" will also be added to the Master Indenture in connection with such amendments. See APPENDIX C – "SUMMARY OF THE INDENTURE – CERTAIN DEFINITIONS."

As described above under "—Released Revenues," upon compliance with the terms of the Indenture, the County may cause a category of income, receipts or other revenues then included in the definition of "Revenues" to be excluded from such definition for all purposes of the Indenture. The Indenture provides that Debt Service paid from any money other than Revenues (including Released Revenues), or to be paid from any money other than Revenues (including Released Revenues) deposited with the Trustee or another Fiduciary exclusively for such purpose, is excluded from the calculation of Aggregate Adjusted Annual Debt Service under the Indenture and thus, Debt Service paid from any money other than Revenues (including Released Revenues) or to be paid from any money other than Revenues (including Released Revenues) deposited with the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described under this subheading "—Additional Senior Obligations." See also "—Rate Covenant" below.

The Indenture also permits the County, upon the terms described below under "—Rate Covenant," to specify that certain Obligations will be payable from and secured by Available Revenues. Under the Indenture, if Available Revenues or moneys other than Revenues have been irrevocably committed pursuant to a Supplemental Indenture or Issuing Instrument for the purpose of paying Debt Service on specified Obligations, then the Debt Service to be paid from such amounts is excluded from the calculation of Aggregate Adjusted Annual Debt Service under the Indenture and thus such Debt Service is not taken into account with respect to the tests contained in the Indenture and described under this subheading "—Additional Senior Obligations."

In addition, as described above under "—Pledge of Trust Estate; Net Revenues," the Indenture permits the County to transfer amounts from the Capital Improvement Fund to the Revenue Fund in which case, the amounts so transferred will be deemed to be Revenues for the purposes of all tests under the Indenture, including the tests described above under this subheading "—Additional Senior Obligations." Such actual transfers of amounts in the Capital Improvement Fund to the Revenue Fund are not subject to the limitations on "Transfers" described below under "—Rate Covenant."

Existing Senior Obligations

The Series 2008 Senior Bonds, the Series 2009 Senior Bonds and the Series 2010 Senior Bonds, which are currently outstanding in the aggregate principal amount $736,320,000, constitute Senior

Obligations pursuant to the Indenture. See "PLAN OF REFUNDING" for a description of the Senior Obligations that will be refunded with the Series 2016 Senior Bonds.

Additional Subordinate Obligations

The Series 2016 Subordinate Bonds are Subordinate Obligations under the Indenture. Under the Indenture, the County may, at any time and from time to time, issue any Additional Subordinate Obligations, provided:

(a) an Authorized County Representative or an Airport Consultant has provided to the Trustee a certificate stating that Net Revenues for either the most recent Fiscal Year for which audited financial statements of the Airport System are available or any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the month of issuance of the proposed Additional Subordinate Obligations were sufficient to satisfy the rate covenant set forth in the Indenture and described herein under "—Rate Covenant" for each of the next five full Fiscal Years following issuance of the Additional Subordinate Obligations, or each of the next two full Fiscal Years from the issuance of the Additional Subordinate Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Subordinate Obligations; or

(b) an Airport Consultant has provided to the Trustee a certificate stating that, based upon assumptions the Person signing the certificate deems reasonable, projected Net Revenues will be sufficient to satisfy the rate covenant set forth in the Indenture and described herein under "-Rate Covenant" for each of the next five full Fiscal Years following issuance of the Additional Subordinate Obligations, or each of the next two full Fiscal Years from issuance of the Additional Subordinate Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Subordinate Obligations.

The Indenture provides that, for purposes of (a) and (b) above, the Person signing the certificate required by such clause may assume that, in each relevant Fiscal Year, Accrued Debt Service for Outstanding Obligations will equal Aggregate Adjusted Annual Debt Service for such Fiscal Year.

Pursuant to the Indenture, for purposes of (a) above, the County shall be allowed to adjust Net Revenues for earnings arising from any increase in the rates, charges and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Additional Subordinate Obligations but which, during the Fiscal Year or 12-month period utilized by the County for purposes of (a) above, was not in effect for the entire Fiscal Year or 12-month period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole Fiscal Year or 12-month period under consideration, as determined by an Authorized County Representative.

Under the Indenture, for purposes of (b) above, in estimating Net Revenues, the Person signing the certificate required by such clause may take into account (1) Revenues from Capital Improvements reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which has been approved by the Board and will be in effect during the period for which the estimates are provided or (3) any other increases in Revenues which the Person signing the certificate believes to be a reasonable assumption for such period.

With respect to Operating Expenses of the County, the Person signing the certificate required by (b) above shall use such assumptions as such Person believes to be reasonable, taking into account (1)

historical Operating Expenses of the County, (2) Operating Expenses associated with the Capital Improvements to be funded with the proceeds of the Additional Subordinate Obligations proposed to be issued and any other new Capital Improvements and Airport System facilities and (3) such other factors, including inflation and changing operations or policies of the County, as the Person signing such certificate believes to be appropriate. The Person signing the certificate required by (b) above shall include in such certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Adjusted Annual Debt Service, which calculations may be based upon information provided by the County.

For purposes of preparing the certificate or certificates described above, the Authorized County Representative or Airport Consultant, as applicable, may rely upon financial statements prepared by the County which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized County Representative shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with Generally Accepted Accounting Principles.

Neither of the certificates described under (a) or (b) above shall be required if the proceeds of Additional Subordinate Obligations being issued will be used to pay Costs of completing the Construction of a Capital Improvement for which Subordinate Obligations have previously been issued and the principal amount of such Additional Subordinate Obligations being issued for completion purposes does not exceed an amount equal to 10% of the principal amount of the Subordinate Obligations originally issued for such Capital Improvement as shown in a written certificate of an Authorized County Representative and there is delivered to the Trustee (1) a certificate of an Authorized County Representative or an Airport Consultant stating that the nature and purpose of such Capital Improvement has not materially changed and that the proceeds of such Additional Subordinate Obligations plus any other moneys in the Construction Fund available to pay the Costs of such Capital Improvement are expected to be sufficient to pay the Costs of competing the Construction of the Capital Improvement, and (2) a certificate of an Authorized County Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Capital Improvement) of the Subordinate Obligations issued to finance such Capital Improvement have been or will be used to pay Costs of the Capital Improvement, indicating the amount of such proceeds and investment earnings; and (B) the then estimated Costs of the Construction of the Capital Improvement.

Without satisfying the requirements of the Indenture described above under this subheading "—Additional Subordinate Obligations," the County may, at any time and from time to time, issue or enter into an Obligation which is a Qualified Swap, the Net Payments under which shall constitute Subordinate Obligations, provided that at the time of entering into such Swap (i) the Qualified Swap shall relate to a principal amount of Outstanding Subordinate Obligations or Subordinate Obligations issued or expected to be issued; (ii) the notional amount of the Qualified Swap shall not exceed the principal amount of the related Subordinate Obligations or Subordinate Obligations expected to be issued; and (iii) the counterparty shall be a Qualified Counterparty.

The County may, at any time and from time to time, issue Refunding Subordinate Obligations provided that either: (1) the requirements of the Indenture, with respect to issuing Additional Subordinate Obligations generally, described above under this subheading "—Additional Subordinate Obligations" are satisfied upon the issuance of such Refunding Subordinate Obligations and the application of the proceeds thereof; or (2) the Trustee has received a certificate of an Authorized County Representative certifying that the Aggregate Adjusted Annual Debt Service for all Obligations to be Outstanding after the issuance of such Refunding Subordinate Obligations shall not exceed the Aggregate Adjusted Annual Debt Service for all Obligations Outstanding immediately prior to the issuance of such Refunding Subordinate

Obligations in each Test Year. (The County expects to utilize the foregoing provision in connection with the issuance of the Series 2016 Subordinate Bonds.)

Without satisfying the requirements of the Indenture described above under this subheading "—Additional Subordinate Obligations," the County may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Reimbursement Obligations with respect to Subordinate Obligations.

All Subordinate Obligations shall be junior in payment and priority to all Senior Obligations. Subordinate Obligations shall be paid in the priority provided in the Indenture, and only to the extent that funds are available to make such payments as provided therein after the required payments are made with respect to the Senior Obligations. Any exercise of rights or remedies by any holder, owner, or beneficial owner of a Subordinate Obligation, or the Trustee on behalf of the foregoing, shall be subject in all respects to the limitations with respect thereto set forth in the Indenture. All Subordinate Obligations shall be subject to the limitations imposed on Subordinate Obligations, by the terms of the Indenture and any applicable Issuing Instrument.

Upon implementation of the amendments to the Master Indenture as described above under the heading "INTRODUCTION – Certain Amendments to the Master Indenture" the following paragraph will be added to the Master Indenture:

For purposes of complying with any of the tests relating to the issuance of Additional Subordinate Obligations described above, (1) any calculation of Aggregate Adjusted Annual Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County expects to receive during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received or expected to be received by the County with respect to or in connection with the specified Obligations during such period of time.

A new definition of "Subsidy" will also be added to the Master Indenture in connection with such amendments. See APPENDIX C – SUMMARY OF THE INDENTURE – CERTAIN DEFINITIONS."

As described above under "—Released Revenues," upon compliance with the terms of the Indenture, the County may cause a category of income, receipts or other revenues then included in the definition of "Revenues" to be excluded from such definition for all purposes of the Indenture. The Indenture provides that Debt Service paid from any money other than Revenues (including Released Revenues), or to be paid from any money other than Revenues (including Released Revenues) deposited with the Trustee or another Fiduciary exclusively for such purpose, is excluded from the calculation of Aggregate Adjusted Annual Debt Service under the Indenture and thus, Debt Service paid from any money other than Revenues (including Released Revenues) or to be paid from any money other than Revenues (including Released Revenues) deposited with the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described under this subheading "—Additional Subordinate Obligations." See also "—Rate Covenant" below.

The Indenture also permits the County, upon the terms described below under "—Rate Covenant," to specify that certain Obligations will be payable from and secured by Available Revenues. Under the Indenture, if Available Revenues or moneys other than Revenues have been irrevocably committed pursuant to a Supplemental Indenture or Issuing Instrument for the purpose of paying Debt Service on specified Obligations, then the Debt Service to be paid from such amounts is excluded from the calculation of Aggregate Adjusted Annual Debt Service under the Indenture and thus such Debt

Service is not taken into account with respect to the tests contained in the Indenture and described under this subheading "—Additional Subordinate Obligations."

In addition, as described above under "—Pledge of Trust Estate; Net Revenues," the Indenture permits the County to transfer amounts from the Capital Improvement Fund to the Revenue Fund in which case, the amounts so transferred will be deemed to be Revenues for the purposes of all tests under the Indenture, including the tests described above under this subheading "—Additional Subordinate Obligations." Such actual transfers of amounts in the Capital Improvement Fund to the Revenue Fund are not subject to the limitations on "Transfers" described below under "—Rate Covenant."

Existing Subordinate Obligations

The Series 2008 Subordinate Bonds and Series 2009 Subordinate Bonds, which are currently outstanding in the aggregate principal amount of $285,385,000, constitute Subordinate Obligations pursuant to the Indenture. See "PLAN OF REFUNDING" for a description of the Subordinate Obligations that will be refunded with the Series 2016 Subordinate Bonds.

Junior Subordinate Obligations, Junior Obligations and Special Facility Obligations

Under the Indenture, the County may, at any time and from time to time, issue Junior Subordinate Obligations, Junior Obligations or Special Facility Obligations upon compliance with the terms of the Indenture. See APPENDIX C– "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE – Authorization and Issuance of Bonds and Obligations – Conditions to Issuance of Junior Subordinate Obligations" and "—Special Facilities and Special Facility Obligations."

The Indenture permits the County to issue obligations payable from and secured by the Net Revenues and amounts in the Revenue Fund if such obligations are subordinate in payment and priority to the Junior Subordinate Obligations, the Subordinate Obligations and the Senior Obligations (such obligations constituting "Junior Obligations" pursuant to the Indenture). See APPENDIX C – "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE – Covenants and Obligations of the County – Creation of Prior Liens."

The County has previously issued its Variable Rate Demand Special Facilities Airport Revenue Bonds, Series 1998 (The Cessna Aircraft Company Project) (the "Cessna Special Facilities Bonds"). The Cessna Special Facilities Bonds are secured by contractual payments payable to the County by the owner of the financed facility, and are not secured by or payable from Revenues. The Cessna Special Facilities Bonds are a Special Facility Obligation under the Indenture.

Rate Covenant

Pursuant to the Indenture the County covenants to fulfill the following requirements:

(a) The County will, while any of the Obligations remain Outstanding, establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to 100% of the aggregate amount of transfers required to be made by the County pursuant to the provisions of the Indenture described herein in paragraphs (b) through (k) under the subheading "—Flow of Airport System Revenues" above during such Fiscal Year.

(b) (i) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for

services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year plus any Transfer will be equal to at least 125% of Accrued Debt Service on all Outstanding Senior Obligations for such Fiscal Year. For purposes of the provisions of the Indenture described in this subparagraph (b)(i), the amount of any Transfer taken into account will not exceed 25% of the Accrued Debt Service on the Outstanding Senior Obligations for such Fiscal Year.

(ii) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year plus any Transfer will be equal to at least 110% of Accrued Debt Service on all Outstanding Senior Obligations and Subordinate Obligations for such Fiscal Year. For purposes of the provisions of the Indenture described in this subparagraph (b)(ii), the amount of any Transfer taken into account shall not exceed 10% of the Accrued Debt Service on the Outstanding Senior Obligations and Subordinate Obligations for such Fiscal Year.

(iii) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year will be equal to at least 100% of Accrued Debt Service on all Outstanding Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations for such Fiscal Year.

(iv) Upon implementation of the amendments to the Master Indenture as described above under the heading "INTRODUCTION – Certain Amendments to the Master Indenture" the following addition will be made to the Master Indenture: *For purposes of complying with any of the requirements described in subparagraph (b), (1) any calculation of Accrued Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County received during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received by the County with respect to or in connection with the specified Obligations during such period of time.* In addition, a new definition of "Subsidy" will be added to the Master Indenture in connection with such amendments. See APPENDIX C – "SUMMARY OF THE INDENTURE – CERTAIN DEFINITIONS."

(c) The County covenants that if Net Revenues in any Fiscal Year are less than the amount specified by the provisions of the Indenture described in paragraph (a) above, or that if Net Revenues together with any Transfer in any Fiscal Year are less than the amount specified by the provisions of the Indenture described in paragraph (b) above, the County will retain and direct an Airport Consultant to make recommendations as to the revision of the County's business operations and its schedule of rates, tolls, fees, rentals and charges for the use of the Airport System and for services rendered by the County in connection with the Airport System. After receiving such recommendations, the County shall, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the Board that such recommendations, in whole or in part, are in the best interests of the County, take all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the County's business operations and schedule of rates, tolls, fees, rentals and charges as may be necessary to produce Net Revenues, together with any Transfer (only as applied pursuant to the provisions of the Indenture described in paragraph (b) above), in the amount specified in paragraph (a) or (b) above in the next Fiscal Year.

In the event that Net Revenues, together with any Transfer (only as applied pursuant to the provisions of the Indenture described in paragraph (b) above), for any Fiscal Year (referred to in this paragraph as "Fiscal Year One") are less than the amount specified by the provisions of the Indenture

described in paragraph (a) or (b) above but, prior to or during the next succeeding Fiscal Year (referred to in this paragraph as "Fiscal Year Two"), the County has taken all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the County's business operations and schedule of rates, tolls, fees, rentals and charges as required by the provisions of the Indenture described in paragraph (c) above, such deficiency in Net Revenues for Fiscal Year One shall not constitute an Event of Default under the Indenture. Nevertheless, even if the measures required by the provisions of the Indenture described in paragraph (c) above to revise the schedule of rates, tolls, fees, rentals and charges have been taken by the County, in the event the Net Revenues in Fiscal Year Two (as evidenced by the audited financial statements of the County for such Fiscal Year), together with any Transfer (only as applied pursuant to the provisions of the Indenture described in paragraph (b) above), are less than the amount specified by the provisions of the Indenture described in paragraph (a) or (b) above, such deficiency in Net Revenues for Fiscal Year Two, as the second successive year of deficiencies in Net Revenues, shall, with the applicable notice, constitute an Event of Default under the Indenture.

As used in the Indenture, the term "Transfer" means with respect to a Fiscal Year (a) the amount in the Capital Improvement Fund on the last Business Day of such Fiscal Year plus (b) any amounts withdrawn from the Capital Improvement Fund during such Fiscal Year to pay Operating Expenses and to make any required payments or deposits to pay or secure the payment of Obligations less (c) any amounts credited to the Capital Improvement Fund from the Revenue Fund during such Fiscal Year.

As described above under "—Pledge of Trust Estate; Net Revenues," the Indenture permits the County to transfer amounts from the Capital Improvement Fund to the Revenue Fund in which case the amounts so transferred will be deemed to be Revenues for the purposes of all tests under the Indenture, including the tests described above under this subheading "—Rate Covenant." Such actual transfers of amounts in the Capital Improvement Fund to the Revenue Fund are not subject to the limitations on "Transfers" described above under this subheading "—Rate Covenant."

In addition, as described above under "—Released Revenues," upon compliance with the terms of the Indenture, the County may cause a category of income, receipts or other revenues then included in the definition of "Revenues" to be excluded from such definition for all purposes of the Indenture. The Indenture provides that Debt Service paid from Released Revenues (including investment earnings thereon), or to be paid from Released Revenues (including investment earnings thereon) deposited with the Trustee or another Fiduciary exclusively for such purpose, is excluded from the calculation of Accrued Debt Service under the Indenture and thus, Debt Service paid from Released Revenues (including investment earnings thereon), or to be paid from Released Revenues deposited with the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described under this subheading "—Rate Covenant."

The Indenture also provides that at any time and from time to time, the County and the Trustee, without the consent of the Owner of any Obligation and without the consent of any Credit Provider, may enter into a Supplemental Indenture or Issuing Instrument that (1) specifies the amount of Passenger Facility Charges that shall constitute Available PFC Revenues, the amount of Customer Facility Charges that shall constitute Available CFC Revenues or the amount of Grant Funds that shall constitute Available Grant Revenues during each Fiscal Year specified in such Supplemental Indenture or Issuing Instrument or (2) specifies Obligations that will be secured by Available Revenues. Under the Indenture, Debt Service paid from Available Revenues (including investment earnings thereon), or to be paid from Available Revenues (including investment earnings thereon) deposited with the Trustee or another Fiduciary exclusively for such purpose, is excluded from the calculation of Accrued Debt Service under the Indenture and thus, Debt Service paid from Available Revenues (including investment earnings thereon), or to be paid from Available Revenues (including investment earnings thereon) deposited with

the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described above under this subheading "—Rate Covenant."

The Indenture also provides that Debt Service paid from any other moneys that are not Revenues (including investment earnings thereon), or to be paid from any other moneys that are not Revenues (including investment earnings thereon) deposited with the Trustee or another Fiduciary exclusively for such purpose, is excluded from the calculation of Accrued Debt Service under the Indenture and thus, Debt Service paid from any other moneys that are not Revenues (including investment earnings thereon), or to be paid from any other moneys that are not Revenues (including investment earnings thereon) deposited with the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described above under this subheading "—Rate Covenant." Under the Indenture, Passenger Facility Charges, Customer Facility Charges, Grant Funds and certain other items are excluded from the definition of Revenues. Therefore, Debt Service paid from Passenger Facility Charges, Customer Facility Charges, Grant Funds, or other items excluded from the definition of Revenues, or to be paid from Passenger Facility Charges, Customer Facility Charges, Grant Funds, or other items excluded from the definition of Revenues and deposited with the Trustee or another Fiduciary exclusively for such purpose, is not taken into account with respect to the tests contained in the Indenture and described above under this subheading "—Rate Covenant."

The covenants of the County set forth in the Indenture and described in this caption are referred to herein as the "Rate Covenant."

Limitation on Remedies

The Indenture provides that, as long as any Senior Obligations remain Outstanding, no Event of Default shall exist or may be declared with respect to any Subordinate Obligations or Junior Subordinate Obligations. In addition, as long as any Subordinate Obligations remain Outstanding, no Event of Default shall exist or may be declared with respect to any Junior Subordinate Obligations.

The Indenture also provides that Subordinate Obligations are not subject to acceleration if any Senior Obligations are then Outstanding, and Junior Subordinate Obligations are not subject to acceleration if any Subordinate Obligations or Senior Obligations are then Outstanding.

For a description of the various remedies and limitations thereon set forth in the Indenture, see APPENDIX C– "SUMMARY OF THE INDENTURE – THE MASTER INDENTURE – Events of Default; Remedies."

DEBT SERVICE SCHEDULE*

The following table sets forth the Debt Service Schedule for the Series 2016 Senior Bonds, the Series 2008 Senior Bonds, the Series 2009 Senior Bonds, the Series 2010 Senior Bonds, the Series 2016 Subordinate Bonds, the Series 2008 Subordinate Bonds and the Series 2009 Subordinate Bonds.

Year Ending July 1	Series 2008, Series 2009 and Series 2010 Senior Bonds		Series 2016 Senior Bonds		Total Senior Obligation Debt Service	Series 2008 and Series 2009 Subordinate Bonds		Series 2016 Subordinate Bonds		Total Subordinate Obligation Debt Service	Total Debt Service
	Principal	Interest	Principal	Interest		Principal	Interest	Principal	Interest	Debt Service	
2017	$15,450,000	$33,335,871		$2,348,611	$51,134,482	$5,740,000	$9,483,896		$2,448,625	$17,672,521	$68,807,004
2018	16,140,000	32,649,109		4,450,000	53,239,109	6,000,000	9,220,096		4,639,500	19,859,596	73,098,705
2019	16,595,000	31,880,129		4,450,000	52,925,129	6,280,000	8,940,526		4,639,500	19,860,026	72,785,155
2020	17,405,000	31,073,854		4,450,000	52,928,854	6,585,000	8,637,264		4,639,500	19,861,764	72,790,618
2021	18,015,000	30,207,679		4,450,000	52,672,679	6,905,000	8,316,493		4,639,500	19,860,993	72,533,671
2022	18,935,000	29,289,566		4,450,000	52,674,566	7,245,000	7,975,255		4,639,500	19,859,755	72,534,321
2023	19,900,000	28,325,266		4,450,000	52,675,266	7,605,000	7,614,909		4,639,500	19,859,409	72,534,675
2024	20,905,000	27,322,516		4,450,000	52,677,516	8,000,000	7,221,256		4,639,500	19,860,756	72,538,273
2025	22,680,000	26,259,529		4,450,000	53,389,529	8,415,000	6,805,719		4,639,500	19,860,219	73,249,748
2026	23,830,000	25,112,948		4,450,000	53,392,948	8,840,000	6,381,019		4,639,500	19,860,519	73,253,466
2027	25,045,000	23,897,848		4,450,000	53,392,848	9,300,000	5,920,194		4,639,500	19,859,694	73,252,541
2028	26,405,000	22,537,830		4,450,000	53,392,830	9,815,000	5,408,694		4,639,500	19,863,194	73,256,024
2029	27,835,000	21,104,793		4,450,000	53,389,793	10,355,000	4,868,869		4,639,500	19,863,369	73,253,161
2030	29,285,000	19,656,543		4,450,000	53,391,543	10,935,000	4,286,400		4,639,500	19,860,900	73,252,443
2031	30,810,000	18,132,743		4,450,000	53,392,743	11,590,000	3,630,300		4,639,500	19,859,800	73,252,543
2032	32,415,000	16,529,455		4,450,000	53,394,455	12,285,000	2,934,900		4,639,500	19,859,400	73,253,855
2033	34,100,000	14,842,538		4,450,000	53,392,538	13,025,000	2,197,800		4,639,500	19,862,300	73,254,838
2034	35,890,000	13,053,288		4,450,000	53,393,288	13,805,000	1,416,300		4,639,500	19,860,800	73,254,088
2035	37,770,000	11,170,038		4,450,000	53,390,038	9,800,000	588,000	$2,790,000	4,639,500	17,817,500	71,207,538
2036	39,770,000	9,172,925		4,450,000	53,392,925			13,255,000	4,500,000	17,755,000	71,147,925
2037	41,870,000	7,069,875		4,450,000	53,389,875			13,920,000	3,837,250	17,757,250	71,147,125
2038	44,085,000	4,855,588		4,450,000	53,390,588			14,605,000	3,141,250	17,746,250	71,136,838
2039	40,465,000	2,523,950	$5,900,000	4,450,000	53,338,950			15,315,000	2,411,000	17,726,000	71,064,950
2040	8,220,000	411,000	40,535,000	4,155,000	53,321,000			16,060,000	1,645,250	17,705,250	71,026,250
2041			42,565,000	2,128,250	44,693,250			16,845,000	842,250	17,687,250	62,380,500

* After refunding of the Refunded Bonds and issuance of the Series 2016 Bonds.

THE AIRPORT SYSTEM

Introduction

The Airport System consists of International Airport, Mather Airport, Executive Airport, and Franklin Field. International Airport is owned by Sacramento County (County) and operated by the Department of Airports (the "Department"). International Airport is classified as a medium air traffic hub by the Federal Aviation Administration (the "FAA"). In calendar year 2015, it was ranked 46th in the United States in terms of total passengers according to Airports Council International Airport ("ACI"). In the fiscal year ended June 30, 2016, International Airport served a total of approximately 9.9 million passengers. Origin-destination traffic for the first six months of calendar year 2016 accounted for approximately 94.8% of annual passengers, with the remaining 5.2% being passengers connecting between flights.

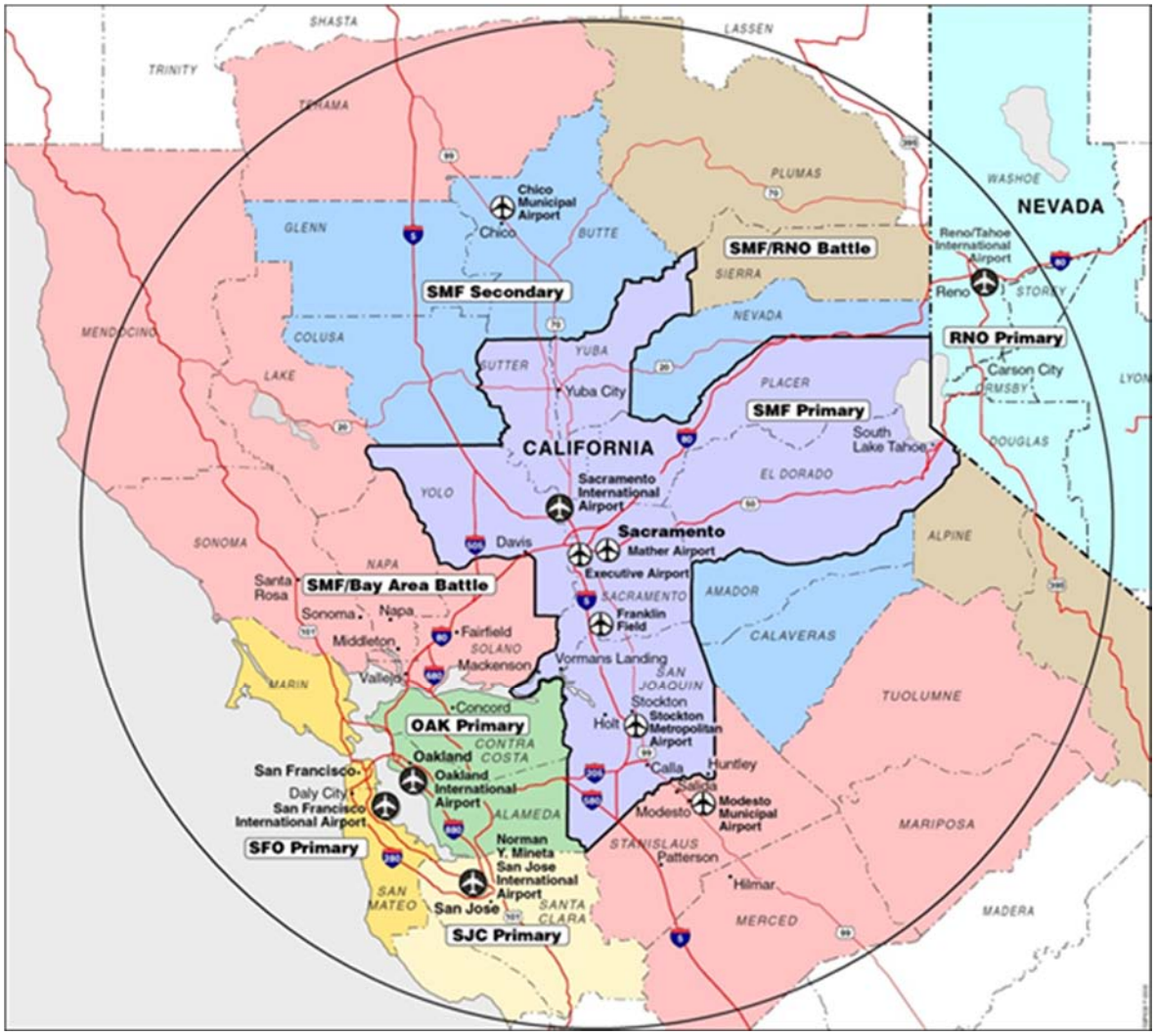
The Air Service Region

Sacramento is the capital of California and the hub of government and commerce within the Sacramento River Valley region between the San Francisco Bay Area to the west, and the Sierra Nevada mountain range to the east. International Airport is approximately 12 miles northwest of downtown Sacramento, adjacent to Interstate 5, which is the major north/south artery that runs the entire length of California, Oregon, and Washington. International Airport is also just two freeway exits on Interstate 5 from Interstate 80, the main east/west interstate highway connecting the San Francisco Bay Area with the Sacramento and Reno/Tahoe regions and points east.

The primary catchment area served by International Airport consists of the following seven counties: El Dorado, Placer, Sacramento, San Joaquin, Sutter, Yolo and Yuba. These seven counties represent three contiguous Metropolitan Statistical Areas ("MSA's"); the Sacramento-Arden-Arcade-Roseville MSA composed of El Dorado, Placer, Sacramento and Yolo counties; the Stockton-Lodi MSA composed of San Joaquin County; and the Yuba City MSA composed of Sutter and Yuba counties, and have a combined population in excess of 3.1 million. For nearly all residents of and visitors to the Sacramento Area, International Airport is relatively closer, both in terms of geographical distance and drive time, than competing airports in the Bay Area and the Reno/Tahoe area, especially considering traffic congestion to Bay Area airports and the mountain driving conditions to the Reno airport.

As shown in Figure 1, a geographic area within approximately 125 miles of International Airport provides the area used to define passenger choice catchment areas, including (1) primary catchment areas (shaded in purple) consisting of the seven counties that together account for a large share of actual tickets sold, (2) secondary area (shaded in blue) to the northwest and southeast of the primary area with a smaller share of tickets sold, and (3) peripheral regions labeled as "Battle" where passengers tend to be indifferent to which airport they choose to fly from.

Figure 1
GEOGRAPHIC AREAS
International Airport and Selected Commercial Service Airports



Source: Seabury APG, International Catchment Area Study, December 2012

Organization and Management of the Airport System

The County's Board of Supervisors ("Board") oversees the operation of the Airport System. The County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, Sacramento, is the seat of government for the State of California and also serves as the County seat. The County has a charter form of government. The Board of Supervisors is composed of five members elected to serve staggered four-year terms. A County Executive, appointed by the Board of Supervisors, manages the day-to-day business of the County. See Appendix A – "CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING SACRAMENTO COUNTY."

Department of Airports

Senior management is led by the Airport Director ("Director"), who has the authority to administer the affairs of the Department of Airports as the chief executive officer thereof. The Director reports to the County Executive and serves at the pleasure of the Board. As of July 1, 2016, there were approximately 307 persons employed by the Department of Airports, and 67 additional employees including 30 law personnel are assigned to the Airport but work for other departments of the County.

The balance of the senior management team is comprised of a Chief Operating Officer, a Chief Administrative Officer of Administration and Finance and a Chief Administrative Officer of Planning and Development. Brief biographies of the members of the senior management for the Airport System are set forth below:

John Wheat. Mr. Wheat is the Director of Airports for the County and has over 30 years of airport executive management experience at several major airport systems throughout the United States. Prior to joining the Sacramento team, he served as the Executive Director of Northwest Florida Beaches International Airport, a newly constructed airport in the Florida Panhandle. Additionally, he was the Deputy Executive Director for the Hillsborough County Aviation Authority responsible for Tampa International Airport and its general aviation system from 1999 to 2011 and prior to Tampa he served as the Deputy Executive Director Salt Lake City Department of Airports from 1983 to 1999. Mr. Wheat has held several leadership positions with Airports Council International including the Finance Committee chair for both the North America region and World committee. As Director of Airports, Mr. Wheat is responsible for directing, planning, development and administration of all the activities of the Department of Airports, including all airports within the Airport System and the management of the Department's personnel.

Lisa J. Stanton. Ms. Stanton is the Chief Operating Officer for the Airport System. Ms. Stanton has 30 years of experience in airport administration, military base conversion and airport management consulting. She held consulting positions with three nationally recognized airport consulting firms. Ms. Stanton has a bachelor's degree, with distinction, in Business Administration from San Jose State University. Ms. Stanton is accredited by Airports Council International Airport and the International Airport Civil Aviation Association as an International Airport Professional and is a Certified Member of the American Association of Airport Executives. She oversees the operations, maintenance, security, aircraft rescue firefighting and satellite airport functions for the Airport System.

Sylvia Ambrogio. Ms. Ambrogio is the Chief Administrative Officer, Finance and Administration. Ms. Ambrogio has over 20 years of experience in airport administration and airport management consulting through management positions held at airports in Dallas, Tucson, and Little Rock. She has also worked for one of the largest International Airport consulting firms. Ms. Ambrogio is an accredited member in the American Association of Airport Executives and serves on the Finance Steering Committee for Airport Council International North America. She holds a bachelor's degree in

Economics and Finance and a master's degree in Financial Services. Ms. Ambrogio oversees the accounting, business services, properties and business development, and information technology and telecommunication functions for the Airport System.

T.J. Chen. Mr. Chen is the Chief Administrative Officer for Planning and Development. Mr. Chen has more than 20 years of experience, starting as an airport engineering intern with the San Francisco Airports District Office of the Federal Aviation Administration. Mr. Chen has held various project engineering and program management positions in the US and abroad. Mr. Chen received his Bachelor of Science and Master of Science degrees in Civil Engineering from San Jose State University and is a licensed civil engineer in the State of California. Mr. Chen is also a graduate of FAA's Program for Emerging Leaders and a Certified Member of American Association of Airport Executives.

Labor Relations

As of July 1, 2016, the County had 307 permanent full-time equivalent positions in connection with the Airport System, of which 9 do not belong to a collective bargaining unit. The County Code requires that the salaries and benefits of these unrepresented employees be reviewed annually. The majority of the employees in connection with the Airport System are represented by one of 11 collective bargaining organizations as set forth in the following table.

TABLE 1
Collective Bargaining Units
(as of July 1, 2016)

Bargaining Unit	Employees Represented
Local 39 – Operations & Maintenance	146
Administrative Professionals Association	32
Sacramento County Aircraft Rescue Firefighters Association	28
Sacramento County Management Association	28
United Public Employees, Local 1	28
Teamsters, Local 228	22
Association of Professional Engineers	5
Sacramento County Professional Accountants Association	4
Engineering Technician and Technical Inspection Association	3
Local 39 – Water Quality	1
Environmental Management Specialists of Sacramento County	1

Source: County of Sacramento, Department of Airports

Most agreements with the collective bargaining units will expire on June 30, 2018. International Airport has never been closed by a strike. In addition to the County employees directly related to the Airport System, employees from the County's Sheriff's Department and General Services Department are assigned to the Airport System. The Sheriff's Department has assigned 30 permanent employees to provide security check point response, traffic control and landside police response for the Airport System. The General Services Department has assigned 37 permanent employees to maintain Airport System facilities. The County's general fund is reimbursed from Airport System revenues for these assigned personnel.

International Airport

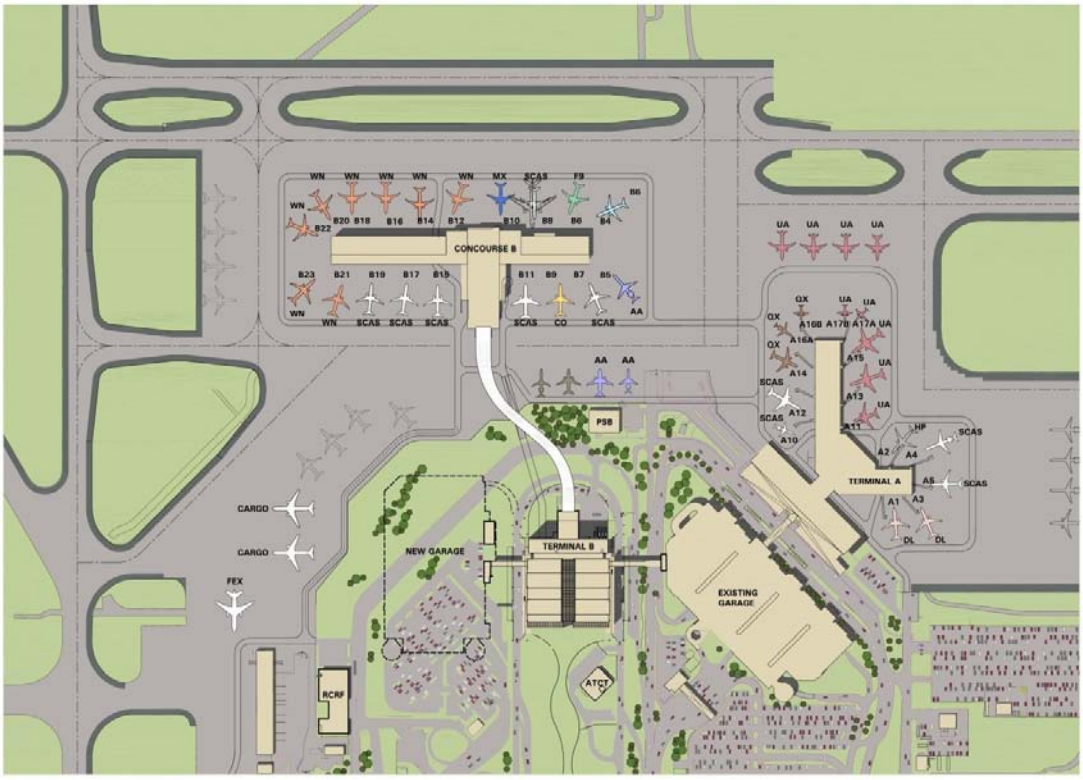
International Airport was opened in 1967 and is owned by the County and operated by the Department. The International Airport serves residents of, and visitors to, the State's Capitol and is located ten miles northwest of downtown Sacramento, just off U.S. Interstate 5 in Sacramento County, California.

Terminal Modernization Program

In 2007, the County embarked on a $1.07 billion Terminal Modernization Program ("TMP") to the International Airport. As presented in Figure 2, the TMP included a new 740,000 square foot Central Terminal B complex constructed as a landside terminal and an airside concourse and connected by an automated people mover. Additional work included modifications to the airfield and roadways to accommodate the new facility and modifications to the Terminal A.

The new Terminal B complex opened on October 6, 2011 and was financed from a number of sources including an FAA $59.9 million Airport Improvement Program grant, passenger facility charges and airport surplus revenues. The County also issued $877 million in Senior Bonds and Subordinate Bonds.

Figure 2
TERMINAL MODERNIZATION PROGRAM
International Airport



Existing Facilities

Land. International Airport occupies approximately 6,000 acres of land, which the County owns in fee simple subject only to certain liens or encumbrances which do not interfere with the orderly operation of International Airport.

Airfield. The airfield consists of two 8,600- foot-long parallel runways, Runway 16L-34R and Runway 16R-34L, together with interconnecting taxiways and aircraft parking aprons. Runway 16R-34L is equipped with a Category III Instrument Landing System, a ground-based precision instrument approach system which provides properly-equipped aircraft with visual and electronic navigational aids to help a pilot safely land with minimal outside visibility.

Passenger Terminals. International Airport has two terminals with a total of 31 gates. Terminal A, completed in 1998, provides 12 gates and serves operations by American, Delta, United and JetBlue. Terminal B provides 19 gates and serves operations by Aeromexico, Alaska/Horizon, Hawaiian, Volaris and Southwest. The two parts of Terminal B – airside and landside – are connected by an automated people mover. Approximately 121,453 square feet of space in the passenger terminals has been developed for concessions.

Automated People Mover. Access between Terminal B landside and airside is provided via an automated people mover system on an above grade guideway structure.

Parking. International Airport currently has four public parking facilities, accommodating both short- and long-term parking. The terminal parking garage, constructed in 2004 with six floors and approximately 5,300 parking spaces, is conveniently located between the two terminals and accessed via sky-bridge or roadside walkways. The County also provides parking for International Airport and tenant employees in eight parking facilities.

Rental Car Facility. An 848 space, full service rental car facility for all on-Airport rental car companies is located approximately 1 mile south of the terminal buildings and offers shuttle bus pickup and drop off service to passengers.

Aviation Support Facilities. Primary aviation support facilities include: equipment and parks maintenance facilities; a fuel farm located north of the terminal complex; FAA air traffic control facilities; aircraft rescue and firefighting; and airfield maintenance and support facilities located throughout the site.

Future Hotel. In 2015, the County entered into a Hotel Development and Operating Agreement with Sonnenblick SMF, LLC (the "Hotel Developer"), to finance, develop and operate a new hotel to be located at the International Airport. The planned Hyatt Place will be a new five-story, select service hotel with 150 rooms within walking distance of both terminals. The hotel will include an indoor pool and spa, fitness room, dining area and 3,500 square feet of meeting space. The hotel will be located to the north side of the parking garage between the International Airport's two terminals and parking for the hotel will be in the existing parking garage. Construction is scheduled for completion October 2018. The County will lease the land on which the hotel is to be located to the Hotel Developer pursuant to a 50 year ground lease. The following table reflects the rents payable to the County by the Hotel Developer.

TABLE 2
Hotel Rents

Agreement Years	Amount
1 and 2	$150,000 per year
3 and 4	$300,000 per year
5 through 19	5% Gross Revenues
20 through 39	6% Gross Revenues
40 through 50	7% Gross Revenues

Other Airports

Mather Airport. Mather Airport was originally a United States Air Force base. In March 1995, the County executed a 55-year lease with the U.S. Air Force authorizing the use of 2,875 acres of the former Air Force Base as a civilian airport. Mather Airport reopened to aviation uses on May 5, 1995 and is now operated as part of the Airport System, serving general aviation and cargo users. In November 2012, Mather Airport's ownership was transferred from the United States Air Force to the Department of Airports. Mather Airport is a reliever airport for International Airport. Mather Airport has two runways (4R-22L, at 11,300 feet, and 4L-22R, at 6,040 feet), an aircraft parking apron, and various cargo and other buildings. Mather Airport is currently served with regularly scheduled service by one all-cargo carrier – UPS. In Fiscal Year 2015-16, approximately 52.8% of all cargo handled at the Airport System was handled at Mather Airport. Mather Airport offers cargo carriers a longer runway, and more office and warehouse space, while freeing up aircraft ramp space at International Airport to accommodate passenger airline growth. The County does not intend for Mather Airport to be used for scheduled passenger airline service.

In November 2008, the County adopted a Continuity of Operations Plan, which would move commercial operations from International Airport to Mather Airport should the Natomas area flood. As part of the emergency plan, in the event of an emergency affecting operations at International Airport, the County would seek an operating certificate (a Part 139 certificate) from the FAA that would allow Mather Airport to serve scheduled and non-scheduled air carrier aircraft with more than 30 seats.

Executive Airport. Executive Airport is a designated reliever airport for International Airport and has tie down and hangar facilities to accommodate 500 general aviation aircraft. In Fiscal Year 2015-16, 92,942 general aviation and military flight operations were performed at Executive Airport. Executive Airport is leased by the County from the City of Sacramento. The term of the lease is 25 years. The lease contains an "evergreen" clause, whereby it is automatically extended each year by an additional year (subject to the right of either party to avoid such extension).

Franklin Field. Franklin Field is also a general aviation airport and has tie down and hangar facilities to accommodate 12 general aviation aircraft.

McClellan Airport. McClellan Airport, about 10 miles northeast of downtown Sacramento, was closed as a military installation in July 2001. McClellan Airport is not part of the Airport System, and the operation and development of McClellan Airport is not a financial obligation of the Airport System. The County does not intend to include operation of McClellan Airport in the Airport System in the future.

Airport Security

In the immediate aftermath of September 11, 2001, the FAA mandated new safety and security requirements, which have been implemented by the County and the airlines serving the Airport System. In addition, Congress passed the Aviation and Transportation Security Act (the "Aviation Act"), which imposed additional safety and security measures. Certain safety and security functions at International Airport were assumed by the Transportation Security Administration ("TSA"), which was established by the Aviation Act. Among other things, the Aviation Act required that (i) explosive detection screening be conducted for all checked baggage; (ii) all individuals, goods, property, vehicles and other equipment entering secured areas of airports be screened; and (iii) security screeners be federal employees, United States citizens and satisfy other specified requirements. All of these requirements have been implemented with TSA Funding.

The TSA operates security checkpoints at International Airport with 5 security lanes in Terminal A and 10 security lanes in Terminal B using 368 TSA employees. TSA management utilizes staffing models and closed circuit cameras to monitor demand at checkpoints to quickly address changes in passenger flow volumes.

AIRPORT ACTIVITY AND SCHEDULED AIRLINES

As of July 1, 2016, 12 scheduled passenger airlines, including five mainline airlines, three regional affiliates of which one is associated with one or more mainline airlines, two low-cost carriers and two foreign-flag airlines, offered 140 daily non-stop flights at International Airport. In addition, the Airport System is also served by two scheduled all-cargo airlines. International Airport continues principally to serve origin-destination passengers, with a fairly even distribution between intra-California and interstate travelers.

The following table provides the air carriers serving the Airport System as of July 1, 2016.

TABLE 3
Airlines Serving International Airport and Mather Airports
As of July 1, 2016

Mainline	Low cost carriers
Alaska Airlines	JetBlue Airways
American Airlines	Southwest Airlines
Delta Air Lines	
Hawaiian Airlines	Foreign Flag
United Airlines	Aeromexico
	Volaris
Regional affiliates	All-Cargo Carriers
American Eagle (American)	FedEx
Skywest (American, Delta, United)	UPS Air Cargo
Horizon (Alaska)	

Source: County of Sacramento, Department of Airports

Airline Service

Starting in 2008, the U.S. air transportation market experienced a series of supply and demand shocks that reflected the global economic recession, high and volatile fuel prices and airline capacity cuts in an effort to regain profitability. Like other airports in the nation, air transportation at International Airport was further complicated during this period with the bankruptcy of Aloha Airlines (March 2008), and the mergers of (1) Northwest and Delta Air Lines (January 2010), (2) Continental and United Airlines (March 2012) and (3) US Airways and American Airlines (December 2013). According to a study prepared by MIT International Center for Air Transportation, scheduled domestic flights fell nationally by 14.3% from 2007 to 2012 as a result. Additionally, airlines began to consolidate service at larger airports in multi-airport regions while restricting capacity at smaller airports, such as International Airport which decreased 15.6% over the same period with the loss of Aloha Airlines, Mexicana, and Frontier.

In Fiscal Year 2014-15, total enplaned passengers grew 5.8% as International Airport showed signs of recovery due to expanding services from several airlines. With growing demand, Aeromexico introduced nonstop service to Mexico City, Mexico in April 2015; Delta Air Lines started service to Seattle-Tacoma with the flights operated by Sky West Airlines in May 2015; and in the last month of Fiscal Year 2014-15, JetBlue Airways commenced seasonal service to Boston.

Strong performance at International Airport has continued as Southwest announced nonstop service to Boise, ID beginning January 2016, and Baltimore/Washington, beginning August 2016, American Airlines launched twice-daily service to Chicago O'Hare, Delta Air Lines expanded Atlanta flights, and Alaska Airlines recently announced three daily non-stop flights to San Diego beginning March 2017.

TABLE 4
DAILY FLIGHTS
at July 1, 2016

California
Burbank 6 daily
Long Beach 2 daily
Los Angeles 23 daily
Ontario 6 daily
San Diego 9 daily
San Francisco 1 daily
Santa Ana 6 daily

International
Guadalajara 10 weekly
Mexico City 5 weekly

Other Domestic
Atlanta 2 daily
Boise 2 daily
Boston 1 daily
Charlotte 1 daily
Chicago 3 daily
Dallas 5 daily
Denver 7 daily
Hawaii 2 daily
Houston 2 daily
Las Vegas 8 daily
Minneapolis/St Paul 1 daily
New York 1 daily
Phoenix 10 daily
Portland 7 daily
Salt Lake City 5 daily
Seattle 2 daily
Washington, DC 2 daily

Source: County of Sacramento, Department of Airports

As shown in the following table, strong growth in Fiscal Years 2014-15 and 2015-16 has largely offset the decline experienced over the past decade in the number of enplaned passengers.

TABLE 5
Historical Enplaned Passengers
International Airport
Fiscal Years Ended June 30

Fiscal Year	Domestic	International Flights	Total	Percent Change From Prior Year
2007	5,246,380	60,909	5,307,289	3.0%
2008	5,265,197	84,534	5,349,731	0.8
2009	4,640,030	64,828	4,704,858	(12.1)
2010	4,491,300	58,609	4,549,909	(3.3)
2011	4,462,616	17,125	4,479,741	(1.5)
2012	4,432,762	47,241	4,480,003	0.0
2013	4,373,066	46,479	4,419,545	(1.3)
2014	4,311,133	65,104	4,376,237	(1.0)
2015	4,546,641	81,956	4,628,597	5.8
2016	4,846,744	96,441	4,943,185	6.8
Compound Annual Growth Rate				
2007 - 2012	(-3.3%)	(-5.0%)	(-3.3%)	
2007 - 2016	(-1.6%)	9.6%	(-1.4%)	

Source: County of Sacramento, Department of Airports

The following table sets forth historical Aircraft Landed Weight for Fiscal Years 2006-07 through 2015-16 classified into categories of passenger airlines and all-cargo airlines. Total aircraft landed weight at International Airport and Mather Airport peaked at approximately 7,733,095 1,000 lb. units in Fiscal Year 2007-08, but as described above, significant impacts from the economy and changes in the aviation industry resulted in decreased landed weights in the years that followed. Beginning Fiscal Year 2014-15, International Airport and Mather Airport have shown signs of recovery.

TABLE 6
Historical Aircraft Landed Weight
International Airport and Mather Airports
Fiscal Years Ended June 30
(In 1,000,000 lb. units)

Fiscal Year	Passenger Airlines	All-Cargo Airlines	Total	Percent Change from Prior Year
2007	6,774	950	7,724	-
2008	6,751	982	7,733	0.1%
2009	6,073	801	6,874	(11.1)
2010	5,925	610	6,535	(4.9)
2011	5,363	581	5,944	(9.0)
2012	5,293	614	5,907	(0.6)
2013	5,134	646	5,780	(2.1)
2014	5,047	644	5,691	(1.5)
2015	5,135	654	5,789	1.7
2016	5,399	687	6,086	5.1

Note: Excludes general aviation and training activity.
Source: County of Sacramento, Department of Airports

The following table shows the airlines' market shares of enplaned passengers at International Airport for Fiscal Years 2013-14 through 2015-16.

TABLE 7
Airlines' Market Shares of Enplaned Passengers
International Airport
Fiscal Years 2013-14 through 2015-16

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Major Airlines	**Percentage of total**	**Percentage of total**	**Percentage of total**
Southwest Airlines	52.6%	53.1%	51.8%
American Airlines[(1)]	11.0	11.1	12.2
Delta Air Lines	10.1	10.0	11.1
United Airlines	12.0	10.7	10.1
Alaska Airlines[(2)]	8.0	8.5	8.4
JetBlue Airlines	2.9	2.9	2.8
Hawaiian Airlines	1.9	1.8	1.7
Aeromexico	0.8	1.0	1.1
Other Airlines[(3)]	0.7	0.8	0.8
Total	100.0%	100.0%	100.0%

Totals may not add due to rounding.

(1) U.S. Airways included with American for all years shown, although merger occurred in December, 2013.
(2) Includes Horizon Air
(3) Includes Volaris and SeaPort Airlines

Source: County of Sacramento, Department of Airports

Airline Agreements and Rate Ordinance

Until April 30, 2008, the passenger and cargo airlines operating at International Airport and Mather Airport operated pursuant to the Scheduled Airline Operating Agreement and Terminal Building Lease (the "Prior Airline Lease") which became effective July 1, 2000, expired June 30, 2006, and continued in month-to-month holdover status until April 30, 2008. The Prior Airline Lease was based on a residual rate setting methodology. Prior to the termination of the Prior Airline Lease, the County and the airlines serving International Airport had attempted to reach a new agreement, but were unable to do so.

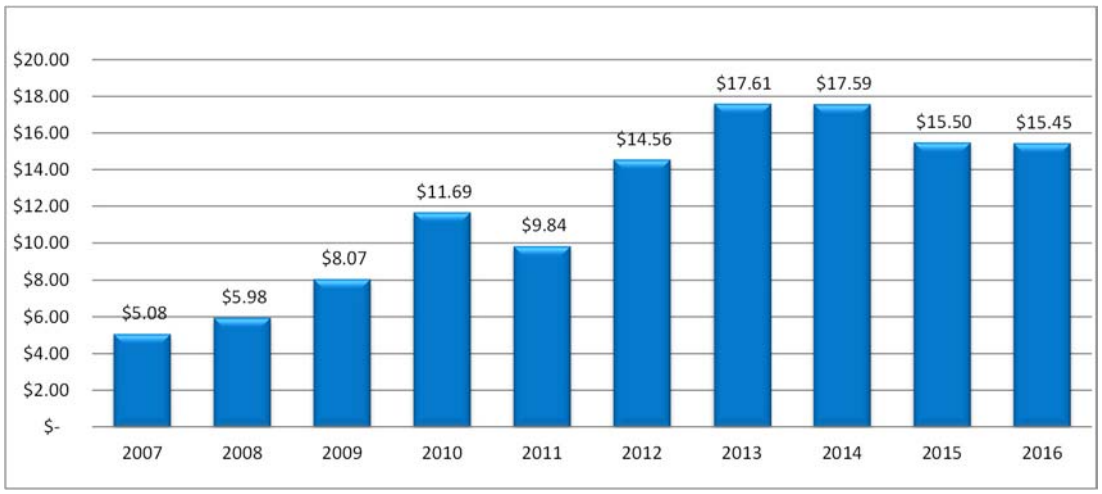
As a result, the County terminated the month-to-month Prior Airline Lease, effective April 30, 2008. Effective May 1, 2008, the provisions of Chapter 11.32 of County Code (the "Prior Rate Ordinance") governed the assignment of space and associated rentals and fees, and on May 27, 2008 the County Board of Supervisors adopted the current Rate Ordinance which became effective July 1, 2008 (the "Rate Ordinance"). Under the Rate Ordinance, landing fee rates are calculated according to a cost center residual methodology; terminal rental rates are calculated according to a commercial compensatory methodology; Revenues, after deposits required pursuant to the Indenture, are retained by the County; and the County has no obligation to share remaining Revenues with the airlines. Airlines are not obligated to pay increases in landing fees to ensure that Revenues from landing fees together with Revenues from other sources would be sufficient to meet the Rate Covenant.

However, on June 28, 2016, the Department of Airports initiated negotiations with the airlines to enter into a new 5-year Use and Lease Agreement ("Use Agreement"), with a five-year option, which (if negotiations are successful) would become effective on July 1, 2017. Under the planned Use Agreement, the Signatory Airlines will pay terminal rents and landing fees under a similar rate setting methodology as the Ordinance, but the Use Agreement will include a revenue sharing component designed to lower the Airline Cost per Enplaned Passenger ("CPE") below $14.00.

Airline Cost per Enplaned Passenger

The cost to the passenger airlines for operating at the International Airport (i.e., airport revenues collected in the form of landing fees, terminal rents and other use charges) can be divided by the number of enplaned passengers to compute the average airline cost per enplaned passenger. As presented in the following figure, the CPE increased as a result of added cost associated with the TMP, but has lowered over recent years consistent with a declining annual debt service. The CPE is a useful tool for comparing airline costs at International Airport to industry averages, other airports, and other airline costs, and can be used to evaluate the financial impact on airlines of increasing (or decreasing) airport operating expenses (e.g., a major taxiway maintenance project or debt service on a new or remodeled terminal building). International Airport's historical CPE is reflected in the following chart.

Figure 3
HISTORICAL AIRLINE COST PER ENPLANED PASSENGER
International Airport



Source: County of Sacramento, Department of Airports

CAPITAL PROJECTS AND PLANNING

General

The County regularly renovates, improves and expands its facilities to improve passenger experience and meet the demands of the aviation industry. As presented in the following table, the County's Fiscal Year 2017-2022 Capital Improvement Program ("CIP") includes projects designed to improve efficiency, modernize airport facilities and maintain capacity for future growth. The CIP is designed as a multi-year endeavor, with multiple phases and timing for each development which will be closely coordinated with the airlines and other stakeholders in order to maintain operational efficiency during construction. Funding for the CIP is expected to include federal grants and surplus revenue funds. The County does not anticipate issuing any additional Bonds to fund the CIP. The major elements and funding sources of the five-year, $272 million dollar CIP are described below:

TABLE 8
Summary of Capital Improvement Program (Fiscal Years 2017-2022)
Sacramento County Airport System
(000's)

	CAPITAL IMPROVEMENT PROGRAM							SOURCE OF FUNDS	
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Total	FAA AIP	Airport Funds
SMF									
Rehabilitate Runway 16R/34L	$2,000	$40,000	0	0	0	0	$42,000	$21,000	$21,000
Rehab. Taxiway D and Connect to Runway 16L	38,725	0	0	0	0	0	38,725	16,000	22,725
Rehabilitate Jet Bridges – Terminal A	4,500	2,500	0	0	0	0	7,000	0	7,000
ARFF Facility Replacement	100	1,000	9,000	0	0	0	10,100	8,080	2,020
Taxiway A Extension	0	3,000	1,000	5,000	5,000	0	14,000	11,200	2,800
Rehabilitate Terminal Apron	0	0	0	0	3,500	3,500	7,000	5,600	1,400
Airfield Pavement Rehabilitation	0	0	0	1,000	0	1,500	2,500	2,000	500
Shuttle Buses	5,125	0	2,500	2,500	0	0	10,125	2,500	7,625
Other SMF Projects	30,014	13,087	6,679	17,811	7,175	3,675	78,441	0	78,441
	$80,464	$59,587	$19,179	$26,311	$15,675	$8,675	$209,891	$66,380	$143,511
OTHER AIRPORTS									
Executive Airport	753	2,162	3,763	3,962	3,513	2,962	17,115	12,213	4,902
Franklin Field	0	600	500	500	0	500	2,100	1,890	210
Mather Airport	6,723	4,370	8,420	11,262	5,013	6,862	42,650	12,572	30,078
	$7,476	$7,132	$12,683	$15,724	$8,526	$10,324	$61,865	$26,675	$35,190
TOTAL CIP	**$87,940**	**$66,719**	**$31,862**	**$42,035**	**$24,201**	**$18,999**	**$271,756**	**$93,055**	**$178,701**

Source: County of Sacramento, Department of Airports

Rehabilitation of Runway 16R/34L. The project will construct a concrete overlay for the existing runway and raise centerline and touchdown zone lights in the existing pavement and edge lights for the runway and affected taxiways. The estimated $42 million dollar project will be paid for by federal and airport funds.

Rehabilitate Taxiway D and Connections to Runway 16L. The project will construct a strengthening overlay of existing Taxiway "Delta" and connecting taxiways between "Delta" and Runway 16L/34R and install an electrical duct for a future Surface Movement Guidance Control System (SMGCS). The project will harden the Taxiway shoulders to comply with recent FAA requirements and the FAA has tentatively approved approximately $2 million of entitlement grants and an additional $14 million in discretionary grants for the planned $39 million dollar project.

Rehabilitate Jet Bridges at Terminal A. The $7 million dollar effort is designed to modernize and extend the life of the existing jet bridges.

Taxiway A Extension. This project proposes to widen Taxiway A13 to the southwest apron area of International Airport. The existing taxiway widths cannot accommodate certain types of the Boeing 737 and 757 large corporate-class type aircraft. Without access to this apron area, these aircraft must use another apron otherwise reserved for the passenger service aircraft. The estimated $14 million dollar project will be paid for by federal and airport funds.

Runway 22L/4R CAT III ILS. This $12.5 million dollar project will install the components/improvements for a Category III Instrument Landing System at Mather Airport. The work includes a localizer and glide slope, 3-box runway visual range, high intensity approach lighting system with sequenced flashing lights, runway centerline and touchdown zone lights and runway and taxiway marking.

Truemper Way Improvements. This Mather project will upgrade Truemper Way, adjacent to the air cargo apron. Improvements will include a wider roadway, sidewalks, curb and gutter as well as upgraded utilities under the pavement to service existing tenants and future development, as described in the draft Master Plan. The project is designed to encourage future development opportunities at Mather Airport.

Funding Sources for Airport System Capital Projects

The County receives federal funding from the FAA, the TSA, and other federal agencies. The FAA provides reimbursement of eligible project costs through the Airport Improvement Program ("AIP"). These grants are awarded as entitlement grants, the annual amount of which is calculated on the basis of the number of enplaned passengers and the amount of landed weight of all-cargo aircraft at the Airport. Other discretionary grants are awarded on the basis of the FAA's determination of the priorities for projects at the Airport and at other airports nationwide. For Fiscal Year 2015-16, the FAA awarded approximately $8 million in AIP grants as final payment of the FAA LOI Grant received in association with the TMP. The FAA grant eligible costs through 2021 are estimated at $56 million, including an anticipated $46 million in discretionary funds.

Project costs are subject to audit by the funding agencies to ensure that the costs are allowable under the grant agreements. If any project costs are disallowed, amounts recorded as grants receivable will be reduced or refunded to the respective funding agencies.

Passenger Facility Charges

PFCs are fees imposed on enplaned passengers by airport sponsors to generate revenues for airport projects that increase capacity, enhance competition among and between air carriers, enhance safety or security, or mitigate noise impacts. PFCs were established by Title 49 U.S.C. §40117, which authorized airport sponsors to collect PFCs in the amount of $1.00 to $3.00 per eligible enplaning originating and connecting passenger. The Aviation Investment and Reform Act (AIR-21) increased the maximum PFC airport sponsors could collect to $4.50 per enplaning passenger. In return for the right to assess PFCs up to $3.00, large and medium hub airports forego up to 50% of their AIP entitlement funds. Large and medium-hub airports (such as International Airport) that collect a PFC of $4.00 or $4.50 forego 75% of their AIP entitlement funds.

In January 1993, the County received approval from the FAA to impose a PFC of $3.00 per eligible enplaned passenger at International Airport, and has imposed the PFC since April 1, 1993. Since 1993, the County has submitted various applications and received approval to use PFC revenues to fund Airport System improvements, including approval to use PFC revenues to pay debt service on bonds issued to finance eligible improvements.

The County subsequently received approval to collect a $4.50 PFC, and began collecting at the $4.50 level on February 1, 2002. The County has utilized PFC revenues to pay debt service on eligible projects, including debt service with respect to Subordinate Bonds. The Projected Operating Results set forth herein assume that the PFC level will remain at $4.50 through 2022.

The County is currently authorized to impose a PFC fee and to use up to $953.3 million of PFC revenues for project and financing costs associated with the construction of various approved projects. The PFC collection dates for approved PFC applications are estimated to expire February, 2028. During Fiscal Year 2015-16, the County received $19.3 million in PFC receipts, bringing the total PFC receipts and interest received since January 1993 under the approved applications to $392.7 million. Since Fiscal

Year 2009-10, PFC revenues have provided $152.2 million available for payment of debt service with respect to the 2008 Subordinate Bonds and the 2009 Subordinate Bonds.

Although PFC revenues are not pledged pursuant to the Indenture, the County believes that use of PFC revenues to pay debt service with respect to the Series 2016 Bonds is in compliance with applicable FAA regulations and does not require further FAA approval.

The amount of PFCs received by the County in future years will vary based upon the actual number of PFC-eligible passenger enplanements at the Airport. No assurance can be given that any level of enplanements will be realized. Additionally, the FAA may terminate the County's ability to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, or applicable law and regulations; or (b) the County otherwise violates applicable law or regulations relating to PFCs.

Certain Federal and State Laws and Regulations

Operation of the Airport System is subject to various local, state, and federal regulations. The following is a discussion of certain regulatory requirements.

CEQA/NEPA. All Airport System development is subject to the requirements for environmental studies and appropriate clearances under the California Environmental Quality Act and, where federal funding or other federal actions such as approving amendments to the Airport Layout Plan are involved, to the requirements of the National Environmental Policy Act ("NEPA"). The FAA acts as the "lead agency" for NEPA review of airport development projects.

Airport Noise and Capacity Act of 1990. In 1990, Congress adopted the Airport Noise and Capacity Act of 1990 (ANCA), which provided among other things, for a phase-out of Stage 2 aircraft by December 31, 1999, which also limited the scope of an airport operator's regulatory discretion for adopting new aircraft operational restrictions for noise purposes. The FAA subsequently adopted regulations implementing ANCA under Part 161 of the Federal Aviation Regulations (Part 161). From 1990 forward, airport operators considering the adoption of restrictions or prohibitions on the operation of Stage 2 and Stage 3 aircraft are required to conduct studies which detail the economic costs and benefits of proposed restrictions, as well as publish proposed restrictions and provide notice to potentially affected airlines and conduct any necessary environmental analysis, prior to enacting restrictions on the operation of Stage 2 or Stage 3 aircraft. Proposed restrictions on the operation of Stage 3 aircraft adopted after 1990 also require affirmative approval of the FAA under defined statutory criteria before they may legally be implemented. ANCA and Part 161 make the adoption of many traditional aircraft operating restrictions by local airport proprietors on the operation of Stage 3 aircraft infeasible without the concurrence of the FAA, the air carriers or other operators affected by the restrictions. The County is in compliance with these regulations.

California Noise Standards. The Airport System operates pursuant to the California Noise Standards (CCR Title 21, Division 2.5., Subchapter 6). The California Noise Standards identify an exterior 65 decibel (dB) Community Noise Equivalent Level contour at an airport as the "Noise Impact Area." Within the Noise Impact Area, the airport operator is required to ensure that all land uses are compatible with the California Noise Standards, or the airport operator must secure variances from the California Department of Transportation, Division of Aeronautics, under the California Noise Standards until full compatibility is accomplished. None of the airports in the County's Airport System is designated as a noise problem airport.

Land Use Compatibility Measures. Since the late 1960s, the County has undertaken a series of land use compatibility measures to minimize the effects of aircraft noise on neighborhoods surrounding the airports in the Airport System, and to provide airport approach zones. These measures have included land acquisition, navigation easements, and use of planning and building code measures to increase compatibility with airport operations. As required by the FAA, a Wildlife Hazard Management Plan ("WHMP") was adopted in 1992 for the purpose of describing Airport System practices and policies for reducing wildlife hazards on and near International Airport. The WHMP has been amended several times, most recently in March 2007.

Clean Water Act. Under the Federal Clean Water Act and Environmental Protection Agency regulations, the County is required to obtain a non-point source discharge permit. In 1992 the County filed a Notice of Intent, along with a Storm Water Pollution Prevention Plan, which covers all Airport System facilities, with the California Water Quality Control Board. Under the implementing regulations, the filing of the Notice of Intent brought the County under the Statewide General Industrial Activities Storm Water Discharge permit. An Annual Report, which is due to the State Water Quality Control Board on July 1 of each year, requires the County to update the Storm Water Pollution Prevention Plan. The County is currently in compliance with this requirement.

FINANCIAL AND RELATED INFORMATION

General

The Airport System generates its operating revenues primarily from airline terminal rentals and landing fees, concession revenues, and parking revenues. The County establishes terminal rental rates and landing fees in advance for each upcoming Fiscal Year based on the Department's estimated revenues and expenses. Actual receipts and expenses in any Fiscal Year are either more or less than estimated revenues and expenses. Due to the structure of the Ordinance, to the extent there is an over-collection in any year (receipts from airlines exceed the Airport's net cost), the County is obligated to return excess collections to the airlines by a corresponding amount. Similarly, if there is an under-collection in any year, the airlines are obligated under Ordinance to pay such deficiency.

Revenues, Expenses and Changes in Net Assets

The following table shows Revenues, Expenses and Changes in Net Assets for Fiscal Year 2011-12 through Fiscal Year 2015-16. The information relating to the period ending June 30, 2016 has been prepared by the County, and has not been audited.

TABLE 9

Sacramento County Airport System
Statement of Revenues, Expenses and Changes in Net Assets
Fiscal Years 2011-12 through 2015-16

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Operating revenue:					
Concessions	$66,002,772	$68,752,509	$69,451,723	$73,880,574	$78,775,227
Building rents	47,204,495	61,114,151	61,119,198	61,887,092	65,012,503
Airfield charges	23,395,617	21,849,813	25,299,370	19,102,672	21,043,860
Ground leases	1,874,055	1,900,740	1,927,849	1,910,052	2,034,640
Sale of fuel	755,877	809,600	854,030	664,423	604,604
Airport services	4,136,078	4,819,705	331,277	798,098	1,000,679
Other	379,768	146,116	13,902	196,451	72,246
Total operating revenue	$143,748,662	$159,392,634	$158,997,349	$158,439,362	$168,543,759
Operating expense:					
Salaries and benefits	$37,081,912	$36,149,138	$30,302,735	$27,021,772	$26,842,856
Services and supplies	58,008,301	57,088,926	54,044,934	51,885,789	58,110,395
Cost of goods sold	628,838	641,268	648,940	509,938	431,554
Depreciation and amortization	43,847,407	51,673,862	54,204,762	53,531,817	50,565,547
Other	10,630	238,992	413,110	229,703	480,259
Total operating expense	$139,577,088	$145,792,186	$139,614,481	$133,179,019	$136,430,611
Net Operating income (loss)	$4,171,574	$13,600,448	$19,382,868	$25,260,343	$32,113,148
Nonoperating revenue (expense):					
Interest Income	$915,635	$1,836,288	$813,327	$(54,853)	$2,000,910
Passenger facility charges revenue	18,022,076	17,604,328	17,160,771	18,514,213	19,285,187
Intergovernmental revenue	1,637,600	1,578,104	838,145	467,561	867,632
Gain (loss) on disposal of assets	(77,140)	44,886	(62,967)	141,167	(29,493)
Other nonoperating revenue (expense)	42,425	176,702	(32,690)	208,536	299,019
Amortization of bond issuance cost	(750,981)	(703,026)	(405,146)	(405,146)	(405,146)
Interest expense	(26,906,214)	(59,286,319)	(58,323,780)	(57,381,887)	(56,140,352)
Net nonoperating revenue (expense)	$(7,116,599)	$(38,749,037)	$(40,012,340)	$(38,510,409)	$(34,122,243)
Income (loss) before capital contributions and transfers	$(2,945,025)	$(25,148,589)	$(20,629,472)	$(13,250,066)	$(2,009,095)
Capital contributions	14,392,953	54,969,536	$9,421,605	$11,456,573	$11,368,943
Transfers Out	0	0	(2,711,985)	(2,765,151)	(2,231,084)
CHANGES IN NET ASSETS	$11,447,928	$29,820,947	$(13,919,852)	$(4,558,644)	$7,128,764

Source: Comprehensive Annual Financial Report for Airport System for Fiscal Years 2011-12 through 2014-15. Fiscal Year 2015-16 data is unaudited and provided by County of Sacramento, Department of Airports.

Operating Revenues

For purposes of financial reporting, the County categorizes Operating Revenues as concessions, building rents, airfield charges, ground leases, sale of fuel, airport services and other.

Unaudited Results for Fiscal Year 2015-2016. Operating revenues for the twelve months ended June 30, 2016 compared to the prior year increased by $10.1 million or 6.4%. The increase was primarily due to increased revenues from concessions, building rents and airfield charges.

The following table presents Operating Revenues broken down (by type of revenue) as Airline and Nonairline revenues. As described below, Airline Revenues, which include terminal building rents, landing fees, and other airline fees and charges, constituted approximately 46.8% of total operating revenues in Fiscal Year 2015-16. Nonairline Revenues, which include parking, rental car, and terminal concessions revenues, constituted approximately 53.2% of operating revenues in Fiscal Year 2015-16.

TABLE 10

Sacramento County Airport System
Airline and Nonairline Revenues
Fiscal Years 2011-12 through 2015-16

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Airline revenue:					
Terminal building rents and fees	$35,095,244	$49,713,163	$49,256,400	$49,107,465	$51,435,525
Aircraft parking fees	2,257,476	2,868,612	3,219,785	3,380,337	3,265,090
Loading bridge fees	3,965,015	2,300,004	2,330,794	2,600,865	3,387,186
Landing Fees	23,248,407	21,723,306	25,144,577	18,933,334	20,811,054
Airport Services[(1)]	3,194,457	3,838,646	0	0	0
Total airline revenue	$67,760,599	$80,443,731	$79,951,556	$74,022,001	$78,898,855
Nonairline revenue:					
Parking	$46,739,420	$48,106,292	$48,411,994	$52,530,925	$55,438,637
Rental car	9,391,070	10,113,145	10,232,136	10,361,106	11,295,361
Terminal concessions	6,458,213	6,886,149	7,190,495	7,365,658	7,998,079
Other	13,399,360	13,843,317	13,211,168	14,159,672	14,912,827
Total nonairline revenue	$75,988,063	$78,948,903	$79,045,793	$84,417,361	$89,644,904
TOTAL OPERATING REVENUES	$143,748,662	$159,392,634	$158,997,349	$158,439,362	$168,543,759
Airline revenues	47.1%	50.5%	50.3%	46.7%	46.8%
Nonairline revenues	52.9%	49.5%	49.7%	53.3%	53.2%

(1) Airline system and equipment fees reflected in terminal rents beginning Fiscal Year 2013-14.
Source: County of Sacramento, Department of Airports

Airline Revenues

Airline rents, fees and charges are developed using an airfield residual and terminal compensatory ratemaking methodology that requires airlines to pay only for the cost allocable to the portion of the airport system they use (i.e. airfield, apron, loading bridges, and terminal building space). Forecasts of airline revenues are expected to increase consistent with provisions of existing agreements, allowances for inflation, historical trends and airline activity projections.

Terminal building rents and fees are established on a cost recovery methodology that includes both operating costs and capital purchases for the terminal area. This "compensatory" rate structure allows the Airport to transfer a pro-rata share of the terminal costs to the Airlines based on usable space. In Fiscal Year 2014-15 terminal rents decreased slightly (-0.3%) as a result of lower operating costs. In Fiscal Year 2015-16 an increase in revenues is reflective of capital costs associated with Terminal A improvements including expanded concourse and food court improvements.

Landing Fees. The costs of the airfield area, including all runways, taxiways, associated navigational and operational aids and other airside properties are recovered through the landing fees and fuel flowage fees collected at the airport. Landing fees are charged to passenger and cargo carriers for commercial or chartered aircraft landings. The Fiscal Year 2014-15 landing fee rate of $3.44 per 1,000 pounds had decreased as a result of the lower airfield costs, despite a 1.7% rise in airline landed weights. In Fiscal Year 2015-16, revenues increased $1.9 million or 10% due to increased landed weights as airlines continue to expand service.

Nonairline Revenues

Major sources of nonairline revenues include terminal building concessions, public automobile parking, rental car and other revenues as listed below. Forecasts of nonairline revenues are expected to increase consistent with provisions of existing agreements, allowances for inflation and historical trends.

Terminal Building Concession Revenues. As described below, the primary sources of Terminal Building concession revenues are food and beverage concessions, merchandise concessions and other terminal building concessions. Terminal Building concession revenues for Fiscal Year 2015-16 increased $632,236, or 8.6% compared to the prior year.

Food and Beverage Concessions. Four food and beverage concessionaires provide food and beverage services in the terminal facilities, including in-terminal restaurants, quick serve locations and cocktail bars. The food and beverage concessionaires offer national, regional and local brands at multiple locations within both terminals. The Terminal A food and beverage agreement is scheduled to expire in 2024 and the Terminal B agreement is scheduled to expire in 2021. The food and beverage agreements provide for payment to the County of percentages of gross sales or a minimum annual guarantee, whichever is greater.

During Fiscal Year 2015-16, gross sales for food/beverage outlets were $31.5 million compared to $28.4 million in the prior year, resulting in a $511,018 or 14.0% increase in concession revenues for the Airport System.

Merchandise Revenues. The County has entered into agreements with five concessionaires to operate the retail concessions in the terminal buildings. The merchandise concessions program at International Airport includes a mix of retail merchandise outlets and national brand name concessionaires designed to increase passenger choices and spending. The retail concession agreements provide for the payment to the County of percentages of gross sales or a minimum annual guarantee, whichever is greater. The retail concession agreements in Terminal A expire in October and December 2018. The Terminal B retail concession agreement expires in October 2021.

During Fiscal Year 2015-16, gross sales from retail shops were approximately $17.6 million, providing $2.2 million in concession revenues to the Airport System. This compares to gross sales of $16.1 million, providing a $2.0 million concession revenues for Fiscal Year 2014-15.

Other Terminal Concession Revenues. Other terminal building concessions revenues of approximately $1.7 million during Fiscal Year 2015-16 include advertising, public telephone and vending machines.

Public Automobile Parking Revenues. Public automobile parking is the largest source of nonairline revenue for the Airport System, accounting for $55.4 million in Fiscal Year 2015-16, equal to approximately 32.9% of total operating revenues or approximately 61.8% of nonairline revenues.

LAZ Parking California, LLC ("LAZ") currently operates the County-owned public parking facilities at International Airport under a parking management agreement executed in April 2016 that expires on March 31, 2021 unless the County exercises its option to extend the term for an additional 5-year period. Pursuant to the LAZ agreement, LAZ is responsible for maintaining and operating the existing facilities and collecting parking fees. LAZ remits all gross parking revenues to the County and is reimbursed for operating expenses and paid a management fee. The County is responsible for setting parking rates.

Rental Car Revenues. Four rental car companies offer nine different brands at International Airport under agreements with the County which expire in 2019. (The agreements provide for one five-year option.) All rental car companies operate their counters and offices from a common rental car reception building, and rental car customers are transported from the terminal buildings by shuttle bus to the rental car reception building. Under the rental car agreements, the County receives the greater of privilege fees equal to 10% of gross receipts or a minimum annual guarantee, plus rentals for counter space, office space, and service facility ground areas. The County also receives certain cost-recovery fees for the rental car shuttle operation. The County assesses fees and charges on off-Airport rental car businesses accessing International Airport, including an annual permit fee and privilege fees of 10% of annual gross receipts that exceed $150,000 per company. Rental car revenues were approximately $11.3 million in Fiscal Year 2015-16, a $934,255 or 9.0% increase compared to the prior year and a 20.3% increase over the past five years.

Other Nonairline Revenues. Other nonairline revenues consist principally of building and ground rentals from hangars, cargo facilities and other leases that include inflationary increases. Other Nonairline revenues are anticipated to increase in the fall of 2018, with the new on-airport hotel coming on line. SEE "EXISTING FACILITIES".

Excluded Revenues

Pursuant to the Indenture, "Revenues" does not include certain specified income, receipts, earnings and revenues.

Federal Law Prohibiting Revenue Diversion

Federal law requires that all revenues generated by a public airport be expended for the capital or operating costs of the Airport System, which is operated by the Department of Airports and substantially related to the air transportation of passengers or property. In February 1999, the FAA adopted its "Policies and Procedures Concerning the Use of Airport Revenue" clarifying the application of these principles to airport sponsors that receive federal grants for airport development from the FAA, including the Airport System. The County is the "sponsor" for purposes of these federal requirements.

The Department of Airports makes payments to the County for direct services provided to the Airport System by other County departments. The FAA has authority to audit the payments and to order the County to reimburse the Airport System for any improper payments made to the County. The FAA

may also suspend or terminate pending FAA grants to the Airport and/or any then-existing PFC (as defined above) authorization as a penalty for any violation of the revenue diversion rules. In addition, the U.S. Department of Transportation (DOT) may also withhold non-aviation federal funds that would otherwise be made available to the County as a penalty for violation of the revenue diversion rules.

On November 7, 2014, the FAA amended its 1999 Policies and Procedures Concerning the Use of Airport Revenue to confirm that state and local taxes on aviation fuel, whether part of a general sales tax or otherwise, and whether imposed by an airport operator or by state or local taxing authorities, are subject to the federal restrictions on the uses of airport revenue. These restrictions do not apply to taxes in effect on or before December 30, 1987. The FAA's policy amendment became effective on December 8, 2014, but the FAA has provided a three-year transition period for state and local governments to comply. The FAA's policy amendment also requires the Airport to inform state and local taxing entities of these provisions and take reasonable actions within its power to influence state and local laws to conform to these requirements. The Department has made the required notifications and is working with the County and other taxing entities to comply with these provisions. Any sales taxes on aviation fuel sold at the Airport System and received by state and local governments that cannot be grandfathered or used in accordance with the FAA's revenue use policy, likely would be returned to the Airport System, resulting in a modest amount of additional revenue that cannot be quantified at this time.

Operating Expenses

In recent years, the Department has focused on improving operational efficiencies and implementing strategies to strengthen its financial position and achieve a more competitive airline cost structure. In large part, this has been accomplished by controlling operating expenses. Since Fiscal Year 2012-13 the Department has initiated efforts to "Right Size" the organization, and over the past four years has decreased the total number of full time employees' from 380 to 307 at July 1, 2016. The reductions were accomplished through attrition, whereas the majority of positions had been vacated through retirement or County transfers. The decreases have been at all levels of the organization, including: 24 Custodians, 4 Deputy Directors, 7 Firefighters, and 24 Airport Operations Workers.

Operating expenses for Fiscal Year 2015-16 increased $3.3 million (2.4%), compared to the prior fiscal year. This increase in operating expenses is primarily due to increases in services and supplies of $6.2 million (12.0%), reflecting increases in air trade development, building maintenance services, land improvement services and other professional services. Salaries and benefits decreased by $0.2 million (0.7%) and depreciation expense decreased by $3.0 million (5.5%).

Management Discussion of Fiscal Year 2016 Actual and Fiscal Year 2017 Budget

For Fiscal Year 2015-16 Airline and Nonairline Revenues were $16.9 million (or 11.1%) higher than budgeted. Operating Expenses for Fiscal Year 2015-16 were $11.1 million (or 7.6%) lower than budgeted.

Fiscal Year 2016-17 budgeted Revenues are $170.9 million, a $2.3 million (1.4%) increase over the Fiscal Year 2015-16 actuals. The increase is due to a higher enplanement forecast, and rental increases incorporated in contractual agreements. The increased revenue is expected to be offset by an increase of $8.8 million, or 6.5% in operating expenses. Increased operating expenses are comprised of the following:

- Increased salaries ($2.7 million) based on full employment of 307 positions and a 4% cost of living adjustment effective July 1, 2016. Salary savings are expected to be realized but are undeterminable at this time.

- Increased costs ($4.7 million) due to increases in professional service contracts including the Automated People Mover, the Baggage Handling System and Shuttle Bus operations.

As a result of these and other efforts to control expenses, Airport System management anticipates actual Operating Expenses for Fiscal Year 2016-17 to be below budget.

Pension and OPEB Liability. Salaries and benefits costs include funding of retirement benefits for employees of the Airport System who, as County employees, participate in the Sacramento County Employee Retirement System ("SCERS"). For a variety of reasons, including investment losses and enhanced retirement benefits for County employees, SCERS has experienced significant unfunded liabilities, and contribution rates used to calculate retirement costs payable with respect to all County employees, including Airport System employees, have increased significantly in recent years and are expected to continue to increase in the future. (As shown in the table below, although contribution rates have increased in recent years, Airport SCERS transfers declined from Fiscal Year 2013-14 through 2015-16 as a result of declines in payroll attributable to County employees assigned to the Airport System.) In addition to required contributions for retirement benefits for employees of the Airport System employees, the County pays certain post-employment health care and other non-pension ("OPEB") benefits for such employees. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2015" – Note 14 and Note 15 to the Basic Financial Statements". The County required payments to SCERS and OPEB, with respect to employees of the Airport System are presented in the table below.

TABLE 11
Airport SCERS and OPEB Transfers
International Airport
Fiscal Years ending June 30

Fiscal Year	SCERS	OPEB
2011-12	$4,358,095	$ 259,555
2012-13	4,438,133	257,402
2013-14	4,325,944	173,006
2014-15	4,288,029	156,889
2015-16	3,709,747	156,946
2016–17 (Projected)	3,926,442	163,224

As a result of significant losses in prior years and a significant unfunded liability with respect to SCERS, required contributions from the Airport System are expected to increase significantly in the future.

Investment of Airport System Funds; County Pool

Airport System funds, which constitute monies of the County, are invested in the Sacramento County Pooled Investment Fund (the "County Pool"), which is managed by the Director of Finance. The County Pool is governed by the Sacramento County Annual Investment Policy for the Pooled Investment Fund (the "Investment Policy"). This policy defines investible funds, authorized instruments, credit quality required, maximum maturities and concentrations, collateral requirements, and provides the approved credit standards, investment objectives and specific constraints of the portfolios managed. Authorized investments are required to match the general categories established by Sections 53601 et seq., 53635 et seq., and 16429.1 et seq. of the California Government Code; including the specific categories of financial futures and financial options contracts established by California Government Code Section 53601.1. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2015" – Note 4 to the Basic Financial Statements."

Certain Available Funds

The Department has certain funds that are available to pay operating and capital improvement expenses, debt service and unforeseen contingencies. The Department's discretionary cash position has been increasing over the last few years as noted in the table below, primarily due to an increase in net operating income which in turn has augmented the amount of cash available for future capital improvements.

Unrestricted cash and cash equivalent balances available for operating and capital expenses as of June 30, 2016 were approximately $186.8 million and included monies in the Airport Revenue Fund and in the Capital Improvement Fund. The Department-held restricted cash and cash equivalent balances were approximatively $42.7 million and included monies in the Operating Reserve Fund (targeted at 25% of the Annual Operating Budget), in the Reserve and Contingency Fund and in the PFC Revenue Fund. The Department-held restricted amounts can be used to pay debt service, if necessary.

TABLE 12
Cash and Cash Equivalent Balances

	6/30/2016	6/30/2015	6/30/2014
Unrestricted			
Airport Revenue Fund	$47,019,065	$44,670,757	$42,591,154
Capital Improvement Fund	139,759,008	124,949,312	100,672,135
Total unrestricted	**$186,778,073**	**$169,620,069**	**$143,263,289**
Restricted			
Operating Reserve Fund	$23,448,809	$22,809,589	$25,846,082
Reserve and Contingency Fund	2,000,000	2,000,000	2,000,000
PFC Fund[(1)]	17,245,092	7,091,126	4,146,421
Total restricted	**$42,693,901**	**$31,900,715**	**$31,992,503**
Total Cash and Cash Equivalents -Department Held	**$229,471,974**	**$201,520,784**	**$175,255,792**

(1) Increases in the PFC Fund are mainly due to the Department's use of unspent bond proceeds from the 2009C Bonds to make debt service payments in lieu of using PFC revenues. Following the issuance of 2016 Bonds, the Department plans to use PFC revenues for debt service.

Source: County of Sacramento, Department of Airports

Summary of Historical Revenues, Expenses and Debt Service Coverage

The following table contains a summary of revenues, operating expenses and debt service coverage for Fiscal Year 2011-12 through Fiscal Year 2015-16. The information in the following table reflects the definitions, conventions and debt service coverage calculation methodology set forth in the Indenture.

TABLE 13
Historical Revenues, Operating Expenses and
Debt Service Coverage for Fiscal Year 2011-12 through 2015-16
(in thousands)

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Rate Covenant per Section 6.04 (b)(i)					
Revenues	$146,057	$162,935	$160,589	$158,928	$171,151
Operating Expenses	(95,730)	(94,118)	(88,122)	(82,412)	(88,096)
Net Revenues	$50,327	$68,817	$72,468	$76,516	$83,055
Transfer	8,995	13,032	12,357	13,391	13,391
Net Revenues + Transfer	$59,323	$81,848	$84,825	$89,907	$96,446
Accrued Debt Service on Senior Obligations	$35,981	$52,127	$49,428	$53,565	$53,563
DEBT SERVICE COVERAGE (>1.25)	1.65x	1.57x	1.72x	1.68x	1. 80x
Rate Covenant per Section 6.04 (b)(ii)					
Net Revenues	$50,327	$68,817	$72,468	$76,516	$83,055
Transfer	3,598	5,213	4,983	5,356	5,356
Net Revenues + Transfer	$53,926	$74,029	$77,410	$81,872	$88,411
Accrued Debt Service of Senior Obligations	$35,981	$52,127	$49,428	$53,565	$53,563
Debt Service on Subordinate Obligations	30,112	30,160	30,212	30,272	21,944
LESS: Passenger Facility Charges	(21,941)	(21,940)	(21,941)	(21,943)	(21,944)
LESS: Grant Funds	(8,171)	(8,220)	(8,271)	(8,329)	0
Accrued Debt Service on Senior. and Subordinate. Obligations	$38,981	$52,127	$49,428	$53,565	$53,563
DEBT SERVICE COVERAGE (>1.10)	1.50x	1.42x	1.57x	1.53x	1. 65x

Source: County of Sacramento, Department of Airports

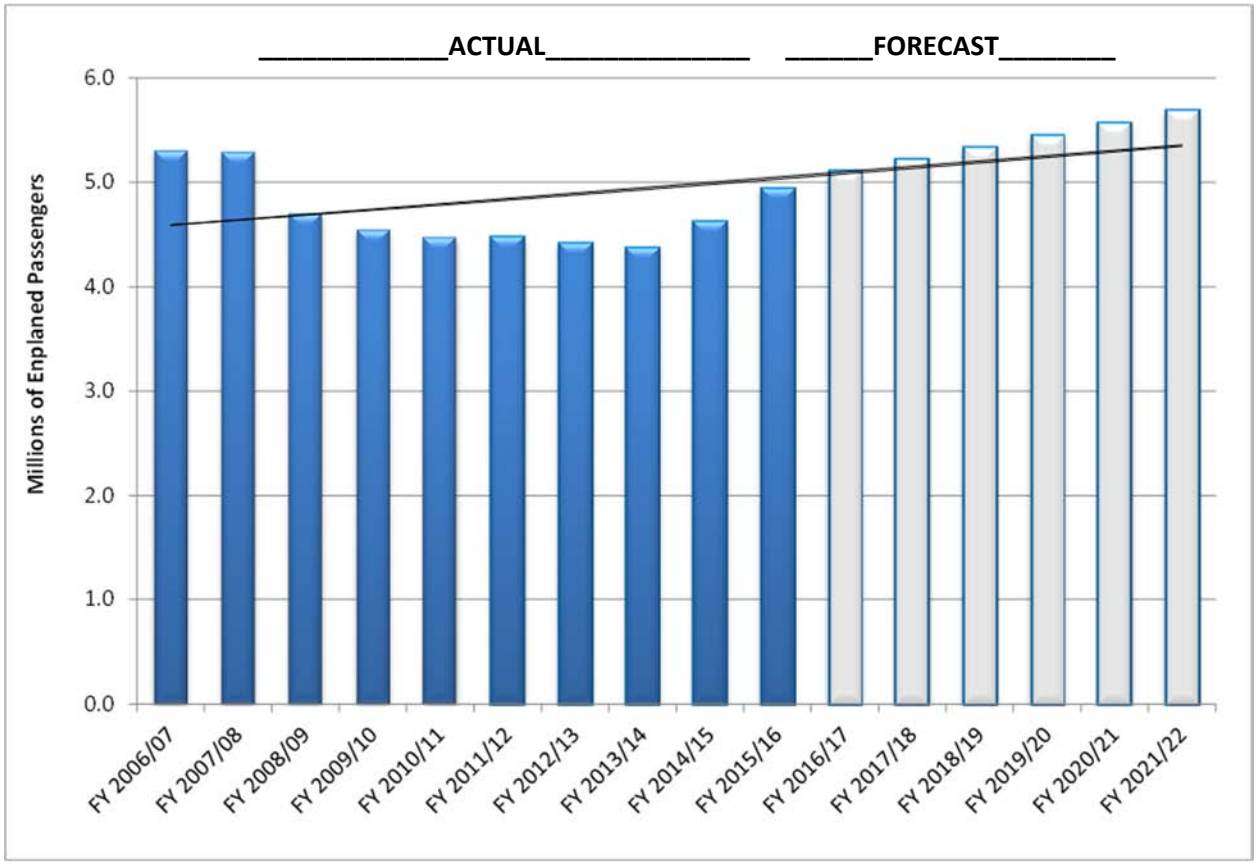
Air Traffic Forecasts

In June 2016, the County began talks with Airlines that operate out of International Airport to negotiate a new airline agreement anticipated to become effective July 1, 2017. For purposes of these negotiations, the County provided five-year estimates on airline rates and charges. For purposes of developing such forecasts, the following assumptions about future economic conditions were made:

- Over the forecast period, the U.S. economy will expand, on average, at a moderate rate of growth and income will keep pace with monetary inflation.
- Flood risk and associated development restrictions, as applicable under federal and State laws have been lifted and new development will continue to expand the North Natomas basin of the Sacramento Area.
- Continued long-term job growth, combined with a constrained quantity of developable land in the Bay Area will continue to prompt many Bay Area workers to commute from less expensive housing markets, including the Sacramento Area.
- The average cost of jet fuel and crude oil prices have declined significantly over the past decade resulting in airline profitability. Price increases are assumed to be nominal.
- Scheduled Airlines serving the airport will operate in a consistent manner, and no major disruption will occur in the airline industry.
- Other events, such as natural disasters, industrial accidents, war and terrorism, will occasionally depress both the willingness and ability of individuals to travel by aircraft, but, to the extent that such events occur during the forecast period, they will have no material or lasting effect on the demand of airline travel at International Airport.

The enplaned passenger forecast shown in Figure 4 and presented in the following table indicates an average 2.2% per year increase in the number of passengers between Fiscal Year 2016-17 and Fiscal Year 2021-22, which is the same growth rate forecast for the current airline negotiations, and slightly higher than the growth rate of 2.04% defined in the FAA's Terminal Area Forecast for Medium Hub Airports for the same period.

Figure 4
ENPLANED PASSENGER FORECAST
International Airport



Source: County of Sacramento, Department of Airports

TABLE 14
Forecast Enplaned Passengers
International Airport
Fiscal Years Ended June 30

	Budget	Projected				
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
Domestic Carriers						
Alaska Airlines[1]	427,271	435,817	444,533	453,424	462,492	471,742
American Airlines[2]	565,126	576,428	587,957	599,716	611,710	623,944
Delta Airlines	321,261	327,686	334,240	340,925	347,743	354,698
Frontier Airlines	-	-	-	-	-	-
Hawaiian Airlines	88,042	89,802	91,599	93,430	95,299	97,205
JetBlue	144,243	147,127	150,070	153,071	156,133	159,255
Seaport	1,696	-	-	-	-	-
Southwest	2,655,913	2,710,761	2,764,976	2,820,276	2,876,681	2,934,215
United Airlines	361,173	368,396	375,764	383,280	390,945	398,764
Total Domestic Carriers	4,564,724	4,656,019	4,749,139	4,844,122	4,941,004	5,039,824
Compound Annual Growth Rate (FY2017-FY2022)						2.0%
Commuter Carriers						
Compass/American Eagle	47,776	49,448	51,178	52,970	54,824	56,742
Compass/Delta Connection	92,760	96,006	99,367	102,844	106,444	110,169
Skywest/Delta Connection	149,074	154,291	159,692	165,281	171,066	177,053
Skywest/United Express	158,402	163,946	169,684	175,623	181,770	188,131
Total Commuter Carriers	448,011	463,691	479,920	496,718	514,103	532,096
Compound Annual Growth Rate (FY2017-FY2022)						3.5%
International Airport Carriers						
AeroMexico	57,053	59,335	61,708	64,177	66,744	69,413
Volaris	42,295	43,987	45,746	47,576	49,479	51,458
Total International Airport Carriers	99,348	103,321	107,454	111,753	116,223	120,872
Compound Annual Growth Rate (FY2017-FY2022)						4.0%
Total Enplaned Passengers	5,112,082	5,223,031	5,336,514	5,452,592	5,571,329	5,692,792
Compound Annual Growth Rate (FY2017-FY2022)						2.2%

[1] Includes Horizon Air
[2] Includes U.S. Airways

Projected Revenues, Expenses and Debt Service Coverage

The following table, which has been prepared by the County, contains a summary of projected revenues, operating expenses and debt service coverage for Fiscal Year 2016-17 through Fiscal Year 2021-22. The information in the table reflects the definitions, conventions and debt service coverage calculation methodology set forth in the Master Indenture.

The forecasts are based on a variety of assumptions which the Department believes to be reasonable. Specific assumptions are discussed below. Although the Department believes that these assumptions are reasonable, there can be no assurances that actual results will not materially adversely vary from the projections.

Certain Significant Assumptions

Forecast Revenues. In connection with recent airline negotiations, Airport System management has forecast an increase in Airport System revenues based on anticipated growth in enplaned passengers, a moderate inflationary growth (3.0%) and other contractual increases as defined in the terms of each tenant lease. Additional revenues are also anticipated following the construction of the new on-airport hotel beginning Fall, 2018.

Forecast Expenditures: Forecast Operating Expenses are based on actual data for Fiscal Year 2014-15 and for Fiscal Year 2015-16 and preliminary budget for Fiscal Year 2016-17; assumed increases in the unit costs of labor, services, utilities and supplies as a result of price inflation; and additional costs associated with future capital projects. In particular, it was assumed that:

- The costs of labor and services will increase on average of approximately 4% per year to reflect increases in staffing levels, salary levels, benefit costs, and contract service levels during the forecast period.

- The unit costs of supplies and materials will increase on average of approximately 2.8% per year during the forecast period.

- Cost of goods and other charges will increase on average 3% per year during the forecast period.

Debt Service Coverage and Rate Covenant. The following table presents the forecast of Net Revenues and Transfers in relation to Accrued Debt Service and rate covenants required by the Indenture. Although not required by the Indenture, the calculations of debt service coverage are also shown without Transfers.

TABLE 15
Projected Revenues, Expenses and Debt Service Coverage
International Airport
Fiscal Years Ended June 30

	Est.	Forecast				
	FY2017	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**
Rate Covenant per section 6.04(b)(i)						
Revenues	$172,968	$172,099	$176,382	$181,400	$187,571	$193,182
Less: Operating Expenses	(92,365)	(95,032)	(98,149)	(101,373)	(104,709)	(108,161)
Net Revenues	$80,603	$77,067	$78,233	$80,027	$82,862	$85,021
Transfer (limited to 25%)	12,784	13,310	13,231	13,232	13,168	13,169
Net Revenues + Transfer	$93,387	$90,377	$91,494	$93,259	$96,030	$98,190
Accrued Debt Service on Senior Obligations	$51,134	$53,239	$52,925	$52,929	$52,673	$52,675
Debt service coverage (>1.25)	1.83x	1.70x	1.73x	1.76x	1.82x	1.86x
Debt service coverage w/o Transfer	1.58x	1.45x	1.48x	1.51x	1.57x	1.61x
Rate Covenant per Section 6.04(b)(ii)						
Net Revenues	$80,603	$77,067	$78,233	$80,027	$82,862	$85,021
Transfer (limited to10%)	5,113	5,324	5,293	5,293	5,267	5,268
Net Revenues + Transfer	$85,716	$82,391	$83,526	$85,320	$88,129	$90,289
Accrued Debt Service on Senior Obligations	$51,134	$53,239	$52,925	$52,929	$52,673	$52,675
Debt Service on Subordinate Obligations	17,673	19,860	19,860	19,862	19,861	19,860
Less: Available PFC Revenues	(17,673)	(19,860)	(19,860)	(19,862)	(19,861)	(19,860)
Accrued Debt Service of Senior and Subordinate Obligations	$51,134	$53,239	$52,925	$52,929	$52,673	$52,675
Debt service coverage (>1.10)	1.68x	1.55x	1.58x	1.61x	1.67x	1.71x

Source: County of Sacramento, Department of Airports

INVESTMENT CONSIDERATIONS

The following information should be considered by prospective investors, in addition to the other matters set forth in this Official Statement in evaluating the Series 2016 Bonds. However, it does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Series 2016 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Rate Covenant Not a Guarantee; Failure to Meet Projections

The ability of the County to pay the principal of and interest on the Series 2016 Bonds depends on the ability of the County to generate Net Revenues in the levels required by the Indenture. Although, as more particularly described herein, the County expects that sufficient revenues will be generated through the imposition and collection of the fees, rents charges and other Revenues described herein,

there is no assurance that such imposition of fees, rents charges or other Revenues will result in the generation of Net Revenues in the amounts required by the Indenture. As a result, the Rate Covenant set forth in the Indenture does not constitute a guarantee that sufficient Net Revenues will be available to make debt service payments on the Series 2016 Bonds.

The County can provide no assurances that operation of the Rate Covenant set forth in the Indenture will not be limited by the requirement of federal law that all aeronautical rates and charges be reasonable. If the Rate Covenant set forth in the Indenture would require the County to increase airline rates and charges in order to provide sufficient funds to make payments on the Series 2016 Bonds, but the increased airline rates or charges would not be reasonable, then the County will not be able to increase such rates or charges and would be required to increase non-airline rates and charges or take other actions to meet the Rate Covenant. Under such circumstances there could be delays or reductions in payments on the Series 2016 Bonds. See "–Federal Law Affecting Airport Rates and Charges."

In addition, the Projected Operating Results prepared by the County are based on a number of assumptions. Changes in circumstances could have a material adverse impact on the ability of the County to pay the principal of and interest on the Series 2016 Bonds.

Economic Conditions

Historically, the financial performance of the air transportation industry has correlated with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. In addition, traffic at the International Airport will depend in part on the economic conditions in the State and local service area. In 2008 and most of 2009, the local, national and world economies experienced a significant recession. During this period there were significant and dramatic changes in the financial markets. The short and long term effects of these developments on the broader economy are not known at this time. There can be no assurances that continuing weakness in the national, state and/or local economy will not have an adverse effect on the air transportation industry, and on the Airport System.

Uncertainties of the Airline Industry

There are numerous factors which affect air traffic generally and air traffic at the Airport System more specifically. Demand for air travel is influenced by factors such as population, levels of disposable income, the nature, level and concentration of industrial and commercial activity in the service area, and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and hubbing strategies of the airlines serving an airport, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport, the price of fuel, and any operating constraints (due to capacity, environmental concerns or other related factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport, such as the National Air Traffic Control System.

The industry is cyclical and subject to intense competition and variable demand. Traffic volumes are responsive to economic circumstances and seasonal patterns. Other factors, such as fuel and regulatory costs, can also have a significant impact on the industry. As a result, financial performance can fluctuate dramatically from one reporting period to the next.

Since the economic deregulation of the airline industry in 1978, the industry has undergone significant changes including a number of airline mergers, acquisitions, bankruptcies and closures. In addition, the financial results of the airline industry have been subject to substantial volatility since deregulation. The financial strength and stability of airlines serving International Airport are key

determinants of future airline traffic. The financial results of the airline industry have been subject to substantial volatility since deregulation, and many carriers have not been profitable, particularly after the events of September 11, 2001, the Severe Acute Respiratory Syndrome outbreak in 2003, the war in Iraq, recessions, availability and increases in aviation fuel prices. Additional bankruptcy filings, mergers, consolidations and other major restructuring by airlines are possible. In addition, individual airline decisions regarding level of service, particularly hubbing activity, at International Airport will affect total enplanements. An outbreak of a disease or similar public health threat that affects travel demand or travel behavior, or travel restrictions or reduction in the demand for air travel caused by an outbreak of a disease or similar public health threat in the future, could have a material adverse impact on the airline industry and result in substantial reductions in and/or cancellations of, bookings and flights.

There is no assurance that International Airport, despite a demonstrated level of airline service and operations, will continue to maintain such levels in the future. The continued presence of the airlines serving International Airport, and the levels at which that service will be provided, are a function of a variety of factors. Future airline traffic at International Airport will be affected by, among other things, the growth or decline in the population and the economy of the International Airport service region and by national and International Airport service region economic conditions, federal regulatory actions, airline service, air fare levels and the operation of the air traffic control system.

The County makes no representation whatsoever with respect to the continued viability of any of the carriers serving International Airport.

Information Concerning the Airlines

Revenues may be affected by the ability of the airlines serving the Airport System, individually or collectively, to meet their obligations to pay rates, rentals, fees and charges. Many of the major scheduled domestic airlines serving International Airport, or their respective parent corporations, as well as the foreign airlines serving International Airport with American Depository Receipts ("ADRs") registered on a national exchange, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the Securities and Exchange Commission (the "SEC"). Certain information, including financial information, concerning such domestic airlines, or their respective parent corporations, and such foreign airlines is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected and copied at the public reference facilities maintained by the SEC, which can be located by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site containing reports, proxy statements and other information regarding registrants that file electronically with the SEC. In addition, each airline is required to file periodic reports of financial aid and operating statistics with the U.S. DOT. Such reports can be inspected at the U.S. DOT's Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, 1200 New Jersey Avenue, S.E., Washington, D.C. 20590, and copies of such reports can be obtained from U.S. DOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments or foreign corporations file limited information only with the USDOT.

The County has no responsibility for the completeness or accuracy of information available from the USDOT or SEC, including, but not limited to, updates of information on the SEC's Internet site or links to other Internet sites accessed through the SEC's site. The County has not reviewed or verified any of the information contained in such reports filed with the SEC and makes no representation as to the

accuracy, completeness or fairness of any such reports or other information made available to the public by the airlines or their respective parent corporations.

Effect of Airline Bankruptcies

A bankruptcy of an airline operating at the Airport System could result in delays or reductions in payments on the Series 2016 Senior Bonds.

From time to time over the last several years, major airlines serving International Airport have emerged from bankruptcy. Additional bankruptcy filings may occur in the future. The bankruptcy of an airline with significant operations at the Airport System could have a material adverse effect on operations of the Airport System, Revenues, and the cost to the other airlines operating at the Airport System.

In the event of an airline bankruptcy, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the airline to the County or any action to enforce any obligation of the airline to the County. With the authorization of the bankruptcy court, the airline may be able to repudiate some or all of its agreements with the County and stop performing its obligations (including payment obligations) under such agreements. Such a repudiation could also excuse the other parties to such agreements from performing any of their obligations. The airline may be able, without the consent and over the objection of the County, the Trustee, and the holders of the Series 2016 Bonds, to alter the terms, including the payment terms, of its agreements with the County, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the airline may be able to assign its rights and obligations under any of its agreements with the County to another entity, despite any contractual provisions prohibiting such an assignment. The Trustee and the holders of the Series 2016 Bonds may be required to return to the airline as preferential transfers any money that was used to make payments on the Series 2016 Bonds and that was received by the County or the Trustee from the airline during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the County under any lease with the airline may be subject to limitations.

An airline is likely to be in possession of PFCs at the time it goes into bankruptcy. While there are provisions in the law requiring airlines to treat PFCs as trust funds, the application of these provisions in a bankruptcy case is not clear. The airline may not be required to turn over to the County or the Trustee any PFCs in its possession at the time it goes into bankruptcy. Even while the airline is in bankruptcy, it may not be required to turn over PFCs that are collected prior to the time that the County or the Trustee demands the turnover of the PFCs. Even after a demand is made, it is possible that the airline would not be required to turn over subsequently-collected PFCs.

There may be delays in payments on the Series 2016 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of an airline that could result in delays or reductions in payments on the Series 2016 Bonds. Regardless of any specific adverse determinations in an airline bankruptcy proceeding, the fact of an airline bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2016 Bonds.

Effect of Concessionaire Bankruptcies

A bankruptcy of any significant concessionaire at International Airport could also result in delays or reductions in payments on the Series 2016 Bonds, for reasons similar to those discussed above with respect to airline bankruptcies. Regardless of any specific adverse determinations in a concessionaire

bankruptcy proceeding, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2016 Bonds.

Effect of County Bankruptcy

The County is able to file for bankruptcy under Chapter 9 of the Bankruptcy Code. A bankruptcy of the County could result in delays or reductions in payments on the Series 2016 Bonds.

Should the County become the debtor in a bankruptcy case, the holders of the Series 2016 Bonds will not have a lien on Revenues received by the County or the Trustee after the commencement of the bankruptcy case unless such revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used to provide transportation services, as well as other revenues or receipts derived from particular functions of the debtor. While the County believes that the Revenues should be treated as special revenues, no assurance can be given that a court would not find otherwise. If Revenues are not special revenues, there could be delays or reductions in payments on the Series 2016 Bonds. Even if a court determines that Revenues are special revenues, the County will be able to use such revenues to pay operation and maintenance costs of the Airport System, notwithstanding any provision of the Indenture or any other agreement to the contrary.

There may be other possible effects of a bankruptcy of the County that could result in delays or reductions in payments on the Series 2016 Bonds.

Regardless of any specific adverse determinations in a County bankruptcy proceeding, the fact of a County bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2016 Bonds.

Dominance of a Single Airline

In Fiscal Year 2015-16, Southwest Airlines accounted for approximately 51.8% of the total enplaned passengers at International Airport. Where an airport has a significant market share accounted for by a single airline, there is also risk associated with the potential for that airline to reduce or discontinue service. However, in the case of Southwest Airlines at International Airport, this risk is mitigated by the following factors: (i) Southwest Airlines does not operate a connecting hub at International Airport, and the passengers served are primarily origin-destination passengers; (ii) the development of service by Southwest Airlines has demonstrated the level of locally-generated passenger demand that could be served by other airlines at International Airport if Southwest Airlines were to reduce service; and (iii) Southwest Airlines has a proven record, with very few exceptions, of maintaining and increasing service at the airports it serves. However, following the recession of 2008 airlines operating at International Airport, including Southwest Airlines, reduced the number of seats offered to International Airport.

Competition

The other major airports that compete with the Airport System for passengers and cargo traffic are San Francisco International Airport, Oakland International Airport and Norman Y. Mineta San Jose International Airport. While the County expects International Airport to continue to be the major air traffic center for the Sacramento area, based on passenger preferences stemming from the Airport System's location and service, there can be no assurance that such passenger preferences will continue and that passengers will not choose to fly from competing airports.

Federal Law Affecting Airport Rates and Charges

In general, federal aviation law requires that airport fees charged to airlines and other aeronautical users be reasonable and that in order to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. Pursuant to the requirements of the 1994 Aviation Act the USDOT and FAA have promulgated regulations setting forth an expedited hearing process to be followed in determining the reasonableness of the fees charged to airlines and other aeronautical users.

The County is not aware of any formal dispute involving International Airport over any existing rates and charges. The County believes the rates and charges it imposes upon air carriers, foreign air carriers and other aeronautical users, and the rates and charges methodology utilized for the Rate Ordinance, are reasonable and consistent with federal law and applicable FAA regulations.

However, there can be no assurances that one or more airlines will not challenge the compensatory rates established by the County with respect to the Rate Ordinance or, if such a challenge were to be brought, that it would not be successful. A successful challenge to the compensatory rates set forth in the Rate Ordinance could limit the ability of the County to charge the airlines and other aeronautical rates required by the provisions of the Indenture and would require the County to increase rates and fees charged to non-aeronautical users, which could have a material adverse impact on the financial condition of the Airport System.

The County can provide no assurances that the operation of the Rate Covenant set forth in the Indenture will not be limited by the requirement of federal law that all aeronautical rates and charges be reasonable. If the Rate Covenant set forth in the Indenture would require the County to increase aeronautical rates and charges in order to provide sufficient funds to make payments on the Series 2016 Bonds, but the increased rates or charges would not be reasonable, then the County will not be able to increase such rates or charges and would require the County to increase rates and charges to non-aeronautical users (such as automobile parking, rental cars, terminal concessions, and other nonairline tenants). Under such circumstances there could be delays or reductions in payments on the Series 2016 Bonds.

Additional Obligations Can Be Issued Without Bondholder Consent

Under the Indenture the County is permitted to issue additional obligations without obtaining any consent from any holder of existing Series 2016 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS. Such newly issued obligations may be junior to, or on a parity with the Series 2016 Bonds, as long as the requirements of the Indenture are satisfied. Any such additional obligations may be secured by the Trust Estate and thus an increased amount of debt will be outstanding, but the amount of collateral for those obligations will not be increased. Certain of the conditions for the issuance of additional obligations relate to financial projections regarding the future operations of the Airport System. The County can provide no assurance that such projections will be achieved. If such projections are not achieved, there may be insufficient Revenues to make the required payments on all of the Series 2016 Bonds, unless airport rates and charges are increased. The County, however, may be unable to increase airport rates and charges as a result of federal law that requires all airport rates and charges to be reasonable. See "INVESTMENT CONSIDERATIONS – Federal Law Affecting Airport Rates and Charges." Under such circumstances, there could be delays or reductions in payments on the Series 2016 Bonds.

Collateral Can Be Released to the County

Under the Indenture the County is permitted to direct the Trustee to release portions of the Trust Estate to the County, free and clear of the lien of the Indenture, without obtaining any consent from any holder of the Series 2016 Bonds, as long as certain conditions are satisfied. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Released Revenues." Certain of the conditions for the release of collateral relate to financial projections regarding the future operations of the Airport System. The County can provide no assurance that such projections will be achieved. If such projections are not achieved, there may be insufficient Revenues remaining in the Trust Estate to make the required payments on the Series 2016 Bonds, unless airport rates and charges are increased. The County, however, may be unable to increase airport rates and charges as a result of federal law that requires all airport rates and charges to be reasonable. See "INVESTMENT CONSIDERATIONS – Federal Law Affecting Airport Rates and Charges." Under such circumstances, there could be delays or reductions in payments on the Series 2016 Bonds.

Unavailability of, or Delay in, Anticipated Funding Sources

As described herein, the County anticipates that funding for the CIP will be provided through internally generated cash flow, PFCs, federal grants, and other sources. See "CAPITAL PROJECTS AND PLANNING" for a description of the financing plan for the CIP. In the event that any of such sources are unavailable for any reason, including unavailability of internally generated cash flow; reduction in the amount of PFC or federal grants available to the Airport System; non-appropriation of, or delay in payment of, federal grants; the inability of the County to issue or sell additional Senior Obligations or Subordinate Obligations if necessary; or any other reason, the CIP could be substantially delayed and financing costs could be higher than projected. There can be no assurances that such circumstances will not materially adversely affect the financial condition or operations of the Airport System.

No assurance can be given that PFC revenues will actually be received in the amounts or at the times contemplated by the County. The amount and timing of receipt of actual PFC revenues are expected to vary depending on actual levels of qualified passenger enplanements at International Airport. In addition, the FAA may terminate the County's ability to impose PFC revenues, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Acts or the regulations promulgated thereunder, or (b) the County otherwise violates the PFC Acts or regulations. The Department's authority to impose passenger facility charges may also be terminated if the Department violates certain AIP grant assurances and certain provisions of the Airport Noise and Capacity Act of 1990 ("ANCA") and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the County's authority to impose passenger facility charges would not be summarily terminated. No assurance can be given that the County's authority to impose passenger facility charges will not be terminated by Congress or the FAA, that the passenger facility charge program will not be modified or restricted by Congress or by the FAA so as to reduce PFC revenues available to the County or that the County will not seek to decrease the amount of the passenger facility charges to be collected.

Failure of Projected Operating Results to Materialize

The Projected Operating Results contain certain assumptions and forecasts. This Official Statement should be read in its entirety for a discussion of historical and forecast results of the Airport System and the assumptions and rationale underlying the forecasts. Any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material.

Accordingly, the Projected Operating Results are not necessarily indicative of future performance, and the County does not assume any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the County are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2016 Bonds are cautioned not to place undue reliance upon the Projected Operating Results. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues, PFCs and federal grants may be materially less than expected and consequently, the ability of the County to make timely payment of the principal of and interest on the Series 2016 Bonds may be materially adversely affected.

Neither the County's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenue forecast.

Impact of Potential Floods

During the severe winter storms in the Sacramento area in 1986, 1997 and 2006, the American River and Sacramento River levee systems carried a record volume of water due to heavy rainfall of long duration. Although these storms caused some flooding in certain areas, the major levee systems that protect properties in the Sacramento area from disaster withstood the record water flows. However, as described below, certain levee systems in the area, including those protecting International Airport, have been determined to provide significantly less protection against flooding than previously thought.

In June 2006, the United States Army Corps of Engineers (the "Corps") stated that, primarily because of underseepage, levees in the Natomas Basin area of the County (which includes International Airport) were no longer certifiable for a 100 year flood event (i.e., a flood event that has a 1% chance of occurrence in any year). In January 2008, the Corps completed additional analysis and concluded that it could not certify the Natomas Basin levee system for a 33 year flood event (i.e., a flood event that has a 3% chance of occurrence in any year). As a result, future development starting after December 2008 in the Natomas Basin was severely limited until the deficiencies in the levee system are corrected. Mandatory flood insurance requirements do not apply to International Airport.

FEMA has issued a revised map and designated the area within the Natomas Basin (including the International Airport) as Zone A99 effective June 16, 2015. According to FEMA, an area designated as Zone A99 has a 1% annual chance of a flood event but ultimately will be protected upon completion of an under-construction federal flood-protection system. The four major requirements for such designation are (a) 50% of the critical improvements to achieve a 100-year level of flood protection have been constructed, (b) 50% of the total cost for such improvements has been expended, (c) 60% of the total cost of the improvements has been appropriated, and (d) 100% of the improvements have been authorized.

Even though the Natomas Basin has been designated as Zone A99, the Natomas Basin will not be outside of a 100-year flood zone until certain levee improvements are completed. On June 10, 2014, President Barack Obama signed the Water Resources Reform and Redevelopment Act ("WRRDA") into law. With respect to the Natomas Basin, the WRRDA directs the Corps to strengthen 24 miles of levees surrounding the Natomas Basin (the "Levee Project"). Although the WRRDA authorizes funding, the Congress must pass annual appropriations to complete the Levee Project. Currently, the completion of the Levee Project is expected to take at least five to ten years. Until the Levee Project is completed,

property within the Natomas Basin (including International Airport) remains at risk for flood-related property damage.

Flooding of the Sacramento area could result in significant damage to International Airport or to a shutdown of International Airport operations which could materially adversely affect the financial condition or operations of the Airport System and the ability of the County to generate Net Revenues in the amounts required by the Indenture.

Impact of Potential Earthquakes

Generally, seismic activity occurs on a regular basis within the State. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential damage to property located at or near the center of such seismic activity. A serious earthquake could result in damage within the County and to roads, bridges, and other property, including International Airport. Damage to International Airport could include pavement displacement (which could, in the worst case, necessitate the closing of one or more runways for extended periods of time), distortions of pavement grades, breaks in utility, loss of water supply, drainage and sewage lines, displacement or collapse of buildings, rupture of gas and fuel lines, and collapse of levees adjacent to International Airport with consequential flooding. The facilities of the Airport System were each designed to the seismic standards existing at the later of the time of original construction or renovation. However, there can be no assurances that damage resulting from an earthquake will not materially adversely affect the financial condition or operations of the Airport System or the ability of the County to generate Net Revenues in the amounts required by the Indenture.

Climate Change Issues

Climate change concerns have led to new laws and regulations at the federal and State levels that could have a material adverse effect on the County's operations and on airlines operating at International Airport. The U.S. Environmental Protection Agency (the "EPA") has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On December 14, 2009, the EPA made an "endangerment and cause or contribute finding" under the Clean Air Act, codified at 40 C.F.R.1. In the finding, the EPA determined that the body of scientific evidence supported a finding that six identified GHGs – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – cause global warming, and that global warming endangers public health and welfare. The EPA also found that GHGs are a pollutant and that GHG emissions from motor vehicles cause or contribute to air pollution. This finding requires that the EPA regulate emissions of certain GHGs from motor vehicles. The Clean Air Act regulates aircraft emissions under provisions that are parallel to the requirements for motor vehicle emissions. Accordingly, the EPA may elect or be forced by the courts to regulate aircraft emissions as a result of this endangerment finding. While the EPA has not yet taken any action to regulate GHG emissions from aircraft, regulation may still be forthcoming. On July 5, 2011, the U.S. District Court for the District of Columbia issued an order concluding that the EPA has a mandatory obligation under the Clean Air Act to consider whether the greenhouse gas and black carbon emissions of aircraft engines endanger public health and welfare. The EPA is in the process of makings its required determinations. The County cannot predict what the EPA's findings will be or what effect they will have on the Airport System or the air traffic at International Airport.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. California passed Assembly Bill 32, the California Global Warming Solutions Act of 2006 ("AB 32"), which requires the statewide level of GHGs to be reduced to 1990 levels by 2020. On October 20, 2011, the California Air Resources Board ("CARB") made the final adjustments to its implementation of AB

32: the California cap-and-trade program (the "California Cap-and-Trade Program"). The Airport System's annual metric tons of carbon dioxide equivalent emissions does not current exceed 25,000 metric tons and therefore the County is not required to participate in the California Cap-and-Trade Program with respect to the Airport System.

The County is unable to predict what Federal and/or state laws and regulations with respect to GHG emissions will be adopted, or what effects such laws and regulations will have on airlines serving the Airport System or on Airport System operations. The effects, however, could be material.

Internal Revenue Service Audits

The Internal Revenue Service ("IRS") is engaged in an ongoing program of auditing tax-exempt obligations to determine whether interest on such tax-exempt obligations is properly excludable from the gross income of the owners thereof for federal income tax purposes. In the course of such audits, the IRS has on occasion concluded that such bond issues did not satisfy the conditions of tax-exempt status, but has agreed not to tax interest paid to owners of the audited bonds provided that the issuer or the conduit borrower enters into a closing agreement with the IRS under which a sometimes substantial payment is made to the IRS. If the IRS opens an audit of the Series 2016 Bonds, such audit may have an adverse impact on their marketability and price (regardless of the ultimate outcome of the audit).

In July 2016, the County received a notice from the IRS that the Series 2009C Bonds (which are being refunded by the Series 2016 Subordinate Bonds) had been selected for audit (the "2009C Bond Audit"). In September 2016, the County provided the IRS with all requested documents and information. The IRS has requested additional information regarding cost savings on the 2009 project and regarding the guaranteed investment contracts pursuant to which proceeds of the 2009C bonds were invested, and the County has provided the IRS with the requested information. The County has no reason to believe that the 2009C Bond Audit is anything other than a random audit, and the County does not believe that the 2009C Bond Audit will adversely affect the tax status of the Series 2009C Bonds. If, however, the IRS were to conclude that the Series 2009C Bonds do not satisfy the requirements for tax-exempt status, such conclusion could potentially lead to an IRS audit of the Series 2016 Bonds and a similar adverse conclusion with respect to the tax status of the Series 2016 Bonds.

LITIGATION

There is no litigation now pending against the County or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2016 Senior Bonds or in any way contesting or affecting the validity of the Series 2016 Senior Bonds or any proceedings of the County taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2016 Senior Bonds or the use of the Series 2016 Senior Bond proceeds.

There are a number of litigation matters pending against the County for incidents at the Airport System. These claims and suits are of a nature usually incident to the operation of the Airport System and, in the aggregate, in the opinion of the management of the Airport System, based upon the advice of the County Counsel, will not have a material adverse effect on the Net Revenues of the Airport System or financial condition or operations of the Airport System. It should be noted that a significant portion of the claims relating to personal injuries and property damage are covered by a comprehensive insurance program maintained by the County for the Airport System.

RATINGS

The Series 2016 Senior Bonds have been assigned ratings of "A3" and "A," respectively, by Moody's Investors Service ("Moody's") and S&P Global Ratings Inc., a Standard & Poor's Financial Services LLC business ("S&P"), and the Series 2016 Subordinate Bonds have been assigned ratings of "Baa1" and "A-," respectively, by Moody's and S&P. Certain information was supplied by the County to such rating agencies to be considered in evaluating the Series 2016 Bonds. The ratings reflect only the views of the rating agencies and any explanation of the significance of such ratings may be obtained only from such rating agencies. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or any of them, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the Series 2016 Bonds.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County ("Bond Counsel"), 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 2016 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 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Complete copies of the proposed forms of opinions of Bond Counsel are set forth in Appendix F hereto.

Series 2016 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 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 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 Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium 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 2016 Bonds. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2016 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 2016 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2016 Bonds. The opinions of Bond Counsel assume 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 2016 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2016 Bonds. Accordingly, the opinions of Bond Counsel are 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 2016 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 2016 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends 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 2016 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 Series 2016 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 2016 Bonds. Prospective purchasers of the Series 2016 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 opinions of Bond Counsel are based on current legal authority, cover certain matters not directly addressed by such authorities, and represent Bond Counsel's judgment as to the proper treatment of the Series 2016 Bonds for federal income tax purposes. They are not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2016 Bonds ends with the issuance of the Series 2016 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Series 2016 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its 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 County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2016 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 2016 Bonds, and may cause the County or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

The validity of the Series 2016 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County. Complete copies of the proposed forms of Bond Counsel opinions are contained in Appendix F. Certain matters will be passed upon on behalf of the County by the Sacramento County Counsel, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, its Disclosure Counsel, and on behalf of the Underwriters by their counsel, Nixon Peabody LLP. Bond Counsel, Disclosure Counsel and Underwriters' counsel have not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of owners of the Series 2016 Bonds to provide certain financial information and operating data relating to the County and the Airport System by not later than 210 days after the end of the County's Fiscal Year in each year, commencing with Fiscal Year ending June 30, 2016 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of events will be filed by the County electronically with the EMMA system. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of events by the County to provide certain information is summarized in APPENDIX E - "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Within the last five years, the County has been subject to prior continuing disclosure undertakings entered into pursuant to the Rule (the "Prior Continuing Disclosure Undertakings"). In 2011, 2012 and 2013, the County filed certain operating information and audited financial statements between 2 to 4 days after the date required under the Prior Continuing Disclosure Undertakings. In addition, the County did not timely file at least three instances of rating changes of County obligations relating to insurer rating changes with EMMA. Other than such ratings change notices described above, the County is not aware of any events in the last five years which may have required the filing of significant event notices under continuing disclosure undertakings entered into pursuant to the Rule that were not filed.

MUNICIPAL ADVISOR

Public Financial Management, Inc. is employed as Municipal Advisor to the County in connection with the issuance of the Series 2016 Senior Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Series 2016 Senior Bonds is contingent upon the issuance and delivery of the Series 2016 Senior Bonds. Public Financial Management Inc., in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2016 Senior Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Municipal Advisor to the County has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the County and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

RBC Capital Markets, LLC, as representative of the Underwriters set forth on the cover page hereof (the "Underwriters"), has agreed, subject to certain conditions, to purchase the Series 2016 Bonds at a price of $198,759,313.87 (which is equal to the aggregate principal amount of the Series 2016 Bonds of $181,790,000.00, plus original issue premium of $17,345,997.25, and less an underwriters' discount of $376,683.38). The purchase contract relating to the Series 2016 Bonds provides that the Underwriters will purchase all the Series 2016 Bonds if any are purchased. The Series 2016 Bonds may be offered and sold by the Underwriters to certain dealers and others at prices lower than such public offering price, and such public offering price may be changed, from time to time, by the Underwriters.

The underwriters have provided the following paragraphs for inclusion in the Official Statement:

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial

advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the County for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County.

Loop Capital Markets, one of the Underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with UBS Financial Services Inc. ("UBSFS") for the retail distribution of certain securities offerings at their original issue prices. Pursuant to the Distribution Agreement (if applicable to this transaction), UBSFS will purchase Bonds from Loop Capital Markets at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that the firm sells.

Morgan Stanley & Co. LLC, an underwriter of the Series 2016 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2016 Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the County set forth in Appendix B in the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2015 have been examined by Vavrinek, Trine, Day & Co. LLP, independent certified public accountants, for the periods indicated and to the extent set forth in their report thereon and should be read in their entirety. Vavrinek, Trine, Day & Co. LLP , has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Vavrinek, Trine, Day & Co., LLP also has not performed any procedures relating to this Official Statement.

The finances of the Airport System are reported as an "enterprise fund" in the Comprehensive Annual Financial Report of the County. The Comprehensive Annual Financial Report also contains information with respect to the County's General Fund, other enterprise funds, and other funds. The principal, or redemption price, of and interest on the Series 2016 Bonds are payable solely from the Trust Estate pledged for the payment thereof, and the inclusion of information relating to the General Fund, other enterprise funds, and other funds in the Comprehensive Annual Financial Report of the County does not create any implication that any of such other funds are available for payment of the Series 2016 Bonds.

The audited financial statements prepared by the County each Fiscal Year are provided to the Trustee within 210 days after the end of each such year in accordance with the Indenture.

The County expects that the audited financial statements for the Fiscal Year ended June 30, 2016 will be available in late December 2016. The County intends to file such audited financial statements electronically with the EMMA system when available.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Arbitrage Group, Inc. has verified the accuracy of the mathematical computation of the adequacy of the amounts deposited in the Escrow Funds established for the Refunded Bonds and certain other matters. See "PLAN OF REFUNDING."

MISCELLANEOUS

The foregoing summaries or descriptions of provisions in the Indenture and Rate Ordinance, and all references to other materials not purporting to be quotations in full, are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is thereby made to the complete documents relating to such matters for further information. Copies of the Indenture and the Rate Ordinance are available from the office of the County Counsel.

Any statement made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. No assurance can be given, however, that the facts will materialize as so opined or estimated.

This Official Statement has been duly authorized and approved by the County and duly executed and delivered on its behalf by the officials signing below.

COUNTY OF SACRAMENTO

By: /s/ Britt Ferguson
Chief Financial Officer

By: /s/John Wheat
Director of Airports

APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING SACRAMENTO COUNTY

Population

Sacramento County currently has seven incorporated cities: Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova and Sacramento, with 32% of the County's population living in the City of Sacramento.

Sacramento County Breakdown of Population/Percent Increase

Area	1970	1980	1990	2000	2010	2016
Cities:						
Citrus Heights	---	---	---	85,071	83,267	86,291
Elk Grove	---	---	---	---	152,925	167,965
Folsom	5,810	11,003	29,802	51,884	72,201	77,246
Galt	3,200	5,514	8,889	19,472	23,641	25,450
Isleton	909	914	833	828	804	846
Rancho Cordova	---	---	---	---	64,413	72,203
Sacramento	257,105	275,741	369,365	407,018	466,279	485,683
Unincorporated Area:	367,349	409,209	632,330	659,226	553,529	579,619
Total:	634,373	783,381	1,041,219	1,223,499	1,417,059	1,495,297
% Increase over prior period:		**23.49%**	**32.84%**	**17.50%**	**15.82%**	**5.52%**
State Population:	19,935,134	23,782,000	29,828,496	34,095,209	37,223,900	39,255,883
% Increase over prior period:		**19.30%**	**25.42%**	**14.30%**	**9.17%**	**5.46%**

Sources: U.S. Census Bureau; 2016 from California Department of Finance.

Industry and Employment

Three major job categories comprised 74% of the Sacramento Metropolitan Statistical Area (SMSA) work force as of July 2016: services (39%), government (23%), and wholesale/retail trade (12%), based on seasonally unadjusted July 2016 statistics, as summarized in the following table.

Sacramento Metropolitan Statistical Area Labor Market Survey
Calendar Years 2012 to July 2016
(Amounts Expressed in Thousands)

Industry	2012	2013	2014	2015	July 2016
Mining	0.4	0.5	0.6	0.6	0.5
Construction	39.8	43.5	45.0	52.3	57.0
Manufacturing-Nondurable goods	10.6	10.4	11.0	11.1	12.1
Manufacturing-Durable goods	23.0	24.2	24.8	25.4	26.1
Transp., Warehouse, Pub Utilities	23.3	23.9	25.2	25.9	24.7
Information	15.6	14.1	14.2	14.1	13.9
Wholesale Trade	25.2	25.0	24.3	25.1	25.1
Retail Trade	97.8	99.7	101.1	102.6	98.4
Finance, Insurance, Real Estate	61.9	62.3	63.5	66.2	66.8
Services	354.2	368.7	378.3	387.7	399.9
Government	218.8	223.7	228.5	232.6	229.6
Agriculture	7.7	7.7	7.6	7.8	10.9
Other	69.7	56.1	59.8	49.3	55.0
Total:	**948.0**	**959.8**	**983.9**	**1,000.7**	**1,020.0**

Source: California State Employment Development Department; not seasonally adjusted; as of each end-December.

After reaching a low point during the economic downturn of 914 thousand in 2010, total SMSA employment increased by 1.2% to 2.5% annually through 2015, and during the first seven months of 2016 increased by 1.9% to 1,020.0 thousand.

The SMSA unemployment rate (not seasonally adjusted) as of July 2016 was 5.5%, slightly higher than the statewide rate of 5.6%, and a continued improvement from the SMSA July 2015 rate of 6.0%.

Major Employers

Major private sector employers in the Sacramento Metropolitan Statistical Area, their type of business and their number of full-time equivalent (FTE) employees in 2015, and major public sector employers in the County of Sacramento only, are detailed in the following two tables.

Major Private Sector Employers 2015

Company	Type of Business	No. of FTE Employees
Sutter Health	Health Care	11,277
Kaiser Permanente	Health Care	10,380
Dignity Health	Health Care	7,011
Intel Corporation	Develop Computer Chips	6,200
Raley's	Retail Grocery	5,487
Safeway	Retail Grocery	3,873
Wells Fargo	Financial Services	2,973
Apple Inc.	Research and Development	2,500
Squaw Valley Resort	Leisure & Hospitality	2,500
Pacific Gas & Electric	Utility Provider	2,468

Source: Sacramento Business Journal Annual 2015 Book of Lists

Major Public Sector Employers-Sacramento County Only 2015

Company	Number of FTE Positions
State of California	74,329
Sacramento County	10,598
UC Davis Health System	9,706
U.S. Government	9,668
Sutter Health	8,817
San Juan Unified School District	7,523
Kaiser Permanente	6,464
Dignity Health	6,286
Intel Corporation	6,200
Elk Grove Unified School District	5,728

Source: Sacramento Business Journal Annual 2015 Book of Lists

Taxable Transactions Activity

Commercial activity contributes to the County's unincorporated area economy, and taxable sales come from a diverse variety of sources. Total taxable sales peaked most recently in Calendar Year (CY) 2005, and then declined through CY2010 by approximately 27%, before beginning to increase again in CY 2011 by approximately 4%. From 2010 to 2015, total taxable sales increased by 26%. The following two tables show taxable sales in the unincorporated area of the County for CY 2004 through 2015. The source of the data changed in 2009 and the new source used different categories, which accounts for the separate tables.

SACRAMENTO COUNTY UNINCORPORATED AREA
Total Taxable Transactions Calendar Years 2004 through 2008
(Amounts Expressed in Thousands)

Category	2004	2005	2006	2007	2008
Apparel Stores	$160,128	$180,560	$185,423	$179,919	$164,575
General Merchandise Stores	578,989	607,700	630,673	609,932	617,280
Specialty Stores	907,190	1,025,843	1,022,243	1,054,431	883,809
Food Stores	339,642	351,710	361,808	373,952	368,161
Packaged Liquor Stores	47,175	48,465	47,924	48,014	47,953
Eating and Drinking Places	512,004	529,593	535,006	541,218	531,328
Home Furnishings, Appliances	324,171	310,709	253,430	215,511	170,718
Building Materials, Farm Implements	871,644	912,591	827,099	724,757	601,881
Service Stations	511,858	600,454	612,478	629,289	702,841
Automobile, Boat, Motorcycle, Plane Dealers and Parts Outlets	1,271,681	1,179,871	1,098,224	978,595	724,091
Total Retail Outlets:	**$5,524,482**	**$5,747,496**	**$5,574,308**	**$5,355,614**	**$4,812,637**
Business & Personal Services	146,100	146,495	141,485	141,968	128,435
All Other Outlets	1,172,110	1,313,343	1,423,891	1,251,543	1,471,656
Total All Outlets:	**$6,842,692**	**$7,207,334**	**$7,139,684**	**$6,749,129**	**$6,412,728**

Source: MuniServices LLC.

SACRAMENTO COUNTY UNINCORPORATED AREA
Total Taxable Transactions Calendar Years 2009 through 2015
(Amounts Expressed in Thousands)

Data source changed in 2009 to The HdL Companies, changing the Category grouping as follows:

Category	2009	2010	2011	2012	2013	2014	2015	2015 Category
Autos and Transportation	$942,614	$955,688	$1,064,256	$1,273,021	$1,385,550	1,528,166	1,710,400	26%
Building and Construction	742,477	676,288	693,286	762,895	852,051	869,175	968,103	15%
Business and Industry	666,587	694,813	627,555	674,146	756,082	781,684	833,075	13%
Food and Drugs	365,855	364,302	386,230	381,953	379,601	394,275	395,342	6%
Fuel and Service Stations	720,859	810,838	1,016,776	1,065,706	1,032,067	1,053,208	783,007	12%
General Consumer Goods	1,363,374	1,267,755	1,187,993	1,266,687	1,246,620	1,269,576	1,280,470	19%
Restaurants and Hotels	519,606	513,121	534,203	558,746	609,679	643,932	695,858	10%
Transfers/Adj/Other	2,134	(316)	482	(192)	539	2,701	-3,890	
Total:	**$5,323,506**	**$5,282,489**	**$5,510,781**	**$5,982,962**	**6,262,189**	**6,542,716**	**6,662,365**	**100%**

Source: The HdL Companies

The most recent data available for CY2016 is for January through June, with taxable transactions during this six-month period at $3,376,961,000, a 5.0% increase over the first six months of CY2015.

Construction Activity

The total building permits issued in the County was 2,989 in 2015, an increase of 71% from the prior year, and substantially less than the peak of 13,960 in 2003. The cumulative number of reported units year to date through August 2016 was 2,051, an increase of 5.6% from the same period in the prior year.

SACRAMENTO COUNTY
Building Permit Activity
Calendar Year 2008 through 2015
(Amounts Expressed in Thousands)

	2008	2009	2010	2011	2012	2013	2014	2015
Reported Units:								
Single Family	1,866	912	813	721	1,216	1,742	1,662	2,240
Multi-Family	1,087	54	338	21	315	139	81	749
Total:	**2,953**	**966**	**1,151**	**742**	**1,531**	**1,881**	**1,743**	**2,989**

Source: United States Census Bureau - http://www.census.gov/construction/bps/

Transportation

The County's location and transportation network have contributed to the County's economic growth. The County is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. Highway 50 carries traffic from Sacramento to the Lake Tahoe Area. Interstate 5 is the main north-south route through the interior of California; it runs from Mexico to Canada. California State Highway 99 parallels Interstate 5 through central California and passes through Sacramento.

Transcontinental and intrastate freight rail service is provided by the Union Pacific Railroad. Passenger rail service is provided by AMTRAK. The Capitol Corrider's 170-mile intercity passenger train system provides rail service to 17 stations in 8 Northern California counties. Bus lines offering intercity as well as local service include Greyhound and Sacramento Regional Transit. Regional Transit also operates an approximately 43-mile light rail system.

The Port of Sacramento provides direct ocean freight service to all major United States and world ports, shipping approximately 775,000 metric tons of cargo annually. It is a deep-water ship channel, located 79 nautical miles northeast of San Francisco. The three major rail links serving Sacramento connect with the Port, and Interstate 80 and Interstate 5 are immediately adjacent to the Port.

The County Airport System provides for the planning, development and operation of public air transportation facilities serving Sacramento County and adjoining areas. The Airport System consists of Sacramento International Airport, which has twelve passenger airlines serving approximately 9.9 million enplaned passengers annually, Executive Airport and Franklin Field for general aviation and Mather Airport for air cargo and general aviation. In October 2011, the County opened a new 19-gate Concourse B (netting seven additional gates) and a new landside Terminal B at the Sacramento International Airport.

Sacramento County voters passed a ballot measure in November of 1988 providing for collection of an additional 1/2 cent sales tax to be used exclusively for transportation and air quality projects. Ballot language specified formula distribution: (1) for the cities and unincorporated area of the County; (2) for projects to reduce air pollution; and (3) for mass transit improvements. The original expiration date for the additional 1/2 cent sales tax was 2009, but in 2004 the County voters approved, by 75.29%, extending this 1/2 cent sales tax for an additional 30 years to 2039.

Agriculture

According to the annual 2015 Sacramento County Crop and Livestock Report published by the County Agricultural Commissioner (the most recent complete report available), the total Sacramento County crop production for 2015 was $469,947,546 representing an 6.4% decrease from 2014 values, following a 9.2% increase from 2013 to 2014. The top two crop production values in the County during 2015 were again wine grapes and milk production.

Education

The Sacramento region benefits from a network of over 721 public and private elementary to high schools educating approximately 400,000 students. Sacramento County alone has numerous public school districts serving an estimated 241,000 students within the K-12 level.

The Los Rios Community College District serves the majority of Sacramento County, as well as portions of El Dorado, Placer, Yolo and Solano Counties, with four main campuses enrolling approximately 78,000 students. The four campuses are: American River College, Sacramento City College, Cosumnes River College and Folsom Lake College. Sierra College also serves the area with an enrollment of

approximately 20,000, as well as Yuba College with an enrollment of approximately 7,000. Schools offering vocational education include MTI College of Business and Technology, and Universal Technical Institute.

In the Sacramento area roughly 28% of the adult population has a Bachelor's degree or higher, compared to 29% nationwide and 31% Statewide. Higher education is available from a variety of institutions throughout the area. Primary among these institutions are the University of California, Davis (UCD) and California State University, Sacramento (CSUS).

UCD offers more than 104 academic majors and 96 graduate programs, serving 34,500 students. Founded in 1905 to serve the agricultural needs of the growing state, UCD has emerged as an acknowledged international leader in agricultural, biological, biotechnological, food and environmental sciences. It is also recognized for excellence in the arts, humanities, social sciences, engineering, health sciences, law and management. It is an international leader in sustainability-related research and application. A new mixed-use community on campus, UC Davis West Village, incorporates innovative practices and technologies to be a model community for conservation. One of ten campuses in the University of California system, UCD ranks 8th among U.S. universities based on social mobility rank (*Washington Monthly*) and 25th in research and development expenditures among public universities nationwide (National Science Foundation). It is one of 61 North American universities admitted into the prestigious Association of American Universities. *U.S. News and World Report* ranks UCD 44th among public universities nationwide.

CSUS enrolls 30,300 undergraduate and graduate students, and graduates approximately 6,000 students each year. The university has an annual economic impact on the region of nearly $930 million and 16,000 jobs. CSUS has one of the largest cooperative education programs in California, placing students in paid positions where they receive academic credit. Hundreds of other students serve internships in business and government, and a third of CSUS students work as volunteers, many through a service learning project in class, gaining valuable work experience while helping their community.

The region also has a number of branches of private colleges headquartered outside the Sacramento region, including National University, Brandman University (part of the Chapman University system), University of Phoenix, University of San Francisco, University of Southern California and Drexel University Center for Graduate Studies. Two major law schools are the University of the Pacific McGeorge School of Law, recognized as a leader in the field of law education, and the UC Davis School of Law.

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APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2015

The finances of the Airport System are reported as an "enterprise fund" in the Comprehensive Annual Financial Report of the County. The Comprehensive Annual Financial Report also contains information with respect to the County's General Fund, other enterprise funds, and other funds. The principal, or redemption price, of and interest on the Series 2016 Bonds are payable solely from the Trust Estate pledged for the payment thereof, and the inclusion of information relating to the General Fund, other enterprise funds, and other funds in the Comprehensive Annual Financial Report of the County does not create any implication that any of such other funds are available for payment of the Series 2016 Bonds.

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SACRAMENTO
COUNTY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
JULIE VALVERDE
DIRECTOR OF FINANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Photo Credit: **Menchie Rona-Salzberg, Sr. Accountant**
Department of Finance, Auditor-Controller Division

"My family and I often take walks and bike rides along the Sacramento River levee. As the seasons change during the course of the year, we enjoy watching the surrounding scenery. I fondly remember the day I took this photo; we were by Pocket Road, near the Garcia Bend Park. This was the day my stepson learned how to skip rocks across the water. It was a particularly pleasant and fun day." ~ Menchie

Cover Design: **Chris Baker, Geographic Information Systems Analyst II**
Department of Community Development, Planning and Environmental Review

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2015

COUNTY OF SACRAMENTO
STATE OF CALIFORNIA

Julie Valverde, Director of Finance

COUNTY OF SACRAMENTO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTRODUCTORY SECTION

Internal Services

Department of Finance

Auditor-Controller Division
Ben Lamera,
Assistant Auditor-Controller

Bradley J. Hudson, County Executive
David Villanueva, Chief Deputy County Executive
Julie Valverde, Director of Finance

County of Sacramento

December 29, 2015

To the Citizens of Sacramento County
Sacramento, California

Dear Citizens:

The Comprehensive Annual Financial Report (CAFR) of the County of Sacramento (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. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and present fairly the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund and the aggregate remaining fund information and related budgetary schedules for the General Fund and major special revenue funds, of the County, as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The CAFR is presented in four sections: introductory, financial, statistical, and bond disclosures. The introductory section includes this transmittal letter, a copy of the 2013-14 Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association of the United States and Canada, the County's organizational chart, and a list of public officials. The financial section includes the independent auditor's report on the basic financial statements, the Management's Discussion and Analysis (MD&A) of the County's overall changes in financial position, the audited basic financial statements, note disclosures, and combining and non-major fund financial statements to provide readers with a comprehensive understanding of the County's financial activities of the past fiscal year. This letter is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A, which is unaudited, can be found on pages 5 through 22 of this report. The statistical section, also unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

PROFILE OF SACRAMENTO COUNTY

Sacramento County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, the City of Sacramento, is the seat of government for the State of California and also serves as the county seat. Sacramento became the State Capital in 1854.

The County encompasses approximately 994 square miles in the middle of the 400-mile long Central Valley, which is California's prime agricultural region. The County is bordered by Contra Costa and San Joaquin Counties on the south, Amador and El Dorado Counties on the east, Placer and Sutter

Counties on the north, and Yolo and Solano Counties on the west. The County extends from the low delta lands between the Sacramento and San Joaquin Rivers north to about ten miles beyond the State Capitol and east to the foothills of the Sierra Nevada Mountains. The southernmost portion of Sacramento County has direct access to the San Francisco Bay.

The geographic boundaries of the County include seven incorporated cities, Sacramento, Folsom, Galt, Isleton, Citrus Heights, Elk Grove and Rancho Cordova. Each of these cities contributes a rich and unique dimension to the Sacramento County region.

The County has a charter form of government. It is governed by a five-member Board of Supervisors, who are elected on a non-partisan basis to serve four-year terms. Each is elected from one of the five supervisorial districts of the County. Supervisors from District 1, District 2, and District 5 are elected in gubernatorial election years (2018, 2022, etc.), while supervisors from District 3 and District 4 are elected in presidential election years (2016, 2020, etc.). District boundaries are adjusted after every federal census to equalize district population.

Other elected officials include the Assessor, District Attorney and Sheriff. A County Executive appointed by the Board of Supervisors runs the day-to-day business of the County.

The County provides a full range of services including public protection, construction and maintenance of all public facilities, waste management, water, parks maintenance and operations, health and human services, human assistance, planning, tax collection, elections, airports and many others. Supporting the delivery of County-wide services are several Departments and Agencies. The financial reporting entity of the County includes all the funds of the primary government (i.e., Sacramento County as legally defined), as well as all of its component units, if applicable. Component units are legally separate entities for which the primary government is financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, certain districts and agencies accounted for in the Special Revenue, Debt Service, Capital Projects, Proprietary and Trust and Agency Fund Types are reported as part of the primary government.

ECONOMIC CONDITION AND OUTLOOK

The County continues to experience financial stress due, in part, to the lingering impacts of the "Great Recession" that began in late 2007. During the Great Recession and its aftermath, foreclosures of properties in the County significantly increased, and assessed values declined. County revenues, including property taxes and sales taxes, declined significantly while certain expenditures of the County (including pension-related costs and the cost of entitlement programs) increased. The County addressed these challenges by making significant program and staffing reductions, as well as the use of one-time resources.

The local economy now appears to be improving. Gross Assessed Valuations are expected to increase in Fiscal Year (FY) 2015-16 by approximately 4.6 percent, following a 6.5 percent increase in FY 2014-15. These increases follow four consecutive years of declines. The Sacramento Metropolitan Statistical Area (including Sacramento, Yolo, El Dorado and Placer counties) unemployment rate (not seasonally adjusted) decreased to 6.6 percent in September 2014 from 8.1 percent in September 2013.

California counties are closely linked to the financial condition of the State of California (the "State"), and are responsible for delivering health and welfare services on behalf of the State. The State had been experiencing its own fiscal stress, but it has seen improvements in revenue growth over the last two years, in part due to the improving economy and in part due to a temporary tax increase. In addition to dealing with its local issues, the County must deal with the impact of adverse State and federal budget actions, as State and federal revenues make up approximately 67 percent of the County's General Fund budgeted revenues. However, when State or federal funding has been cut back, the County generally has reduced programs in proportion

to the funding received and not utilized County General Fund revenues to backfill the reductions in State or federal funding. With limited exceptions, the County plans to continue to reduce programs if there are additional State or federal funding reductions.

Housing Market

Following a downturn that began in 2006, the region's housing market stabilized in 2011, and has continued to improve since that time. Median home sale prices have increased by approximately 60 percent since December 2011 to a level of $319,000 in August 2014. Although this is a significant increase, median home sale prices are still approximately 22 percent below their high point in 2005.

Building permit activity is another indicator of the vitality of the housing market, and the trend is positive but relatively slow compared to the peak years of 1999 through 2005. During calendar year 2013, a total of 1,279 new dwelling unit permits were added to the Assessor's roll, an increase from 941 the previous calendar year, but well below the average annual number of 10,500 additions during 1999 through 2005. The total assessed valuation added during calendar year 2013 was just over $1 billion, an increase from $825 million added the previous calendar year, but again well below the average annual increase of $2.6 billion during 1999 through 2005.

Residential property represents the largest component of the County's assessed value, and changes in assessed value have a direct impact on changes in property tax revenue, which is the largest component of the County's discretionary revenue.

In FY 2014-15, the County's assessment roll is expected to increase by 6.4 percent, following an increase of 3.96 percent in FY 2013-14. This is the second annual consecutive increase, following four years of consecutive annual decreases totaling 14.3 percent from FY 2009-10 through FY 2012-13. The overall value of the roll remains approximately 4.4 percent below its peak in FY 2008-09, and the 6.4 percent growth expected in FY 2014-15 remains less than the average growth rate of 9.62 percent for the ten-year period ending FY 2008-09. The recent growth in assessed values is partially due to the Assessor continuing to move a number of parcels out of Proposition 8 "Decline in Value" status, and a continued reduction in the number of home foreclosures.

The 6.4 percent increase in assessed value for FY 2014-15 translated into a net 5.5 percent increase in Secured Property Tax Revenue to the County. The difference between gross assessed value growth and Secured Property Tax Revenue is due in part to the impact of assessment appeals, which increased dramatically during the Great Recession and its aftermath. The number of assessment appeals grew from a total of 854 in FY 2006-07 to over 11,000 in FY 2009-10, and have been declining ever since. For FY 2014-15 the County received approximately 2,400 appeals, but appeals sometimes take a number of years to work through the system. As outstanding appeals are resolved and the number of new appeals continues to decline, the rate of growth in Secured Property Tax Revenue will come closer to the rate of growth in assessed value.

Labor Market

The labor market in the region's four-county area has an impact on the general economic condition of the County. Total employment peaked in December 2006 at approximately 988,100 jobs, decreasing to a low of approximately 913,400 jobs in December 2010. Employment began increasing in 2011, reaching approximately 975,600 in August 2014. The four-county area's unemployment rate also hit a high of 12.4 percent in December 2010, and has decreased to 7.0 percent in August 2014, compared to the national average of 6.6 percent and state average of 7.4 percent in August 2014.

LONG-TERM FINANCIAL PLANNING

Each year, as part of the annual budget process, County staff prepares a General Fund Five Year Sensitivity Analysis that estimates what the impact could be on the General Fund's fiscal condition of different revenue and expenditure scenarios. This Sensitivity Analysis is updated periodically throughout the fiscal year.

As of the most recent Sensitivity Analysis, we are estimating Net County Cost (expenditures funded by discretionary resources) will need to increase by an average of approximately 2.5 percent a year from FY 2016-17 through FY 2019-20 to maintain current staffing and program levels (though this would not provide for additional discretionary reserves or be enough for full repayment of the Inter-fund Transfers that were used to help balance the General Fund budget during the "Great Recession"). The most recent General Fund Sensitivity Analysis suggests that if Net County Cost increases by an average of 2.5 percent a year during this period, discretionary revenue and reimbursements would need to increase by an average of approximately 7 percent a year for the General Fund to be in structural balance. In FY 2014-15, discretionary revenue and reimbursements increased by 10.1 percent over the prior fiscal year, but that included $20.8 million in one-time discretionary revenue; on-going discretionary revenue and reimbursements increased by 5.2 percent. For FY 2015-16, we are estimating that discretionary revenue and reimbursements will increase by 2.7 percent. Based on current trends, we think it is possible, though not likely, that discretionary revenues and reimbursements could increase by an average of 7 percent per year over the four succeeding years.

In addition to a General Fund Sensitivity Analysis, each year County staff prepares a multi-year Capital Improvement Plan (CIP), which includes a Technology Improvement Plan, for consideration by the Board of Supervisors. The most recent CIP was approved by the Board in June of 2015 and identified capital and major technology system needs through FY 2019-20.

RELEVANT FINANCIAL POLICIES

The Board of Supervisors has adopted two policies that provide key budget guidance:

Fund Balance and Reinvestment Policy: In developing the annual General Fund budget:
Any growth in discretionary revenue over the current fiscal year will be used first to fund any increases that result from:

- Any memoranda of understanding (MOUs) between the County and its labor organizations; and
- All legal obligations.

Any remaining discretionary revenue growth will be appropriated as follows:

- First, up to $10 million to repay the Interfund Transfers until fully repaid; and
- Second, 50 percent to the General Reserve and 50 percent reinvested in high priority services as determined by the Board of Supervisors.

In the event that total General Fund discretionary revenue exceeds $566 million, any remaining discretionary revenue growth available after satisfying MOU and legal obligations and repayment of the Interfund Transfers will be appropriated as follows:

Item	Amount	Maximum
Undesignated General Reserve	5 percent	10 percent of discretionary revenues
Innovation Investment Revolving Fund	5 percent	5 percent of discretionary revenues
Management Audits	5 percent	Based on Need
High Priority Services	Balance	No Maximum

County Budget Priorities:

The following are the Board Priorities in order of priority:

- Mandated Countywide Obligations;
- Mandated Municipal Obligations;
- Financial Obligations (like debt service);
- Budget Priorities:
    1. Discretionary Law Enforcement
    2. Safety Net
    3. Quality of Life
    4. General Government
    5. Prevention.

Economic Factors and Next Year's Budget and Rates

Four major sources of revenue generated from the performance of the economy are:

- Property tax revenues (from all sources – secured, unsecured, delinquent, etc.) budgeted for FY 2015-16 are expected to increase over the FY 2014-15 Adopted Budget by $20.3 million, a 5.8 percent increase. The FY 2015-16 projection is a 4.4 percent increase over the FY 2014-15 actual collections. The FY 2015-16 projection is based on the July Assessment Roll prepared by the County Assessor.
- Sales and use tax revenues budgeted for FY 2015-16 are expected to increase over the FY 2014-15 Adopted Budget by $7.3 million, a 9.7 percent increase. The FY 2015-16 projection is an 11.2 percent increase over FY 2014-15 actual collections. However, approximately $4.5 million of that increase is a one-time true-up related to the ending of the "Triple Flip". If that is factored out, the "real" increase in sales and use tax revenue over FY 2014-15 actual collections is approximately 5.1%.
- Proposition 172 revenues budgeted for FY 2015-16 are expected to increase over the FY 2014-15 Adopted Budget by $3.9 million, a 3.8 percent increase.
- Realignment revenues budgeted for FY 2015-16 are expected to increase over FY 2014-15 Adopted Budget by approximately $64 million, a 14 percent increase. However, this increase reflects both new Realignment revenue received by the County and the allocation of fund balance carry-over in the various County Realignment trust funds. We are currently estimating that new Realignment revenue from all categories will increas by approximately $28.8 million, or 5.4 percent, in FY 2015-16 compared to the amount of new Realignment revenue actually received by the County in FY 2014-15.

The FY 2015-16 General Fund Budget included a combination of increases and reductions that resulted in a net $116.5 million (5.3 percent) increase in appropriations compared to the Fiscal Year 2014-15 Adopted General Fund Budget.

MAJOR INITIATIVES

Sacramento County is undertaking several major initiatives notwithstanding significant fiscal limitations:

Information Technology System Improvements: We are currently planning on replacing three major information systems starting in FY 2015-16: the Property Tax System, Criminal Justice Information System and Budget System. Each of these systems is old and running on out-of-date platforms. The total cost of replacing these systems over five years is estimated to be between $23 million and $32 million. The FY 2015-16 Adopted Budget includes funding to begin the process of replacing the Budget and Criminal Justice Systems as well as on-going funding related to the replacement of the Property Tax System.

Enhanced Services to Unincorporated Area Residents: We are continuing efforts to enhance services to unincorporated area residents. Over the last three years, (FY 2013-14, FY 2014-15 and FY 2015-16), we have added Code Enforcement Officers and Community Prosecutors and increased funding, staff and service levels for Animal Care and Parks programs.

Intelligence-Led Policing: In FY 2015-16 the Sheriff's Department implemented Intelligence-Led Policing, which is an innovative and responsive approach geared towards reducing criminal activity through the use of intelligence gathering and focused resource deployment. Implementing this new policing strategy will require additional staffing and the Board of Supervisors included funding for 24 new positions in the FY 2015-16 Budget as the initial investment in this program. Benefits of the policing model will include a more effective use of resources, an improved focus on building and maintaining relationships and the public trust, enhanced accountability based on analytical benchmarks and patrol-level community problem solving. All facets support the Sheriff's Department's mission to more effectively protect life and property and preserve the public peace fostering a safer community.

Homeless Services: The County is rebuilding its commitment to sheltering and serving the homeless. The FY 2015-16 Adopted Budget included $1 million for a "Rapid Rehousing" program and additional resources for homeless services.

Health Care Services to Undocumented Immigrants: The County is initiating a program to provide limited primary and specialty health care to immigrants in undocumented status. The FY 2015-16 Adopted Budget included approximately $3 million for this effort and we will assess the future scope of the program based on on-going need and costs.

Reduction of African-American Child Deaths: The County is investing more than $1.5 million annually in staff and community-based contracts as part of a plan to reduce the disproportionate death rates among African-American children in Sacramento County, particularly deaths due to child abuse and neglect, homicide, sleep-related causes and perinatal conditions. The County has committed to support this initiative for at least the next five years.

Title IV-E Foster Care Waiver: Effective October 1, 2014, the County began participating in a federal Title IV-E Foster Care waiver program that will provide approximately $16 million in additional resources over five years to implement evidence-based programs designed to reduce the number of children that need to be placed in foster care. This involves a coordinated effort by the County's Health & Human Services, Probation and Human Assistance Departments.

Planning and Development Initiatives: The County is continuing planning efforts in new growth areas and efforts to revitalize commercial corridors including the establishment of new Property Base Improvement Districts (PBIDs).

DEPARTMENT FOCUS

Each year, we select activities or functions of the County to highlight particular successes or accomplishments. This year, we have selected the following activities:

Airports

- In January 2015, the Department of Airports launched a Food Waste Recycling Pilot Program for pre-consumer food waste generated from the concessionaires on Concourse B (airside). The pilot program is intended to sort out potential issues and best practices in food waste and recycling in advance of the April 2016 deadline imposed by AB1826 which Governor Brown signed into law in October 2014. Currently, concession operations at International Airport generate approximately six tons of food waste that is collected every two to three weeks. Eventually the program will be expanded to Terminal A (airside) and Terminal B (landside) as well as post-consumer food waste in the Food Courts of Concourse B and Terminal A.

Animal Care

- Expanded the Return to Field Program for feral cats to include semi-friendly and friendly cats, increasing number of cats returned to home environment, decreasing number of cats house in shelter, and increasing live release rate.

Assessor's Office

- Assessment forms were made available on the Assessor's website via a portal that was created through a joint effort with the California Assessor's Association.

Child Support Services

- Awarded the 2014 Western Interstate Child Support Enforcement Council Program Awareness Award for stablishing an effective public awareness campaign for our locally developed $smartPay Child Support and Arrears Estimator program. The program is designed to educate customers on the benefits of principal reduction and to take advantage of arrears payments being first applied to the principal rather than interest.

Community Development

- Worked with local partners to develop a foreign trade strategy that positions the region to be a long-term leader in exporting of local products and services, thereby attracting foreign investments in new business and development.
- Started Expired Permit Program notifying homeowners and contractors of expired permits to ensure work performed is inspected meeting minimum life and safety requirements.

Cooperative Extension

- University of California Cooperative Extension (UCCE) collaborated with city and county departments to hold educational workshops and open garden events covering topics on composting, drought landscaping, reduced water use, pest management and garden design. The major event, with more than 2,500 visitors, was the annual Harvest Day held in early-August at the Fiar Oaks Horticulture Center.

County Counsel

- Actively involved in reviewing and commenting on the draft environmental impact report on the Bay Delta Conservation Plan and the development of appropriate legal strategies to protect the County's interests with respect to this proposed project.

District Attorney

- The District Attorney's Office (DA) created a Speakers Bureau. This community outreach and education program matches qualified members of the DA's staff with community groups and organizations wishing to learn more about the criminal justice system.
- The DA's Office held its first annual Youth Shadow Day during which students got a firsthand look at the criminal justice process by shadowing prosecutors, defense attorneys, criminal investigators, probation officers, judges, and crime lab staff.

Health and Human Services

- Behavioral Health Services implemented two mobile crisis teams in Sacramento County working with Sacramento County Sheriff and Sacramento Police Department Mobile Crisis Team.

Human Assistance

- Effective May 2014, Family Stabilization services were established to support Welfare-to-Work participants and family members who are facing housing stability and/or domestic abuse crisis. The program is state funded and is intended to help participants receive intensive case management services, resulting in their ability to successfully participate in Welfare-to-Work program activities. To date, 275 families have been served through Family Stabilization.
- Implemented the Housing Support Program (HSP) which assisted 399 CalWORKS families with obtaining and maintaining house. With $1.3 million in funds, this program allowed for security deposits associated with move-in costs and up to four months in subsidized rent and utility assistance.

Probation

- Established the High-Risk 365 pilot project in Adult Field Services. This program provides services and supervision to newly adjudicated adult probation clients during the first year, post release. The pilot targets clients at the start of reentry and connects them with additional resources such as drug and alcohol services, mental health treatment, medical linkages, and eligibility for benefits.

Sheriff

- Enhancements to Correctional Health's electronic medical records system included a fully automated medical intake process. The enhancements provide electronic documentation of medical conditions at the time of booking and provide for better coordination of medical services throughout the jail medical system.

Technology

- Completed the Voice Over Internet Protocol (VoIP) Conversion Project to increase savings on telephone infrastructure costs and decommission aging equipment.
- 311 increased the number of service requests (phone, email or mobile application). In November 2013 through June 2014 there were an average of 2,246 calls per month. From July 2014 through June 2015 the average was 4,799. This represents an increase of 113 percent.

- Implemented "responsive" web designs to make websites easily readable from any size device without the need for multiple versions of each website.

Transportation

- Completed construction of the Asphalt Concrete (AC) Residential Overlay/Pavement Project – 2014, which consisted of placing conventional asphalt concrete, rubberized asphalt concrete, or slurry seal over existing concrete, and installing Americans with Disabilities (ADA) compliant upgrades.

Waste Management

- Executed 20-year leases with Clean World and Atlas to host the Sacramento Bio-digester and fueling station at our South Area Transfer Station on Fruitridge Road. This project convert's collected food waste into bio-CNG used to fuel vehicles.

FINANCIAL INFORMATION

County management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) choices between these two concepts often require estimates and judgments by management.

The County's accounting records for governmental funds are maintained on the modified accrual basis of accounting. This essentially involves the recording of revenues when they become measurable and available and the recording of expenditures when the goods and services are received and the related liability incurred. Accounting records for the County's Proprietary Funds and Agency and Trust Funds are maintained on the accrual basis of accounting.

Single Audit

As a recipient of Federal and State financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal controls are subject to periodic evaluation by management and the Department of Finance's Auditor-Controller Division's internal audit staff. The FY 2014-15 Single Audit will be issued under separate cover and will be available by contacting the Department of Finance, Auditor-Controller Division, after March 31, 2016.

Budgeting Controls

In addition to accounting controls, the County maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Supervisors. The County prepares and adopts a budget for each fiscal year in accordance with the provisions of Sections 29000 through 29144 of the Government Code and other statutory provisions. All County departments are required to submit their annual budget requests for the ensuing year. The County Executive Office reviews each request and a budget is presented to the Board of Supervisors. This budget reflects, as nearly as possible, the estimated revenues and expenditures for the upcoming year.

The budget is made available for public inspection through a public notice. On the dates stated in the notice, the Board of Supervisors conducts public hearings on the budget and at the conclusion of the hearings makes a final determination thereon. The budget, which includes the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, is adopted no later than August 30. The Board may, by resolution, extend on a permanent basis or for a limited time, the date from August 30 to October 2. Because the final budget must be balanced, any shortfalls in revenue require an equal reduction in anticipated expenditures.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the object level of all budgetary units except for capital assets, which are controlled on the sub-object level. The expenditure portion of the budget is enacted into law through the passage of an appropriation resolution. This resolution constitutes maximum spending authorization for the fiscal year. It cannot be exceeded except by amendment of the budget by the Board of Supervisors. During FY 2014-15, amendments were made to the final adopted budget. The budget data reflected in this comprehensive annual financial report includes the effect of all approved budget amendments.

Cash Management

Cash temporarily idle during the year was invested in money market mutual funds, negotiable certificates of deposit, time certificates, commercial paper, municipal notes, and U.S. Treasury and Agency investments. The average yield on investments during FY 2014-15 was 0.24 percent. The yield for a one-year Constant Maturity U.S. Treasury Note during the same period was 0.18 percent.

The County Pooled Investment Fund Policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. All collateral on deposits was held either by the County, its agents, or a financial institution's trust department in the County's name.

Risk Management

The County self-insures for property damage, liability, workers' compensation, unemployment and dental insurance claims. Self-insurance transactions are accounted for in Internal Service Funds. It is the County's policy to fund current self-insurance liabilities for Governmental Funds by making provisions in the budget of the succeeding year. Proprietary fund premium charges are expensed in the year incurred.

OTHER INFORMATION

Independent Audit - Section 25250 of the Government Code requires an annual audit by independent certified public accountants. The firm of Vavrinek, Trine, Day & Co., LLP was selected by the County to meet this requirement. The independent auditors' report on the basic financial statements is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to the County for its comprehensive annual financial reports for each of the last twenty-six fiscal years. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must conform to program standards. Such a 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 our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate of Achievement.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance, and the cooperation and assistance of all County departments. We would like to commend the Board of Supervisors for its interest, support, and leadership in planning and conducting the financial operations of the County in a responsive and progressive manner.

Respectfully submitted,

Julie Valverde
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

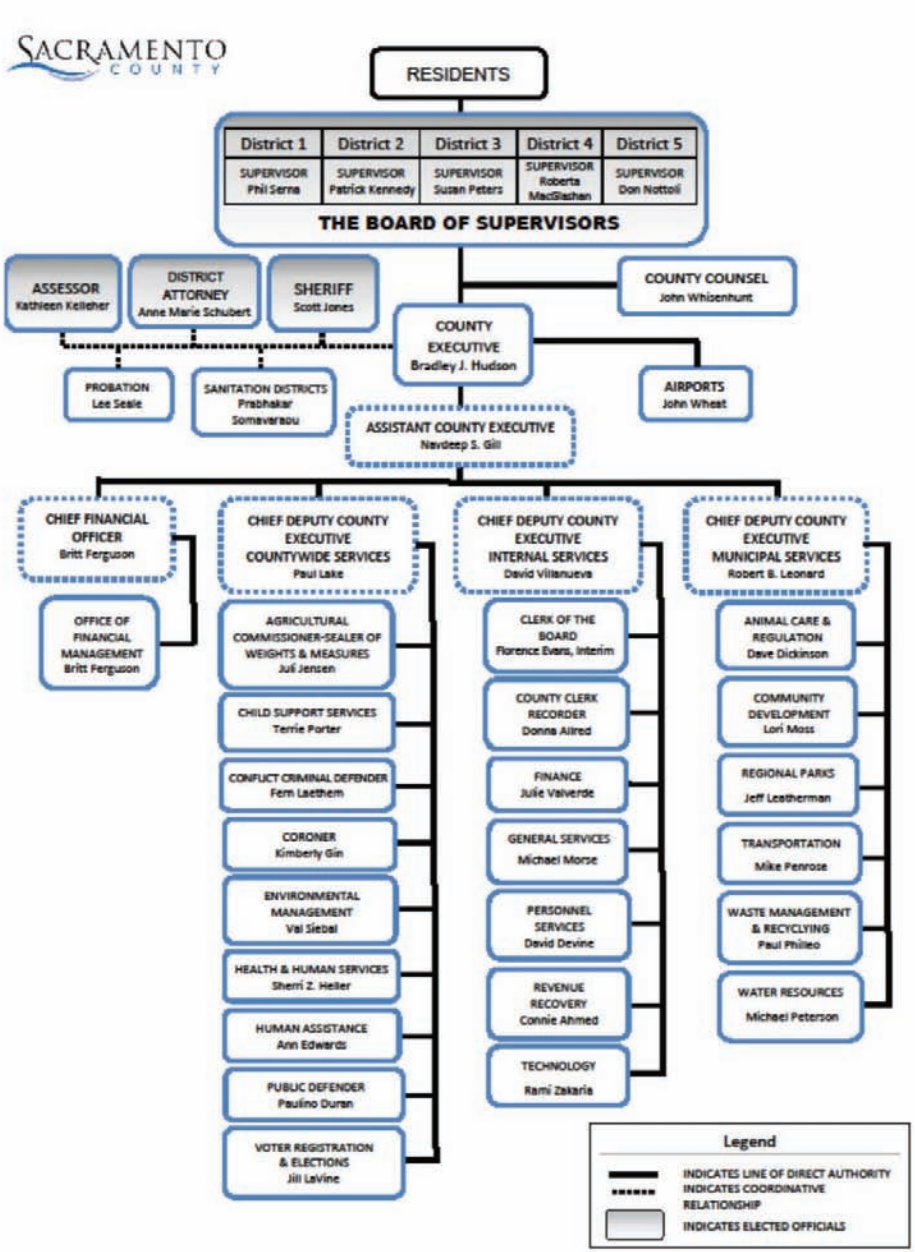
County of Sacramento

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO


SACRAMENTO COUNTY
RESIDENTS
District 1
SUPERVISOR Phil Serna
District 2
SUPERVISOR Patrick Kennedy
District 3
SUPERVISOR Susan Peters
District 4
SUPERVISOR Roberta MacGlashan
District 5
SUPERVISOR Don Nottoli
THE BOARD OF SUPERVISORS
ASSESSOR Kathleen Kelleher
DISTRICT ATTORNEY Anne Marie Schubert
SHERIFF Scott Jones
COUNTY COUNSEL John Whisenhunt
COUNTY EXECUTIVE Bradley J. Hudson
PROBATION Lee Seale
SANITATION DISTRICTS Prabhakar Somavarapu
AIRPORTS John Wheat
ASSISTANT COUNTY EXECUTIVE Navdeep S. Gill
CHIEF FINANCIAL OFFICER Britt Ferguson
OFFICE OF FINANCIAL MANAGEMENT Britt Ferguson
CHIEF DEPUTY COUNTY EXECUTIVE COUNTYWIDE SERVICES Paul Lake
AGRICULTURAL COMMISSIONER-SEALER OF WEIGHTS & MEASURES Juli Jensen
CHILD SUPPORT SERVICES Terrie Porter
CONFLICT CRIMINAL DEFENDER Fern Laethem
CORONER Kimberly Gin
ENVIRONMENTAL MANAGEMENT Val Siebal
HEALTH & HUMAN SERVICES Sherri Z. Heller
HUMAN ASSISTANCE Ann Edwards
PUBLIC DEFENDER Paulino Duran
VOTER REGISTRATION & ELECTIONS Jill LaVine
CHIEF DEPUTY COUNTY EXECUTIVE INTERNAL SERVICES David Villanueva
CLERK OF THE BOARD Florence Evans, Interim
COUNTY CLERK RECORDER Donna Allred
FINANCE Julie Valverde
GENERAL SERVICES Michael Morse
PERSONNEL SERVICES David Devine
REVENUE RECOVERY Connie Ahmed
TECHNOLOGY Rami Zakaria
CHIEF DEPUTY COUNTY EXECUTIVE MUNICIPAL SERVICES Robert B. Leonard
ANIMAL CARE & REGULATION Dave Dickinson
COMMUNITY DEVELOPMENT Lori Moss
REGIONAL PARKS Jeff Leatherman
TRANSPORTATION Mike Penrose
WASTE MANAGEMENT & RECYCLYING Paul Philleo
WATER RESOURCES Michael Peterson
Legend
INDICATES LINE OF DIRECT AUTHORITY
INDICATES COORDINATIVE RELATIONSHIP
INDICATES ELECTED OFFICIALS

COUNTY OF SACRAMENTO
LIST OF PUBLIC OFFICIALS
JUNE 30, 2015

ELECTED:

Board of Supervisors:

Phil Serna	District 1
Patrick Kennedy	District 2
Susan Peters	District 3
Roberta MacGlashan	District 4
Don Nottoli	District 5

Department Heads:

Kathleen Kelleher	Assessor
Anne Marie Schubert	District Attorney
Scott Jones	Sheriff

APPOINTED:

Bradley J. Hudson	County Executive
Navdeep Gill	Chief Operations Officer
David Villanueva	Chief Deputy County Executive
Julie Valverde	Director of Finance

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE

COUNTY OF SACRAMENTO

For the Fiscal Year Ended June 30, 2015

ACKNOWLEDGEMENT

Prepared by the County of Sacramento
Department of Finance

Ben Lamera, Assistant Auditor-Controller
Karen Gee, Senior Accounting Manager
Treddis Campbell, Accounting Manager
Linda MacLeod, Accounting Manager
Nou Her, Senior Accountant
Diana Lee, Senior Accountant
Paula Burris, Administrative Services Officer III

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The Honorable Board of Supervisors
County of Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Sacramento, California (the 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 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.

2151 River Plaza Drive, Suite 308 Sacramento, CA 95833 Tel: 916.570.1880 www.vtdcpa.com Fax: 916.570.1875

Opinions

In our opinion, 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 of Sacramento, California, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Uncertainties Regarding the Future Outcome of Litigation

As discussed in Note 19 to the financial statements, the County is the defendant in a lawsuit alleging breach of contract. Management asserts the ultimate outcome of the lawsuit cannot presently be determined, but management is of the opinion that it will not have a material impact on the County's financial position. Accordingly, no provision for any liability that may result has been made in the financial statements. Our opinion is not modified with respect to that matter.

New Accounting Pronouncements

As described in Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and 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.

Local Economic Financial Stress

As described in Note 19 to the financial statements, the County is experiencing significant financial stress in numerous areas as evidenced by the General Fund Unassigned Fund Balance deficit of $13.5 million at June 30, 2015. 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 5 through 22, the schedule of proportionate share of the net pension liability and the schedule of contributions on pages 126 through 127 and the schedule of funding progress on page 128 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 fund statements and schedules, statistical section, and bond disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, statistical and bond disclosure 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 December 29, 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

Sacramento, California
December 29, 2015

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Sacramento's (County) comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources of the County exceeded liabilities and deferred inflows at the close of the 2014-15 fiscal year by $830,866 (net position), of this amount, $297,100 is restricted for specific purposes (restricted net positon), and $2,255,969 is the County's net investment in capital assets. The County's total net position increased by $167,951 during the fiscal year. However, compared to June 30, 2014, total net position decreased by $1.9 billion.
- As of June 30, 2015, the County governmental funds reported combined fund balances of $595,467 for a increase of $44,080, in comparison with the prior year. Total amounts available for spending include restricted, less the negative unassigned fund balances, which totaled $563,728, or 94.7 percent of the ending fund balance. Of this amount, $577,190 is restricted by law, enabling legislation, or externally imposed requirements. Total fund balance for the General Fund increased $50,393 to $249,830, which equates to 12.5 percent of total General Fund expenditures for the year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was a negative $13,462 or negative 0.67 percent of total general fund expenditures due to reclassification of amounts to nonspendable and restricted.
- The County's investment in capital assets decreased by $64,151 or 1.57 percent in comparison with June 30, 2014 balances.
- The County's total long-term obligations had a net decrease of $95,629 in comparison with June 30, 2014 balances. This net decrease was comprised of a gross decrease of $229,096 and a gross increase of $133,467. The decrease resulted primarily from scheduled principal retirements of revenue bonds, certificates of participation, Teeter notes, and pension obligation bonds. The increase resulted primarily from the issuance of one Teeter note, and an accrual for compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 basic financial statements.

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 and 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 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, revenues 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 these 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 in part a 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 culture. The business-type activities of the County include the Department of Airports, Solid Waste, Water Agency, Parking Enterprise and the County Transit.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. Examples are County Service Area Number One, Water Agency, Solid Waste Authority, Sunrise, Carmichael and Mission Oaks Recreation and Park Districts. The Tobacco Securitization Authority of Northern California (Authority) is a public entity legally separate and apart from the County, and is considered a blended component unit of the County due to the operational relationship between the Authority and the County. The debts and liabilities of the Authority belong solely to it, and the County is in no way responsible for those liabilities. The Sacramento County Public Financing Authority is a public entity created by a Joint Exercise of Powers Agreement effective as of November 2003 between Sacramento County and the Sacramento Housing and Redevelopment Agency (Agency). The Authority is a public entity legally separate and apart from the County, and is considered a blended component unit of the County due to the operational relationship between the Authority and the County. The debts and liabilities of the Authority belong solely to it, and neither the County nor the Agency are in any way responsible for those liabilities.

Sacramento County First Five Commission is reported as a discretely presented component unit. Although the County Board of Supervisors has no control over the revenues, budgets, staff or funding decisions made by the Commission, the appointed Commission members serve at the will of the Board members who appoint them.

The government-wide financial statements can be found on pages 23 - 26 of this report.

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 finance-related legal compliance. 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 45 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. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental funds financial statements can be found on pages 27 - 30 of this report. The general fund budgetary statement is found on pages 31 - 32 of this report.

Proprietary funds are maintained two ways. *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 the Airports, Solid Waste, Water Agency, Parking Enterprise, and the County Transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its liability/property self-insurance; telecommunication and information technology support; worker's compensation self-insurance; self-insurance for unemployment claims (Self-Insurance – Other); regional communications; and centralized services provided by the Department of General Services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Airports, Solid Waste and Water Agency operations are considered to be major enterprise funds of the County. The County's six 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* elsewhere in this report.

The proprietary funds financial statements can be found on pages 33 - 39 of 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 those 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, except for agency funds, which have more limited accounting and financial statements because of their purely custodial nature.

The fiduciary fund financial statements can be found on pages 40 - 41 of this report.

Fiduciary funds report the Agency Funds, Treasurer's Pool, Non-pooled Investments, and Private-Purpose Trust Funds.

Notes to 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. The notes can be found on pages 43 - 125 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental funds, enterprise and internal service funds, and can be found on pages 129 - 217 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

In fiscal year 2014-15, the County adopted 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*.

Statement No. 68, (Statement), establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the County's defined benefit pension plans. This Statement replaces the requirements of prior GASB statements impacting accounting and disclosure of pensions.

The significant impact to the County of implementing Statement No. 68 is the reporting of the County's unfunded pension liability on the County's full accrual basis of accounting government-wide financial statements. There are also new note disclosure requirements and supplementary schedules required by the Statement.

The measurement date for the pension liabilities is as of June 30, 2014. This date reflects a one year lag and was used so that these financial statements could be issued in an expedient manner. Activity (i.e., contributions made by the County), occurring during fiscal year 2014-15 are reported as deferred outflows of resources.

In order to implement the Statement, a prior period adjustment was made to the County's July 1, 2014 net position. This prior period adjustment decreased the County's net position by $2,035,127 from $2,735,069 to $662,915 and reflects the reporting of: 1) net pension liabilities of $2,217,217, and 2) deferred outflows of resources of $182,090. Please refer to Note 21 for more information regarding the County's restatement and Note 14 for more information regarding the County's pensions.

Deferred inflows of resources related to pensions represent a net amount attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

The adoption of Statement No. 68 has no impact on the County's governmental fund financial statements, which continue to report expenditures equal to the amount of the County's actuarially determined contribution (formerly referred to as the "annual required contribution"). The calculation of pension contributions is also unaffected by this Statement.

As noted earlier, 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 or resources exceeded liabilities and deferred inflows or resources by $830,866, at the close of the most recent fiscal year.

Condensed Statement of Net Position
June 30, 2015
(amount expressed in thousands)

Primary Government	Governmental Activities		Business-type Activities		Total	
	2015	Restated 2014	2015	2014	2015	Restated 2014
Assets:						
Current and other assets	$ 1,091,765	2,001,939	570,892	551,640	1,662,657	2,553,579
Capital assets, net of depreciation	1,751,231	1,776,476	2,262,705	2,301,611	4,013,936	4,078,087
Total assets	2,842,996	3,778,415	2,833,597	2,853,251	5,676,593	6,631,666
Deferred outflows of resources:						
Accumulated Decrease in Market Value of SWAP Agreement	107,268	104,708	60,393	54,096	167,661	158,804
Deferred amounts on refundings	44,108	49,773	14,429	15,792	58,537	65,565
Deferred outflow amount related to pension	232,346		9,662		242,008	
Total deferred outflows of resources	383,722	154,481	84,484	69,888	468,206	224,369
Liabilities:						
Current and other liabilities	595,235	576,141	190,943	174,722	786,178	750,863
Long-term debt obligations	2,543,856	1,926,608	1,466,826	1,480,522	4,010,682	3,407,130
Total liabilities	3,139,091	2,502,749	1,657,769	1,655,244	4,796,860	4,157,993
Deferred inflow of resources:						
Deferred inflow amount related to pension	491,214		25,859		517,073	
Total deferred inflow of resources	491,214		25,859		517,073	
Net position:						
Net investment in capital assets	1,362,707	1,352,261	893,262	902,340	2,255,969	2,254,601
Restricted	179,628	284,613	117,472	113,277	297,100	397,890
Unrestricted	(1,945,922)	(206,727)	223,719	252,278	(1,722,203)	45,551
Total net position, restated	$ (403,587)	1,430,147	1,234,453	1,267,895	830,866	2,698,042

The largest portion of the County's net position totaling $2,255,969 (272 percent) reflects its investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment) plus deferred outflows of resources related to the debt, net of depreciation and less any related debt used to acquire those assets that is still outstanding. 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 its 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 used to liquidate these liabilities.

Another significant portion of the County's net position totaling $297,100 (36 percent) is restricted and represents resources that are subject to external restrictions on how they may be used. The major categories of restricted net position are for bond reserves (17 percent), debt service (27 percent) capital projects (10 percent), health programs (18 percent), and transportation (18 percent). The County's restricted net position decreased by $100,790 from the prior year restricted net position amount of $397,890. The decrease is due primarily to combination of an increase to transportation of $15 million, a decrease for debt service of $83 million, and a decrease to health programs of $34 million.

The remaining balance of total net position, a negative $1,722,203 is unrestricted. Unrestricted net position decreased by $1,767,754 from the prior year. The decrease is primarily the result of a recognition of the County's unfunded pension obligations.

The County's total net position increased by $167,951 during the current fiscal year, which results in an increase of 6 percent of total net position from prior year. Total prior year net position amount of $2,735,069 was restated to $662,915 (a decrease of $2,072,154). This significant decrease was primarily due to implementing GASB Statement No. 68 which decreased net position by $2,035,127. The beginning net position was also decreased by $37,027 for overstatment of capital assets for infrastructure in the prior year. When compared to the prior year, government-wide revenues increased approximately $34,965 or 1 percent, and County government-wide expenses decreased approximately $138,441 or 5 percent. At the end of the current fiscal year the County reported a increase of 0.06 percent in net investment in capital assets. The increase in net investment in capital assets, of $1,368 represents capital purchases net of depreciation plus the retirement of related long-term debt. The County's restricted net position decreased by 25 percent while unrestricted net position decreased by 3,881 percent. The decrease to unrestricted net position is primarily due to implementing GASB Statement No. 68. Governmental activities reported a negative balance in unrestricted net position of $1,945,922 which is due to the recognition of the County's unfunded pension and long term debt obligations in the government-wide financial statements which uses long-term economic focus versus the current financial resources focus.

Governmental activities. Governmental activities increased the County's net position by $145,711.

The table on the next page indicates the changes in net position for governmental and business-type activities.

Condensed Statement of Activities
For the Year Ended June 30, 2015
(amounts expressed in thousands)

Primary Government	Governmental Activities		Business-type Activities		Total	
	2015	Restated 2014	2015	2014	2015	Restated 2014
Revenues:						
Program revenues:						
Charges for service	$ 381,084	377,771	313,757	299,791	694,841	677,562
Operating grants and contributions	1,223,283	1,225,662	878	20,001	1,224,161	1,245,663
Capital grants and contributions	18,210	40,793	19,119	11,891	37,329	52,684
General Revenue						
Taxes:						
Property	425,477	398,364			425,477	398,364
Sales / use	74,171	73,686	687	581	74,858	74,267
Transient	4,534	3,860			4,534	3,860
Unrestricted investment earnings (loss)	13,857	13,348	1,473	1,973	15,330	15,321
Grants and contributions not restricted to specific programs	287,041	234,422			287,041	234,422
Pledged tobacco settlement proceeds	12,368	12,493			12,368	12,493
Miscellaneous	51,966	78,304			51,966	78,304
Total revenues	2,491,991	2,458,703	335,914	334,237	2,827,905	2,792,940
Expenses:						
General government	169,604	202,583			169,604	202,583
Public assistance	639,831	629,196			639,831	629,196
Public protection	725,108	760,358			725,108	760,358
Health and sanitation	502,535	574,814			502,535	574,814
Public ways and facilities	152,186	152,956			152,186	152,956
Recreation and culture	34,771	37,150			34,771	37,150
Education	1,820	1,353			1,820	1,353
Interest and fiscal charges	125,603	122,597			125,603	122,597
Airports			188,132	199,264	188,132	199,264
Solid Waste			59,774	59,117	59,774	59,117
Water Agency			55,923	55,586	55,923	55,586
Parking Enterprise			2,463	1,725	2,463	1,725
County Transit			2,204	1,696	2,204	1,696
Total expenses	2,351,458	2,481,007	308,496	317,388	2,659,954	2,798,395
Change in net positon before transfers	140,533	(22,304)	27,418	16,849	167,951	(5,455)
Transfers	5,178	4,981	(5,178)	(4,981)		
Change in net position	145,711	(17,323)	22,240	11,868	167,951	(5,455)
Net position, beginning of year, as restated	(549,298)	1,447,470	1,212,213	1,256,027	662,915	2,703,497
Net position, end of year	$ (403,587)	1,430,147	1,234,453	1,267,895	830,866	2,698,042

Note: Beginning net position for FY 2014-15 was restated due to implementing GASB 68.

Total revenues for the County's governmental activities increased by $33,288 from the prior year. This increase is primarily due to increased tax revenue ($28 million), receipt of pre-2004 SB90 mandate reimbursements previously withheld due to State budget problems ($20 million), increase in Mental Health Services Act revenue ($20 million), offset by a reduction to roadway project funding ($26 million).

Total expenses for governmental activities were $2,351,458, a decrease of $129,549 or 5.2 percent from the prior year. This decrease was primarily due to prior year restatement for capital assets resulting in a decrease ($37 million), a reduction for reclassification of pension contributions to deferred outflow ($86 million), decreased expenses for health programs ($42 million) as a result of transition to Affordable Care Act, decreased expenses for road projects ($13 million) offset by increased expenses for public assistance ($35 million) due to expanded covererage for Foster Care, Cal WORKs and General Assistance.

Business-type activities. Business-type activities increased the County's net position by $22,240. The increase is primarily related to increased activity for Solid Waste and Water Agency. See page 17 for additional comments on changes to net position.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As a measure of the general fund's liquidity, it may be useful to compare both total fund balance and spendable fund balance to total fund expenditures. Total fund balance equates to 12.5 percent of total General Fund expenditures while spendable fund balance equates to 10.9 percent of total General Fund expenditures. Of the General Fund spendable fund balance, $232,455, or 93 percent is restricted.

As noted earlier, the County uses ***fund accounting*** to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are comprised of general, special revenue, debt service, and capital projects funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *total fund balance less nonspendable* portion is a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2015, the County's governmental funds reported combined fund balances of $595,467, an increase of $44,080 in comparison with the prior year's total ending fund balance of $551,387. The components of total fund balance are as follows (for more information, see Note 18 – Fund Balances):

- *Nonspendable fund balance*, $31,739, are amounts that are not spendable in form or are legally or contractually required to be maintained intact, and are made up of (1) inventory of $772, (2) prepaid items $21,495, (3) long term receivables/advances of $1,307, and (4) legally required Teeter Tax program loss reserves of $6,186 and (5) Teeter Tax delinquencies of $1,979.

- *Restricted fund balance*, $577,190, consists of amounts with constraints put on their use by externally imposed creditors, grantors, contributions, laws, regulations or enabling legislation. Examples of restrictions on funds are those for legislated amounts restricted for (1) health and sanitation of $211,906, (2) capital outlay of $65,352, (3) debt service of $101,784, (4) public ways and facilities of $53,277, (5) economic development of $40,433, (6) public protection of $50,376, (7) environmental mangagement of $15,141 and (8) Stormwater Utility $23,132.

- *Unassigned fund balance*, negative $13,462, represents the residual classification for the County's general fund. The deficit balance, all in the general fund, is primarily due to reclassification of amounts to nonspendable and restricted.

Approximately 94.7 percent, or $563,728, of the total fund balances is considered spendable. With the exception of the nonspendable portion, $577,190 is available for appropriation for restricted purposes, leaving a negative unassigned fund balance of $13,462.

The increase of $44,080 in the governmental funds combined fund balances was primarily attributable to a combined decrease to special revenue funds ($2 million), decrease in debt service ($4 million) offset by $50 million increase in general fund balance.

The General Fund is the chief operating fund of the County. The General Fund's total fund balance increased by 25 percent, or $50,393, to $249,830 at June 30, 2015. The nonspendable portion of fund balance was $30,837 and the spendable portion was $218,993, an increase of $52,196 from the prior year spendable balance of $166,797. This increase is primarily a result of 1) a decrease in non-spendable of $2 million for prepaid retirement, 2) increases in property tax revenues ($26 million), pre-2004 SB90 mandate reimbursement revenue ($20 million), mental health services act revenue ($20 million), SB 678 revenue for probation ($8 million) offset by 3) increases in expenditures for public assistance ($35 million), public protection ($32 million) and decreases for health program costs of ($43 million).

Other governmental funds: The total fund balances of the remaining governmental funds decreased 1.8 percent, or $6,313, to $345,637 with the following significant changes:

- The Special Revenue funds decreased by $2,564 from a prior year fund balance of $202,210 to $199,646 primarily due to timing for completion of project expenditures that resulted in an increase for Transportation Sales Tax ($1 million), an increase for Water Agencies ($4 million), and a decrease for Stormwater Utility ($8 million)
- The Debt Service funds decreased by $3,860 from $105,644 to $101,784 primarily due to a decrease in Teeter delinquencies ($5 million).
- The Capital Projects funds increased by $111 from $44,096 to $44,207 primarily due to decreased project expenditures for Community Fee districts ($2 million) and increased expenditures funded by for Tobacco Litigation Settlement ($1.7 million).

Revenues for total governmental funds totaled $2,508,063 in fiscal year 2014-15 which represents an increase of 2.5 percent from fiscal year 2013-14.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year:

Revenues Classified by Source
Governmental Funds
(amounts expressed in thousands)

	FY 2015		FY 2014		Increase/(Decrease)	
Revenue by Source	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	$ 504,182	20.10 %	475,910	19.45 %	28,272	5.94 %
Use of money and property	13,843	0.55 %	13,347	0.55 %	496	3.72 %
Licenses and permits	56,766	2.26 %	50,032	2.05 %	6,734	13.46 %
Intergovernmental	1,546,630	61.68 %	1,524,291	61.93 %	22,339	1.47 %
Charges for sales and services	244,887	9.76 %	249,034	10.18 %	(4,147)	(1.67)%
Fines, forfeitures and penalties	43,041	1.72 %	43,723	1.79 %	(682)	(1.56)%
Pledged tobacco settlement proceeds	12,368	0.49 %	12,493	0.51 %	(125)	(1.00)%
Miscellaneous	86,346	3.44 %	77,392	3.54 %	8,954	11.57 %
Total	$ 2,508,063	100.00 %	2,446,222	100.00 %	61,841	2.53 %

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Taxes increased primarily due to an increase in property taxes of $28 million as a result of increases in assessed value on secured property, both of which are from new construction and the sale of homes with higher property values than in prior years.

- Licenses and permits increased by $6 million, primarily for projects related to building inspections ($1 million), water drainage and flood control studies ($2 million), and roadway development projects ($3 million).

- Intergovernmental revenue increased by $22 million, primarily as a result of 1) increase of $20 million due to receipt of pre-2004 SB90 mandate reimbursements previously withheld due to State budget problems, 2) increase of $20 million for Mental Health Services Act (Prop 63), 3) increase of $8 million in SB678 revenue for probation, 4) increase of $5 million for economic development federal funding for an environmental remediation project, 5) increase of $30 million in state and federal funding for Cal WORKs and Foster Care programs, offset by 6) $35 million reduction in Health and Medical Treatment payments due to the transition of CMISP and LIHP to the Medi-Cal Managed Care program, and 7) $26 million reduction in roadway projects due to delayed project expenditures.

- Charges for sales and services decreased primarily due to a $3.4 million rebate for overcollection in county utility service fees in the prior year.

- Miscellaneous revenue increased primarily due to $5.3 million in proceeds from the sale of a county owned building used for the defeasance of COP debt, and the receipt of $2 million in prior year revenue for health programs.

Expenditures for governmental functions totaled $2,502,107 in fiscal year 2014-15, which represents an increase of 1.2 percent from fiscal year 2013-14.

The following table presents expenditures by function compared to prior year amounts:

Expenditures by Function
Governmental Funds
(amounts expressed in thousands)

	FY 2015		FY 2014		Increase/(Decrease)	
Expenditures by Function	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Current:						
General government	$ 151,271	6.05 %	142,581	5.76 %	8,690	6.09 %
Public assistance	656,873	26.25 %	621,588	25.13 %	35,285	5.68 %
Public protection	753,721	30.12 %	718,386	29.04 %	35,335	4.92 %
Health and sanitation	522,894	20.91 %	564,824	22.83 %	(41,930)	(7.42)%
Public ways and facilities	137,724	5.50 %	151,269	6.12 %	(13,545)	(8.95)%
Recreation and culture	35,368	1.41 %	34,650	1.40 %	718	2.07 %
Education	1,604	0.06 %	1,025	0.04 %	579	56.49 %
Capital outlay	35,754	1.43 %	40,629	1.64 %	(4,875)	(12.00)%
Debt service:						
Principal	69,242	2.77 %	72,695	2.94 %	(3,453)	(4.75)%
Interest and fiscal charges	137,656	5.50 %	125,196	5.06 %	12,460	9.95 %
Bond issuance costs			867	0.04 %	(867)	(100.00)%
Total	$ 2,502,107	100.00 %	2,473,710	100.00 %	28,397	1.15 %

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

- General government increased by $8 million primarily due to increases for capital asset purchases through County's interagency procurement program of $7 million, and increased election costs of $1 million.

- Public assistance increased by $35 million primarily due to increased Foster Care, Cal WORKS and General Assistance costs. The increases are due to changes in state law expanding eligibility coverage for Foster Care to include people between the ages of 18 and 21 and increased benefits for recipients of Cal WORKs and General Assistance.

- Public protection increased by $35 million as a result of 1) $27 million increase in salary and benefit costs resulting from negotiated labor agreements, 2) $6 million increase for Community Development services related to road maintenance, transportation projects and graffiti removal, and 3) $2 million increase in Animal Care and Regulation costs for increased liability insurance and facility costs.

- Health and Sanitation decreased by $42 million primarily related to Low Income Health Program that ended on January 1, 2014, when the Affordable Care Act went in to effect.

- Public Ways and Facilities decreased by $13 million due to Road projects that were not completed and will carry over to FY 2015-16.

- Capital Outlay decreased by $5 million primarily due to decreased project expenditures in Public Facilities Fixed Asset Financing Program ($1.5 million) and Tobacco Litigation Settlement ($4.2 million).

- Bond Principal decreased by $3 million due to combined increase for the defeasance of $5 million of 2006 Public Facilities COP debt and decreases of $2 million for pension obligation bonds and $6 million in Teeter notes.

- Interest costs increased $12 million due to Pension Obligation bonds.

- Bond issuance costs: No new bond issuances this year.

Other financing sources and uses are presented below to illustrate changes from the prior year:

			Increase/(Decrease)	
	FY 2015	FY 2014	Amount	Percent
Transfers in	$ 184,765	187,577	(2,812)	(1.50)%
Transfers out	(167,637)	(156,053)	(11,584)	7.42 %
Issuance of debt	20,996	135,060	(114,064)	(84.45)%
Discounts on debt issued		(2,180)	2,180	
Payment to refunded bonds escrow agent		(108,850)	108,850	
Total other financing sources (uses)	$ 38,124	55,554	(17,430)	(31.37)%

- Transfers in/out: Increase for net transfers out by $14 million are primarily due to 1) capital projects and roadway improvements ($2 million), 2) defeasance of 2006 Public Facilities COP debt ($5.3 million) and 3) pension obligation debt service payments ($7 million).

- Issuance of debt, discounts on debt issued, and payment to refunded bonds escrow agent: Decrease is due to no new bond issuances this year.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, the unrestricted net position for Airports was $116,999, Solid Waste $27,324, Water Agency $48,935, and Parking Enterprise $4,533 and County Transit $426. The internal service funds that are used to account for certain governmental activities had unrestricted net position of negative $111,524.

Airports total net position decreased by $4,558 during fiscal year ended June 30, 2015 primarily as a result of a combination of operating income of $25,260, net non-operating expenses of $(38,510), capital contribution of $11,457, and transfer out of $(2,765). The decrease was primarily due to a decrease in revenues by approximatly $1 million, which resulted from decreases in airfield charges, fuel sale revenue, and interest revenue; and decreased operating costs of approximatly $7.4 million.

The Solid Waste's total net position increased by $8,955 during fiscal year ended June 30, 2015. This increase was a result of a combination of operating income of $9,944, net non-operating income of $594, with a transfer out of $1,583. The increase in net position is primarily the result of operating revenues for residential service charges and tipping fees exceeding the cost of providing these services.

The Water Agency's total net position increased by $15,402 during fiscal year ended June 30, 2015. This increase was a result of a combination of operating income of $24,416; net non-operating expenses of $(11,598); a transfer out of $(797) ; and capital contribution of $3,381. The increase in net position is primarily the result of water service charges and development fee revenues exceeding the cost of providing these services.

The table below shows actual revenues, expenses and results of operations for the current fiscal year:

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
(amounts expressed in thousands)

	Major Funds			Non-Major Funds			Internal
	Airports	Solid Waste	Water Agency	Parking Enterprise	County Transit	Totals	Service Funds
Operating revenues	$ 158,440	69,636	63,650	3,002	228	294,956	275,701
Operating expenses	(133,180)	(59,692)	(39,234)	(2,463)	(2,204)	(236,773)	(249,934)
Operating income (loss)	25,260	9,944	24,416	539	(1,976)	58,183	25,767
Non-operating revenues, net	(38,510)	594	(11,598)		1,523	(47,991)	207
Income before capital contributions and transfers	(13,250)	10,538	12,818	539	(453)	10,192	25,974
Transfers in (out)	(2,765)	(1,583)	(797)	(33)		(5,178)	(11,950)
Capital contributions	11,457		3,381			14,838	
Changes in net position	$ (4,558)	8,955	15,402	506	(453)	19,852	14,024

The income before capital contributions and transfers of enterprise funds of $10,192 resulted primarily from net decrease for Airports of $13,250 and increases for Solid Waste of $10,538 and Water Agency of $12,818.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the Original Budget and the Final Budget resulted in a $74.6 million increase in appropriations in Fiscal Year 2014-15, and are briefly summarized as follows:

General Government: The budget for General Government increased by $13.4 million, mainly due to: 1) the inclusion of an $11.2 million repayment of resources previously transferred to the General Fund from other funds; 2) a $2.8 million increase in the Financing-Transfers/Reimbursements budget related to the transfer of $2 million in General Fund resources to the Community Investment Fund for Board of Supervisors' district projects and $750 to the Capital Construction Fund for the Orangevale Library project; and 3) a $2.3 million increase in the Non-Departmental Costs budget related to the payment of $1.1 million to the City of Sacramento in accordance with an automobile dealers sales tax sharing agreement, a $750 General Fund contribution to the Problem Property Trust Fund and a $450 increase in the budget for consulting services.

Public Assistance: The budget for Public Assistance increased by $14.1 million, mainly due to a $12.5 million increase in the Department of Human Assistance – Aid Payments budget related to the Foster Care, Adoptions Assistance and General Assistance programs and an appropriation for the potential transfer of Title IV-E "savings" to a separate fund following the implementation of the Federal Title IV-E Waiver.

Public Protection: The budget for Public Protection increased by $22.7 million, mainly due to: 1) a $6.4 million increase in the Probation Department budget related to the County's participation in the federal Title IV-E Foster Care waiver and increased employee labor costs; 2) a $6.1 million increase in the Sheriff's budget reflecting, in part, a $4 million reduction in budgeted salary savings to provide a more realistic savings factor, approximately $800 related to the implementation of the new Alternative Sentencing Program, approximately $800 in funding for radio maintenance and supplies for patrol cars, and approximately $1 million in various grant-funded expenditures; 3) a $4.1 million increase in the Community Development Department's budget related primarily to a one-time $2 million transfer of General Fund resources to the Roads Fund for road maintenance activities, approximately $900 to fund increased staffing in the Code Enforcement, Building Inspection and Surveys Divisions due to increased workload, approximately $600 for additional Community Prosecution services, and $600 to provide for on-call consultant services in the Building Inspection and Surveys Divisions; 4) a $2.9 million increase in the Court-County Contribution budget to cover increased costs associated with the change in accrual period; and 5) a $2 million increase in the District Attorney's budget primarily due to a $1.5 million increase at September budget adoption hearings to fully fund the Department's Base Budget.

Health and Sanitation: The budget for Health and Sanitation increased by $23.3 million due primarily to increased federal and state funding for services provided by the Department of Health and Human Services.

Actual revenues for the General Fund were $71.1 million less than the final budgetary estimates. The under-collection of revenues was mainly due to reduced health and social services program costs that resulted in reduced federal and state reimbursement revenue and other health and social services revenue reductions (approximately $56 million), a reduction in revenue to the Fixed Asset Acquisition Fund (approximately $7.6 million) and a reduction in grant, fee and other revenue in a number of departments (approximately $43 million), partially offset by increases in certain revenue sources, including a $26 million increase in discretionary revenue, primarily an $18 million increase in SB 90 revenue related to the State's repayment of pre-2004 SB 90 revenue owed to cities and counties and a $7 million increase in property tax revenue, and a $5 million increase in revenue for In-Home Supportive Service (IHSS) provider payments.

Actual expenditures were $190.7 million less than budgetary estimates. Expenditures less than budget were due to a number of factors, including: 1) reduced health and social services program costs (approximately $97 million); 2) expenditures for projects in the Fixed Asset Acquisition Fund were less than budgeted (approximately $31 million); and 3) salary and benefit and other cost savings in a number of departments due to vacant positions and other factors (approximately $62 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounted to $4,013,936, net of accumulated depreciation. This investment in capital assets includes land and easements, computer software and other intangibles, water facility rights, infrastructure, building and improvements, equipment, and construction in progress. The total decrease in the County's investment in capital assets for the current period was 1.57 percent.

Capital assets, net of accumulated depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Schedule of Capital Assets
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total		Increase/ (Decrease)
	2015	Restated 2014	2015	2014	2015	Restated 2014	Percent of Change
Non depreciable:							
Land	$ 137,377	141,136	133,557	133,557	270,934	274,693	(1.37)%
Construction in progress	33,024	22,100	63,122	49,648	96,146	71,748	34.01 %
Permanent Easement	8,456	6,229	25	25	8,481	6,254	35.61 %
Other Intangible			1,904	1,904	1,904	1,904	
Water facility rights			195,922	195,647	195,922	195,647	0.14
Depreciable:							
Buildings and improvements	443,964	468,066	1,723,625	1,778,891	2,167,589	2,246,957	(3.53)%
Infrastructure*	1,071,587	1,082,060 *	117,498	120,505	1,189,085	1,202,565 *	(1.12)%
Equipment	48,758	48,785	26,127	20,482	74,885	69,267	8.11 %
Computer Software	8,065	8,100	7	9	8,072	8,109	(0.46)%
Water facility rights			918	943	918	943	(2.65)%
Total	$ 1,751,231	1,776,476	2,262,705	2,301,611	4,013,936	4,078,087	(1.57)%

* Restated June 30, 2014 Infrastructure balance due to an overstatement of County Roadway infrastructrue which was transferred to City of Rancho Cordova, Citrus Heights, Elk Grove, and Folsom Incorporation. The Infrastructure's value decreased by $37 million.

The following provides an explanation of significant changes in capital assets (amounts expressed in millions):

- Land: Decreased in total by approximately $4 million. The overall decrease is due to the combination of the sale of the Bank of America building ($5), and an increase in the Road fund ($1.3)

- Permanent Easement: The increase is due to the Road fund ($2.2).

- Buildings and improvements: Decreased in total by approximately $79 million. This was due to a combination of increases in completed projects for Airports ($1.1), Waste ($1.7), Water Agency ($11), capitalized costs for the downtown administration building ($3.5), and Governmental projects

capitalized ($1); and decreases due to the Bank of America property that was sold ($3), depreciation for Airports ($51), Solid Waste ($2.7), Water Agency ($13.6), and Governmental funds ($27.6).

- Infrastructure: Decreased in total by approximately $13 million. This was due to a combination of increases in the Road Fund ($44), Storm Utilities ($6.6), and Water Agency ($0.5); and decreases due to depreciation of the Road fund ($49), Storm Utilities ($12) and Water Agency ($3.4).

- Construction in progress: Increased in total by approximately $24 million. This was due to a combination of decreases due to Airport projects capitalized to Building costs ($3.5), Water Agency to Structure ($8.4), Storm Utilities to Infrastructure ($4), Road fund capitalized to Infrastructrue ($1.6); capitalized costs to Downtown Building ($3.5), and Governmental projects capitalized ($3.7); and increases due to Airport projects capitalized ($10), Road fund ($1.8), Storm Utility ($5.5), Dependent Parks ($3), Solid Waste ($1.8), Governmental projects capitalized ($11.5), and Water Agency project capitalized ($13.8).

- Equipment: Increased in total by approximately $6 million. This was due to a combination of increases due to General Services ($8.7), Solid Waste ($10.1), Department of Technology ($1), and Governmental Funds ($3.8); and decreases for depreciation from General Services ($6.8), Regional Radio ($1.6), Solid Waste ($4.4), Airport ($1.3), Governmental Funds ($3), and Department of Technology ($1)..

Additional information on the County's capital assets can be found in Note 5 on pages 67 - 69.

Debt Administration

At June 30, 2015, the County's governmental activities had long-term obligations, totaling $1,932 million. Of this amount $245.6 million are Certificates of Participation, $238 million are Revenue bonds for cash settlement of the tobacco settlement agreement, and $86 million are revenue bonds issued by the Public Financing Authority to finance redevelopment projects in designated redevelopment project areas in the City and County of Sacramento, plus accreted interest.

Other significant long-term obligations include $30 million in loan agreements to fund the alternative method of distributing property taxes (Teeter Plan), and $974 million in bonds issued to eliminate the unfunded pension obligation existing between the County and the Sacramento County Employees' Retirement System, and $189 million associated accreted interest for Pension Obligation Bonds. The remaining represents various other debt obligations. In addition, compensated absences amounted to $108 million and capital lease obligations were $4 million.

Business-type activities had long-term obligations of approximately $1.481 billion. This includes $1.073 billion of Airports revenue bonds and other Airports debt, $17 million of Solid Waste Enterprise certificates of participation and other Solid Waste debt, and Sacramento County Water Agency revenue bonds, reimbursement agreements and usage fee totaling $392 million.

For the year ended June 30, 2015 the County's total long-term obligations had a net decrease of $95,629. The net decrease resulted primarily from a decrease from scheduled principal retirements of revenue bonds and certificates of participation ($59 million), and net decrease in pension obligation bonds and associated accreted interest ($42 million).

Long term debt for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Schedule of Long-Term Debt
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total		Increase/(Decrease)	
	2015	Restated 2014	2015	Restated 2014	2015	2014	Amount	Percent
Governmental activities:								
Compensated absences	$ 108,199	104,006	6,288	6,273	114,487	110,279	4,208	3.82 %
Certificates of participation	245,630	269,975	13,500	15,120	259,130	285,095	(25,965)	(9.11)%
Teeter notes	29,732	34,432			29,732	34,432	(4,700)	(13.65)%
Pension obligation bonds	973,934	990,308			973,934	990,308	(16,374)	(1.65)%
Accreted Interest	189,000	214,284			189,000	214,284	(25,284)	(11.80)%
Revenue bonds	324,102	326,852	1,136,430	1,154,800	1,460,532	1,481,652	(21,120)	(1.43)%
Accreted Interest	22,850	20,058			22,850	20,058	2,792	13.92 %
OPEB Liability	34,564	26,704	2,459	1,924	37,023	28,628	8,395	29.32 %
Other long-term debt	3,522	3,559			3,522	3,559	(37)	(1.04)%
Capital lease obligations	4,123	4,891			4,123	4,891	(768)	(15.70)%
Deferred amounts								
For issuance premiums	3,576	3,771	14,943	15,644	18,519	19,415	(896)	(4.61)%
For issuance discounts	(7,379)	(7,798)	(6,129)	(6,376)	(13,508)	(14,174)	666	(4.70)%
PFC and subordinate revenue bonds			304,055	316,575	304,055	316,575	(12,520)	(3.95)%
Reimbursement agreements			1,634	2,054	1,634	2,054	(420)	(20.45)%
Usage fee - City of Sacramento			3,213	4,215	3,213	4,215	(1,002)	(23.77)%
Water rights - SMUD assignment			4,956	5,715	4,956	5,715	(759)	(13.28)%
SMUD transformer				1,845		1,845	(1,845)	(100.00)%
	$ 1,931,853	1,991,042	1,481,349	1,517,789	3,413,202	3,508,831	(95,629)	(2.73)%

Additional information regarding the County's long-term debt can be found in Note 8, beginning on page 76.

Economic Factors and Next Year's Budget and Rates

- Four major sources of revenue generated from the performance of the economy are:
  - Property tax revenues (from all sources – secured, unsecured, delinquent, etc.) budgeted for FY 2015-16 are expected to increase over the FY 2014-15 Adopted Budget by $20.3 million, a 5.8 percent increase. The FY 2015-16 projection is a 4.4 percent increase over the FY 2014-15 actual collections. The FY 2015-16 projection is based on the July Assessment Roll prepared by the County Assessor.
  - Sales and use tax revenues budgeted for FY 2015-16 are expected to increase over the FY 2014-15 Adopted Budget by $7.3 million, a 9.7 percent increase. The FY 2015-16 projection is an 11.2 percent increase over FY 2014-15 actual collections. However, approximately $4.5 million of that increase is a one-time true-up related to the ending of the "Triple Flip". If that is factored out, the "real" increase in sales and use tax revenues over FY 2014-15 actual collections if approximately 5.1 percent.
  - Proposition 172 revenues budgeted for FY 2015-16 are expected to increase over the FY 2014-15 Adopted Budget by $3.9 million, a 3.8 percent increase.
  - Realignment revenues budgeted for FY 2015-16 are expected to increase over FY 2014-15 Adopted Budget by $64 million, a 14 percent increase. However, this increase reflects both new Realignment revenue received by the County and the allocation of fund balance carry-over in the various County Realignment trust funds. We are currently estimating that new Realignment revenue from all categories will increase by approximately $28.8 million, or 5.4 percent, in FY 2015-16 compared to the amount of new Realignment revenue actually received by the County in FY 2014-15.

- The FY 2015-16 General Fund Budget included a combination of increases and reductions that resulted in a net $116.5 million (5.3 percent) increase in appropriations compared to the FY 2014-15 Adopted General Fund Budget.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, 700 H Street, Room 3650, Sacramento, CA 95814.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

COUNTY OF SACRAMENTO
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First Five Commission
Assets:				
Current assets:				
Cash and investments	$ 658,157	306,542	964,699	59,773
Restricted cash and investments		57,781	57,781	
Receivables, net of allowance for uncollectibles:				
Billed	29,756	22,365	52,121	
Interest	758	13	771	
Intergovernmental	250,806	5,892	256,698	3,434
Receivable from component unit	568	211	779	
Prepaid expenses	21,815	108	21,923	
Internal balances	(20,512)	20,512		
Inventories	2,597	519	3,116	
Total current assets	943,945	413,943	1,357,888	63,207
Noncurrent assets:				
Restricted assets		148,124	148,124	
Loan receivable from Successor Agency	71,085		71,085	
Long-term receivables	70,187		70,187	
Prepaid bond insurance	6,548	8,825	15,373	
Capital assets:				
Land and other nondepreciable assets	178,857	394,530	573,387	
Buildings, improvements, infrastructure and equipment	1,572,374	1,868,175	3,440,549	
Total capital assets	1,751,231	2,262,705	4,013,936	
Total noncurrent assets	1,899,051	2,419,654	4,318,705	
Total assets	2,842,996	2,833,597	5,676,593	63,207
Deferred outflows of resources:				
Accumulated decrease in market value of SWAP agreement	107,268	60,393	167,661	
Deferred amounts on refunding	44,108	14,429	58,537	
Deferred outflows related to pensions	232,346	9,662	242,008	251
Total deferred outflows of resources	383,722	84,484	468,206	251
Total assets and deferred outflows of resources	3,226,718	2,918,081	6,144,799	63,458

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

COUNTY OF SACRAMENTO
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First Five Commission
Liabilities:				
Current liabilities				
Warrants payable	20,234	3,091	23,325	
Accrued liabilities	112,573	14,139	126,712	2,296
Intergovernmental payable	60,038	1,147	61,185	2,612
Accrued interest payable	17,778		17,778	
Current portion of insurance claims payable	33,130		33,130	
Payable to primary government				779
Current portion of long-term debt obligations	56,380	41,455	97,835	14
Current liabilities payable from restricted assets		28,278	28,278	
Unearned revenues	8,860	4,275	13,135	
Total current liabilities	308,993	92,385	401,378	5,701
Noncurrent liabilities:				
Insurance claims payable	177,345		177,345	
Long-term debt obligations	1,875,473	1,439,894	3,315,367	299
Derivative instrument liability	107,268	60,393	167,661	
Landfill closure and postclosure care		38,165	38,165	
Other long-term liabilities	1,629		1,629	
Net pension liability	668,383	26,932	695,315	693
Total noncurrent liabilities	2,830,098	1,565,384	4,395,482	992
Total liabilities	3,139,091	1,657,769	4,796,860	6,693
Deferred inflows of resources:				
Deferred inflows related to pensions	491,214	25,859	517,073	743
Total liabilities and deferred inflows of resources	3,630,305	1,683,628	5,313,933	7,436

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

COUNTY OF SACRAMENTO
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First Five Commission
Net position:				
Net investment in capital assets	1,362,707	893,262	2,255,969	
Restricted for:				
Bond reserves		50,523	50,523	
Landfill closure		9,155	9,155	
Kiefer Wetlands Preserve		927	927	
Debt service	36,459	42,509	78,968	
Capital projects	30,033		30,033	
Passenger facility charges		9,244	9,244	
Future construction		2,103	2,103	
Endowments:				
Expendable		59	59	
Nonexpendable		2,029	2,029	
Fire protection	171		171	
Health programs	54,465		54,465	
Transportation	53,277	923	54,200	
Lighting and landscape maintenance	2,809		2,809	
Community facilities	2,414		2,414	
Unrestricted	(1,945,922)	223,719	(1,722,203)	56,022
Total net position (deficit)	$ (403,587)	1,234,453	830,866	56,022

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

COUNTY OF SACRAMENTO
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

		Primary Government						Component Unit
		Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	First Five Commission
Primary government:								
Governmental activities:								
General Government	$ 169,604	169,287	220,224	297	220,204		220,204	
Public Assistance	639,831		492,059		(147,772)		(147,772)	
Public Protection	725,108	106,089	48,950	7,532	(562,537)		(562,537)	
Health and Sanitation	502,535	35,503	428,181	2,425	(36,426)		(36,426)	
Public Ways and Facilities	152,186	57,397	33,869	6,163	(54,757)		(54,757)	
Recreation and Culture	34,771	12,808		1,793	(20,170)		(20,170)	
Education	1,820				(1,820)		(1,820)	
Interest and fiscal charges	125,603				(125,603)		(125,603)	
Total governmental activities	2,351,458	381,084	1,223,283	18,210	(728,881)		(728,881)	
Business-type activities								
Airport	188,132	177,244	775	11,150		1,037	1,037	
Solid Waste	59,774	69,636	103			9,965	9,965	
Water Agency	55,923	63,649		7,133		14,859	14,859	
Parking Enterprise	2,463	3,001				538	538	
County Transit	2,204	227		836		(1,141)	(1,141)	
Total business-type activities	308,496	313,757	878	19,119		25,258	25,258	
Total primary government	$ 2,659,954	694,841	1,224,161	37,329	(728,881)	25,258	(703,623)	
Component Unit								
First Five Commission	$ 24,028		14,976					(9,052)
Total Component Units	$ 24,028		14,976					(9,052)
General revenue:								
Taxes:								
Property Taxes					425,477		425,477	
Sales /Use Taxes					74,171	687	74,858	
Transient Occupancy					4,534		4,534	
Unrestricted investment earnings (loss)					13,857	1,473	15,330	(545)
Grants and contributions not restricted to specific programs					287,041		287,041	
Pledged tobacco settlement proceeds					12,368		12,368	
Miscellaneous					51,966		51,966	
Transfers					5,178	(5,178)		
Total general revenues and transfers					874,592	(3,018)	871,574	(545)
Changes in net position					145,711	22,240	167,951	(9,597)
Net position (deficit), beginning of year, as restated					(549,298)	1,212,213	662,915	65,619
Net position (deficit), end of year					$ (403,587)	1,234,453	830,866	56,022

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

COUNTY OF SACRAMENTO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015
(amounts expressed in thousands)

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and investments	$ 197,472	340,102	537,574
Receivables:			
Billed	23,400	6,195	29,595
Interest	35	707	742
Intergovernmental	243,235	4,660	247,895
Receivable from component unit	568		568
Due from other funds	19	175	194
Prepaid items	21,495		21,495
Inventories	772		772
Long-term advances to other funds		9,207	9,207
Loan receivable from Successor Agency		71,085	71,085
Long-term receivables	33,243	36,857	70,100
Total assets	$ 520,239	468,988	989,227
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Warrants payable	$ 12,316	2,774	15,090
Accrued liabilities	86,009	12,543	98,552
Intergovernmental payable	47,326	12,658	59,984
Due to other funds	31,950	2,798	34,748
Unearned revenue	1,208	2,347	3,555
Long-term advances from other funds	41,752		41,752
Other long-term liabilities		1,629	1,629
Total liabilities	220,561	34,749	255,310
Deferred inflows of resources:			
Unavailable Revenue	49,848	88,602	138,450
Fund balances:			
Nonspendable	30,837	902	31,739
Restricted	232,455	344,735	577,190
Unassigned	(13,462)		(13,462)
Total fund balances	249,830	345,637	595,467
Total liabilities, deferred inflows of resources, and fund balances	$ 520,239	468,988	989,227

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

COUNTY OF SACRAMENTO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

Fund balances - total governmental funds	$ 595,467
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	1,708,577
Accrued interest	(17,778)
Prepaid bond insurance of the governmental activities are not current financial resources and, therefore are not reported in the funds.	6,548
Long-term liabilities and related deferred outflows of resources including loss on refunding, are not due and payable in the current period and therefore are not reported in the funds.	(1,873,347)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds	138,450
Net pension liability including related deferred outflows and inflows are not reported in the funds.	(867,133)
Internal service funds are used by management to charge the costs of certain activities, related to public works, general services, self-insurance, regional communications, and department of technology to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement net position.	(94,371)
Net position of governmental activities	$ (403,587)

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

COUNTY OF SACRAMENTO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Taxes	$ 463,728	40,454	504,182
Use of money and property	7,280	6,563	13,843
Licenses and permits	11,134	45,632	56,766
Intergovernmental	1,466,676	79,954	1,546,630
Charges for sales and services	134,703	110,184	244,887
Fines, forfeitures and penalties	28,626	14,415	43,041
Pledged tobacco settlement proceeds		12,368	12,368
Miscellaneous	45,215	41,131	86,346
Total revenues	2,157,362	350,701	2,508,063
Expenditures:			
Current:			
General government	97,544	53,727	151,271
Public assistance	656,873		656,873
Public protection	737,049	16,672	753,721
Health and sanitation	493,513	29,381	522,894
Public ways and facilities		137,724	137,724
Recreation and culture	16,011	19,357	35,368
Education	318	1,286	1,604
Capital outlay		35,754	35,754
Debt service:			
Principal		69,242	69,242
Interest and fiscal charges		137,656	137,656
Total expenditures	2,001,308	500,799	2,502,107
Excess (deficiency) of revenues over (under) expenditures	156,054	(150,098)	5,956
Other financing sources (uses):			
Transfers in	13,406	171,359	184,765
Transfers out	(119,067)	(48,570)	(167,637)
Issuance of debt		20,996	20,996
Total other financing sources (uses)	(105,661)	143,785	38,124
Net change in fund balances	50,393	(6,313)	44,080
Fund balances - beginning	199,437	351,950	551,387
Fund balances - ending	$ 249,830	345,637	595,467

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

COUNTY OF SACRAMENTO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

Net change in fund balances - total governmental funds	$ 44,080
Amounts reported for governmental activities in the statement of activities are different because:	
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 expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(26,252)
The issuance of long-term debt provides current financial resources to governmental funds, while 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	116,247
The net revenues of certain activities of internal service funds is reported with governmental activities.	11,636
Change in net position of governmental activities	$ 145,711

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

COUNTY OF SACRAMENTO
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues				
Taxes	$ 449,741	456,908	463,728	6,820
Use of money and property	5,764	7,501	7,280	(221)
Licenses and permits	11,239	11,273	11,134	(139)
Intergovernmental	1,472,203	1,506,282	1,466,676	(39,606)
Charges for sales and services	163,040	163,535	134,703	(28,832)
Fines, forfeitures and penalties	31,282	31,477	28,626	(2,851)
Miscellaneous	40,463	51,505	45,215	(6,290)
Total revenues	2,173,732	2,228,481	2,157,362	(71,119)
Expenditures:				
Current:				
General government:				
Legislative and administrative	54,939	62,690	13,932	48,758
Finance	60,198	65,222	47,552	17,670
Counsel	3,784	3,932	3,712	220
Human resources	11,194	11,259	10,122	1,137
Elections	8,684	8,684	8,017	667
Other	14,621	15,003	14,209	794
Total general government	153,420	166,790	97,544	69,246
Public assistance:				
Administration	276,332	277,629	262,181	15,448
Aid programs	355,239	367,776	364,095	3,681
Other	31,686	31,958	30,597	1,361
Total public assistance	663,257	677,363	656,873	20,490

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

COUNTY OF SACRAMENTO
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Public protection:				
Judicial	141,936	146,596	140,713	5,883
Police protection	267,818	273,037	278,276	(5,239)
Detention and correction	260,221	267,490	255,952	11,538
Protection and inspection	3,739	3,790	3,686	104
Other	64,048	69,518	58,422	11,096
Total public protection	737,762	760,431	737,049	23,382
Health and sanitation	546,892	570,183	493,513	76,670
Recreation and culture	15,688	16,850	16,011	839
Education	330	351	318	33
Total expenditures	2,117,349	2,191,968	2,001,308	190,660
Excess (deficiency) of revenues over (under) expenditures	56,383	36,513	156,054	119,541
Other financing sources (uses):				
Transfers in	13,541	13,541	13,406	(135)
Transfers out	(119,202)	(119,202)	(119,067)	135
Total other financing sources (uses)	(105,661)	(105,661)	(105,661)	
Net change in fund balance	$ (49,278)	(69,148)	50,393	119,541

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

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Assets:						
Current assets:						
Cash and investments	$ 169,195	77,069	55,320	4,958	306,542	120,583
Restricted cash and investments	55,678		2,103		57,781	
Receivables, net of allowance for uncollectibles:						
Billed	6,975	10,451	4,939		22,365	161
Interest				13	13	16
Intergovernmental	3,817	481		1,594	5,892	2,911
Receivable from component unit			211		211	
Due from other funds						41,567
Prepaid items	108				108	320
Inventories	519				519	1,825
Total current assets	236,292	88,001	62,573	6,565	393,431	167,383
Noncurrent assets:						
Restricted assets	111,334	10,082	26,708		148,124	
Long-term advances to other funds						41,752
Prepaid bond insurance	8,825				8,825	
Long-term receivables						87
Capital assets:						
Land and other nondepreciable assets	96,064	36,954	260,213	1,299	394,530	
Buildings & improvements, infrastructure, equipment and intangibles, net	1,222,361	85,842	557,603	2,369	1,868,175	42,654
Total capital assets	1,318,425	122,796	817,816	3,668	2,262,705	42,654
Total noncurrent assets	1,438,584	132,878	844,524	3,668	2,419,654	84,493
Total assets	1,674,876	220,879	907,097	10,233	2,813,085	251,876
Deferred outflows of resources:						
Accumulated decrease in market value of SWAP agreement			60,393		60,393	
Deferred amounts on refunding	12,824	581	1,024		14,429	
Deferred outflows related to pensions	4,932	2,986	1,698	46	9,662	13,355
Total deferred outflows of resources	17,756	3,567	63,115	46	84,484	13,355
Total assets and deferred outflows of resources	1,692,632	224,446	970,212	10,279	2,897,569	265,231

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

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Liabilities:						
Current liabilities:						
Warrants payable	$ 1,818	1,001	267	5	3,091	5,144
Accrued liabilities	6,736	4,145	3,107	151	14,139	13,517
Intergovernmental payable	1,104	5	27	11	1,147	557
Due to other funds	1,758	1,954	196	179	4,087	2,927
Current portion of insurance claims payable						33,130
Current portion of long-term debt obligations	27,518	1,779	12,154	4	41,455	658
Current liabilities payable from restricted assets	28,278				28,278	
Unearned revenue	4,118	157			4,275	5,305
Total current liabilities	71,330	9,041	15,751	350	96,472	61,238
Noncurrent liabilities:						
Insurance claims payable						177,345
Long-term debt obligations	1,045,365	14,874	379,608	47	1,439,894	13,740
Derivative instrument liability			60,393		60,393	
Long-term advances from other funds		902			902	8,305
Landfill closure and postclosure care		38,165			38,165	
Net pension liability	14,586	7,774	4,412	160	26,932	35,450
Total noncurrent liabilities	1,059,951	61,715	444,413	207	1,566,286	234,840
Total liabilities	1,131,281	70,756	460,164	557	1,662,758	296,078
Deferred inflows of resources:						
Deferred inflow amount related to pension	12,617	8,338	4,732	172	25,859	38,023
Total liabilities and deferred inflows of resources	1,143,898	79,094	464,896	729	1,688,617	334,101

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

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Net position:						
Net investment in capital assets	354,078	107,946	427,570	3,668	893,262	42,654
Restricted for:						
Bond reserves	24,810		25,714		50,524	
Landfill closure		9,155			9,155	
Kiefer Wetlands Preserve		927			927	
Debt service	41,515		994		42,509	
Passenger facility charges	9,244				9,244	
Transportation				923	923	
Future construction			2,103		2,103	
Endowments:						
Expendable	59				59	
Nonexpendable	2,029				2,029	
Unrestricted	116,999	27,324	48,935	4,959	198,217	(111,524)
Total net position (deficit)	$ 548,734	145,352	505,316	9,550	1,208,952	(68,870)
Adjustment to reflect internal service fund activities related to enterprise funds					25,501	
Net position of business-type activities					$ 1,234,453	

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

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Operating revenues:						
Charges for sales and services	$ 158,244	68,916	61,545	3,142	291,847	272,362
Other	196	720	2,105	88	3,109	3,339
Total operating revenues	158,440	69,636	63,650	3,230	294,956	275,701
Operating expenses:						
Salaries and benefits	27,022	22,299	8,315	359	57,995	89,871
Services and supplies	51,886	29,055	11,624	2,095	94,660	99,041
Cost of sales and services	510				510	3,111
Depreciation and amortization	53,532	7,152	17,154	507	78,345	10,482
Self-insurance						46,516
Landfill closure costs		1,186			1,186	
Other	230		2,141	1,706	4,077	913
Total operating expenses	133,180	59,692	39,234	4,667	236,773	249,934
Operating income (loss)	25,260	9,944	24,416	(1,437)	58,183	25,767
Nonoperating revenues (expenses):						
Use of money and property	(55)	188	1,340		1,473	16
Intergovernmental	468	487	3,752	836	5,543	
Passenger facility charges	18,514				18,514	
Sales / use tax				687	687	
Interest expense	(57,382)	(822)	(16,690)		(74,894)	(892)
Other	(55)	741			686	1,083
Total nonoperating revenues (expenses)	(38,510)	594	(11,598)	1,523	(47,991)	207
Income before capital contributions and transfers	(13,250)	10,538	12,818	86	10,192	25,974
Transfers out	(2,765)	(1,583)	(797)	(33)	(5,178)	(11,950)
Capital contributions	11,457		3,381		14,838	
Changes in net position	(4,558)	8,955	15,402	53	19,852	14,024
Net position (deficit), beginning of year, restated	553,292	136,397	489,914	9,497		(82,894)
Net position (deficit), end of year	$ 548,734	145,352	505,316	9,550		(68,870)
Adjustment to reflect internal service fund activities related to enterprise funds.					2,388	
Change in net position of business-type activities					$ 22,240	

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

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Airports	Solid Waste	Water Agency	Nonmajor Enterpirse Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	$ 165,163	61,479	57,231	3,142	287,015	80,843
Receipts from interfund services provided						219,234
Receipts for other operating activities		7,149	2,105		9,254	
Payments to suppliers	(33,061)	(24,486)	(13,679)	(3,648)	(74,874)	(131,228)
Payments to employees	(28,758)	(23,699)	(9,521)	(375)	(62,353)	(101,216)
Payments for other operating activities	209	(1,385)		39	(1,137)	(650)
Payments for interfund services used	(19,262)	(2,930)		(2)	(22,194)	(28,017)
Net cash provided by (used for) operating activities	84,291	16,128	36,136	(844)	135,711	38,966
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Receipt on advance from other funds						3,356
Payment on advance from other funds						(4,114)
Transfers from other funds			2,955	(33)	2,922	
Transfer to other funds	(2,765)	(1,583)			(4,348)	(11,950)
Interest paid on advance from other funds						(908)
Intergovernmental revenue	378			993	1,371	
Other non-operating revenue		1,512			1,512	
Non-operating expense						(5)
Net cash provided by (used for) noncapital financing activities	(2,387)	(71)	2,955	960	1,457	(13,621)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Passenger facility charges	18,154				18,154	
Capital contributions	8,336				8,336	
Acquisition and construction of capital assets	(5,439)	(13,508)	(9,897)	(564)	(29,408)	(12,024)
Principal paid on long-term obligations	(22,240)	(1,814)	(12,608)		(36,662)	
Interest paid on long-term obligations	(56,955)	(669)	(17,860)		(75,484)	(187)
Proceeds from the sale of capital assets	141	422			563	2,456
Net cash used for capital and related financing activities	(58,003)	(15,569)	(40,365)	(564)	(114,501)	(9,755)

The accompanying notes are an integral part of these financial statements.

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airports	Solid Waste	Water Agency	Nonmajor Enterpirse Funds	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investments	(41,389)				(41,389)	
Proceeds from sale and maturities of investments	78,012				78,012	
Interest received on cash and investments	168	188	1,347	(10)	1,693	58
Net cash provided by (used for) investing activities	36,791	188	1,347	(10)	38,316	58
Net increase (decrease) in cash and cash equivalents	60,692	676	73	(458)	60,983	15,648
Cash and cash equivalents, beginning of year	249,200	86,475	61,418	5,416	402,509	104,935
Cash and cash equivalents, end of year	$ 309,892	87,151	61,491	4,958	463,492	120,583
RECONCILIATION OF CASH AND CASH EQUIVALENTS						
Cash and investments	$ 169,195	77,069	55,320	4,958	306,542	120,583
Restricted cash and investments	55,678		2,103		57,781	
Restricted noncurret assets (net of accrued interest)	111,334	10,082	26,708		148,124	
Less: Long-term investments included in restricted assets	(26,315)		(22,640)		(48,955)	
Cash and cash equivalents	309,892	87,151	61,491	4,958	463,492	120,583

The accompanying notes are an integral part of these financial statements.

COUNTY OF SACRAMENTO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Airports	Solid Waste	Water Agency	Nonmajor Enterpirse Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR)OPERATING ACTIVITIES						
Operating income (loss)	25,260	9,944	24,416	(1,437)	58,183	25,767
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	53,532	7,152	17,154	507	78,345	10,482
Provision for uncollectible accounts	(27)				(27)	
Impact fee credits applied			(3,952)		(3,952)	
Other nonoperating revenue	208	(403)			(195)	
Non cash reduction in salaries and benefits GASB 68	(2,201)	(1,776)	(1,010)	(21)	(5,008)	(7,832)
Other nonoperating expense		(288)			(288)	
Changes in assets and liabilities:						
Billed	6,014	(774)	(363)		4,877	2,084
Due from other funds		55			55	1,882
Prepaid expenses	4				4	147
Inventories	65				65	781
Warrants payable	522	443		(86)	879	(437)
Accrued liabilities	(230)	1,515	223	191	1,699	503
Intergovernmental payable						(1,504)
Due to other funds		(160)	(64)	(2)	(226)	(214)
Unearned revenues	737				737	371
Landfill closure and postclosure care		(2)			(2)	
Compensated absences	131	242	(342)	(1)	30	945
Other post employment benefits	276	180	74	5	535	643
Insurance claims payable						5,348
Total adjustments	59,031	6,184	11,720	593	77,528	13,199
Net cash provided by (used for) operating activities	$ 84,291	16,128	36,136	(844)	135,711	38,966
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:						
Contributed assets	$		3,381		3,381	
Amortization of bonds premiums and discounts	30		388		418	
Impact fees - credit applied			3,950		3,950	
Capital grants receivable	3,426				3,426	
Amortization of deferred outflows	1,115				1,115	
Capital assets purchases included in accrued liabilities	1,846				1,846	
Accrued investment income	(781)				(781)	

The accompanying notes are an integral part of these financial statements.

COUNTY OF SACRAMENTO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	Agency	Investment Trust	Redevelopment Obligation Retirement Fund - Successor Agency
Assets:			
Cash and investments	$ 196,252	2,385,255	27,547
Receivables, net of allowance for uncollectibles:			
Billed	8,971		180
Interest	5,527		102
Intergovernmental			3,026
Prepaid items			7,922
Total assets	$ 210,750	2,385,255	38,777
Liabilities:			
Warrants payable	$ 14,125		
Accrued liabilities	3,746		581
Intergovernmental payable	192,879		1,406
Unearned revenue			2,613
Other long-term liabilities			6,852
Loan due to County Public Financing Authority			72,035
Total liabilities	$ 210,750		83,487
Net position (deficit) held in trust		$ 2,385,255	(44,710)

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

COUNTY OF SACRAMENTO
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Investment Trust	Redevelopment Obligation Retirement Fund - Successor Agency
Additions:		
Property taxes	$	6,085
Contributions on pooled investments	8,500,886	
Use of money and property	44,133	10
Miscellaneous		16
Total additions	8,545,019	6,111
Deductions:		
Distributions from pooled investments	8,153,615	
Services and supplies		1,712
Interest expense		4,281
Total deductions	8,153,615	5,993
Net increase (decrease) in net position	391,404	118
Net position held in trust, beginning of year	1,993,851	(44,828)
Net position (deficit) held in trust, end of year	$ 2,385,255	(44,710)

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Sacramento (County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The County's significant accounting policies are described below.

Scope of Financial Reporting Entity

The County reporting entity includes all significant organizations, departments, and agencies over which the County is considered to be financially accountable. The County is a political subdivision of the State of California, 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 a five-member Board of Supervisors. In addition, as required by GAAP, the financial statements present the financial position of the County and its component units (entities for which the County is considered to be financially responsible).

Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. All of the blended components have June 30 year-ends.

The special districts and agencies listed below are fiscally dependent on the County, and the County Board of Supervisors is their governing board, or their governing boards are made up substantially of the Board of Supervisors. In addition, financial actions such as setting rates, adopting the annual budget, and determining the legal liability for the general obligation debt, if any, of most of the component units remain with the County.

Blended Component Units:

Lighting and Landscape Maintenance District Special Revenue Fund:
- County Service Area Number One
- Sacramento County Landscape Maintenance District

Park Districts and Park Service Areas Special Revenue Fund:
- Del Norte Oaks Park Maintenance District
- Mission Oaks Recreation and Park District
- Carmichael Recreation and Park District
- Sunrise Recreation and Park District
- County Service Area Number Four

Special Revenue Fund Other:
- Natomas Fire District
- County Service Area Number Ten
- Water Agency Special Revenue Fund
- In-Home Support Services Authority
- Solid Waste Authority

Enterprise Fund:
- Water Agency Water Supply

The Tobacco Securitization Authority (Authority) of Northern California is a public entity legally separate and apart from the County, and is considered a blended component unit of the County. The Authority was created by a Joint Powers Agreement effective July 15, 2001 between the County and the County of San Diego. The Authority was created for the purpose of empowering the Authority to finance the payments received by the County from the nation-wide Tobacco Settlement Agreement (Payments) for such purposes, but not limited to, issuance, sale, execution and delivery of all Bonds secured by those Payments or the lending of money based thereof, or to securitize, sell, purchase or otherwise dispose of some or all of such payments of the County.

The debts and liabilities of the Authority belong solely to it, and neither the Counties of Sacramento or San Diego are in any way responsible for those liabilities. The Authority meets the criteria set forth in generally accepted accounting principles as a blended component unit of the County because the Authority is providing services solely to the County and is accounted for in debt service and special revenue funds.

The Sacramento County Public Financing Authority (PFA) is a public entity created by a Joint Exercise of Powers Agreement effective as of November 2003 between Sacramento County and the Sacramento Housing and Redevelopment Agency (Agency). The PFA is a public entity legally separate and apart from the County, and is considered a blended component unit of the County. The County Board of Supervisors sits as the Board of Directors of the PFA. The PFA was created for the purpose of obtaining financing for various designated redevelopment and housing projects in the greater Sacramento area. The debts and liabilities of the PFA belong solely to it, and neither the County nor the Agency is any way responsible for those liabilities.

The PFA established an agreement with the Agency in which the Agency would pay back to the PFA those debt proceeds advanced to them. On December 29, 2011, the California Supreme Court upheld California Assembly Bill X1 26 (ABX1 26) that provides for the dissolution of all redevelopment agencies. On January 24, 2012, the County Board of Supervisors elected to become the Successor Agency for the former County redevelopment agency in accordance with the ABX1 26 as part of County resolution number 2012-0051. As such, the Agency obligations with the PFA were transferred to the County Redevelopment Successor Agency Private Purpose Trust Fund.

The County has created the Public Facilities Financing Corporation (Corporation) for the purpose of facilitating the financing of public projects within the County. The Board of Supervisors appoints the governing board of the Corporation and is responsible for the fiscal and administrative activities of the entity. For financial reporting purposes, capitalized leases between the County and the Corporation have been eliminated and the financial data of the entity has been included within the County's reporting entity and is accounted for in a debt service fund.

Discretely Presented Component Unit:

Sacramento County First Five Commission is a discretely presented component unit. The Commission is administered by a governing board of seven memebers, who are appointed by the Board. Its purpose is to develop, adopt, promote and implement early childhood development programs in the County, funded by additional State taxes on tobacco products approved by Calfornia voters via Proposition 10 in November 1998. The Commission is presented as a discretely presented component unit of the County because, although the County Board has no control over the revenues, budgets, staff, or funding decisions made by the Commission, the appointed Commission members serve at the will of the Board members who appoint them. A separate stand-alone annual financial report can be obtained by writing to the Sacramento County First Five Commission, 2750 Gateway Oaks Drive, Suite 330, Sacramento CA 95833.

Excluded from the Reporting Entity:

The Sacramento County Employees' Retirement System is fiscally independent of the County and is governed by a separate Board of Directors and not by the County Board of Supervisors.

The reporting entity excludes certain separate legal entities. Some of these entities may have "Sacramento" in their title or are required to keep their cash and investments with the County Treasurer or receive property tax apportionments from the County. Examples are school districts, community college districts, cities, joint powers agencies, and a variety of special-purpose independent districts for cemeteries, fire, recreation and parks, and reclamation. These entities are autonomous organizations with their own governmental powers and constituencies. The Board of Supervisors does not appoint a voting majority of their boards. Accordingly, they are not included in the accompanying basic financial statements.

Certain assets, principally cash and investments, of these separate legal entities held by the County in a custodial capacity are included in the investment trust funds.

Joint Power Authorities or Jointly Governed Organizations

The County of Sacramento is a member of several Joint Powers Agencies (JPA) and/or jointly managed agencies. These are:

AGENCY	PURPOSE
Sacramento Area Council of Governments	Regional planning (primarily transportation)
Sacramento Employment and Training Agency	Coordination of Federal and State funding for job programs
Sacramento Area Flood Control Agency	Regional flood control issues
Sacramento Metropolitan Cable Television Commission	Administration of the franchising and licensing of cable TV services
Sacramento Housing and Redevelopment Agency	Housing projects
Sacramento Transportation Agency	Administration of County-wide transportation projects
Local Agency Formation Commission	Formation of districts and cities within the County
Sacramento/Placerville Transportation	Acquisition of rail lines for a transportation corridor
Sacramento Metropolitan Air Quality District	Monitor and enforce air quality
Library Joint Powers Authority	Library operations
Sacramento Regional County Sanitation District	Waste water conveyance, treatment and disposal
Sacramento Area Sewer District	Sewer Service
Southeast Connector JPA	Planning and development of the Elk Grove-Rancho Cordova-El Dorado Connector Project
River City Regional Stadium Financing Authority	Finance the acquisition and construction of River Cats Stadium
Sacramento Regional Arts Facilities Financing Authority	Finance acquisition, construction, improvement, renovation and equipping of certain theatre facilities located in the City of Sacramento
Sacramento Central Groundwater Authority	Regulate and manage groundwater within the Central Basin of Sacramento County

The Sacramento County Director of Finance acts as the Auditor-Controller and as the Treasurer and depository for all the above agencies except for the Sacramento Housing and Redevelopment Agency. Funding, if any, for each of these agencies from the County is based on annual appropriations. The County has no continuing financial liability and does not expect any financial burden from its participation in any of these agencies. Separate financial statements of the JPAs can be obtained by contacting the individual agencies or the County Department of Finance, Auditor-Controller Division.

Joint Ventures

The Sacramento County Water Enterprise Fund entered into a joint venture in 2002 with the East Bay Municipal Utility District establishing the Freeport Regional Water Authority (FRWA). The purpose of this partnership was to construct a joint regional surface water supply project on the Sacramento River near the community of Freeport and adjacent to the City of Sacramento. The Sacramento County Water Enterprise Fund has no equity interest in the FRWA. Copies of the FRWA's financial statements may be obtained from the FRWA Authority Treasurer, MS #801, P.O. Box 24055, Oakland, CA 94623-1055.

Government-Wide and Fund Financial Statements Presentation

Government–wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the primary government, the County and its component units. These statements include financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the County's business-type activities and each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by programs 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 provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category: governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental (special revenue, capital projects and debt service) and proprietary funds (Parking Enterprise and County Transit) are separately aggregated and reported as non-major funds.

The County reports the following major governmental fund:
The General fund is used to account for all financial resources except those legally required or designated by the Board to be accounted for in another fund.

The County reports the following major enterprise funds:
The Department of Airports fund is used to account for the facilities of the Airports, including the International, Executive, Franklin Field, and Mather Airfield airports.

The Solid Waste fund is used to account for the costs of the Solid Waste collection business, including the Solid Waste disposal site and transfer stations.

The Water Agency Fund is used to account for the construction of major water supply treatment, transmission and distribution as well as the retail service provider of water to the unincorporated area.

The County also reports the following fund types:
Internal service funds are used to account for the financing of goods, services, or facilities provided by one department to other departments of the County, or to other governmental units, on a cost-reimbursement basis. Internal service funds include General Services, Self-Insurance funds covering general liability and property damage, workers' compensation, dental and unemployment, Regional Communication for emergency communications services, and Department of Technology.

Investment trust funds account for the assets of legally separate entities that deposit cash with the County treasury. These entities include school districts, other independent special districts governed by local boards, regional boards and authorities, and pass through for property tax collections for cities. These funds represent assets, primarily cash and investments, held by the County in trust for these participants.

Agency funds account for the assets held by the County as an agent for various individuals, private organizations and other governmental agencies. These include Law Enforcement, Unapportioned Tax Collection, and other.

The 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 Sacramento County Redevelopment Successor Agency (Successor Agency). The fund was established effective February 1, 2012.

Measurement Focus and Basis of Accounting

The government-wide, proprietary and investment trust fund financial statements are reported using economic resources measurement focus and accrual basis accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the County gives or receives value without directly receiving or giving equal value in exchange, include property and sales taxes, grants, entitlements and donations. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes (other than property taxes), interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within one hundred and twenty days of the end of the accounting period so as to be both measurable and available. Licenses, permits, fines, forfeitures and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes are accrued when their receipt occurs within sixty days of the end of the accounting period. Expenditures are generally recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. Capital assets are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in-lieu of taxes and various other charges. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 are charges to customers for services including: water, solid waste, airline fees and charges, parking fees and public transit fees. The principal operating revenues for the County's internal services funds are charges for customer services including: fleet operations, purchasing, printing services, central stores, mail services, building maintenance, surplus property disposal, telecommunications, special district formation, real estate, surveyor, self insurance for: liability and property damages, workers' compensation claims and unemployment claims, emergency communication functions, telecommunication and data processing. Operating expenses for enterprise funds and internal services funds include cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When restricted assets become available, for their restricted purpose, they are used first, and then unrestricted assets are used as they are needed.

Implementation of New Governmental Accounting Standards

GASB Statement No. 68, ***Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27***

During the fiscal year ended June 30, 2015, the County implemented GASB Statement No. 68. 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. GASB Statement 68 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. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements about pensions have been addressed.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
The objective of this statement is to establish 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 provisions of this statement are effective for financial statements beginning after December 15, 2013. There was no material impact to the financial statements.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*
During the fiscal year ended June 30, 2015, the County implemented GASB Statement No. 71. 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. The provisions of this statement was applied simultaneously with the provisions of Statement 68.

Cash and Cash Equivalents
For purposes of the statement of cash flows the County considers all short-term highly liquid investments (including restricted assets) to be cash equivalents. Investments held in the County Treasurer's Pool are available on demand to individual entities, thus they are considered highly liquid and cash equivalents for purposes of the statements of cash flows.

Property Taxes
The County is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions within Sacramento County including the cities, school districts, and various special districts. Property taxes are payable in equal installments, November 1 and February 1. They become delinquent after December 10 and April 10, respectively. The assessment date for fiscal year 2014-15 is July 1 and the lien date is January 1 (unsecured property taxes are paid in one installment August 31). The tax collections are recorded in the Unapportioned Tax Collection Agency fund prior to apportionment.

Beginning in fiscal year 1993-94, the County Board of Supervisors adopted a resolution authorizing the "Alternative Method of Property Tax Apportionment" (Teeter Plan), under which the County converted to an accrual method of apportioning secured property taxes. Under the Teeter Plan, the County purchases the annual delinquent secured property taxes from the local taxing entities and selected special assessment districts in Sacramento County. The financing of the purchase of the delinquent secured property taxes under the Teeter Plan has been accomplished by five-year legal, secured medium-term note obligations of the County which have been purchased by the Treasurer's Pool. The terms of the notes include a variable interest rate, adjusted on a quarterly basis, equal to the rate of interest on the U.S. Treasury Note for the number of years corresponding to the remaining term of each note.

For financial reporting purposes, a debt service fund was created to account for the proceeds, subsequent purchase of delinquent taxes of the taxing entities, and the accumulation of financial resources to be used to repay the notes. Collections on the delinquent secured taxes including interest and penalties purchased from the various taxing entities will be the primary funding source. The delinquent secured taxes are recorded as a long-term receivable in the debt service fund.

A description of the debt related to the Teeter Plan can be found in Note 8.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense/expenditure until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. A deferred inflow of resources is an acquisition of net position that applies to a future reporting period and will not be recognized as a revenue until then.

In addition to liabilities, the balance sheet of governmental funds reports a separate section for deferred inflows of resources. Unavailable revenue reported consists primarily of revenue outside of the County's 120 day availability policy. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as revenue until that time.

Intergovernmental Revenues

The federal government and State of California reimburse the County for costs incurred on certain capital asset construction projects under capital grant agreements. Amounts claimed under such grants are credited to intergovernmental revenues if the project is being administered by a capital projects fund or to capital contributions revenue if administered by a proprietary fund. Additionally, the County receives reimbursement from the federal government and State of California for other programs, such as public assistance, administered by the County. These reimbursements are recorded in the fund administering the program as intergovernmental revenues with the related program costs included in expenditures.

The respective grant agreements generally require the County to maintain accounting records and substantiating evidence sufficient to determine if all costs incurred and claimed are proper and that the County is in substantial compliance with other terms of the grant agreements. These records are subject to audit by the appropriate government agency. Any amounts disallowed will reduce future claims or be directly recovered from the County.

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either due to/from other funds or advances to/from other funds. Any remaining balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. Advances to other funds, as reported in the fund statements, are offset by unavailable revenue or nonspendable fund balance in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Inventories

Inventory for governmental funds consist of pharmacy supplies and jail inventory which consists of clothing for inmates and supplies for jails and jail staff. Inventories are valued at cost, using the first-in/first-out method. Inventories of proprietary funds are recorded at the lower of cost computed by the weighted average method or market value.

Prepaid Items

Payments made for services that will benefit future accounting periods are recorded as prepaid items. Prepaid items, as reported in the governmental funds balance sheet, are offset by a nonspendable fund balance account to indicate such amounts are not in spendable form.

Restricted Assets

Certain proceeds of proprietary fund obligations, as well as certain other resources set aside for obligation repayment and future construction or acquisition of assets, are classified as restricted assets on the statement of net position. These amounts are restricted as their use is limited by applicable bond covenants or other external requirements.

Capital Assets

Capital assets, which include land, easement, structures and improvements, infrastructure, machinery and equipment, computer software, water facility rights, and other intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than $5 and an estimated useful life in excess of four years except for computer software, computer and peripheral equipment which have an estimated useful life of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The County has not reported infrastructure acquired prior to 1980. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures of the General, special revenue, and capital projects funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital lease is included in depreciation and amortization. Structures and improvements, infrastructure, equipment and intangible assets of the primary government, are depreciated using the straight line method over the following estimated used lives:

Assets	Years
Buildings and Improvements	4 to 50
Infrastructure	20 to 50
Equipment	3 to 25
Computer Software	3 to 10
Water Facility Rights	40 to 50

Compensated Absences

County employees are granted vacation in varying amounts based on classification and length of service. Additionally, certain employees are allowed compensated time-off in lieu of overtime compensation and/or for working on holidays.

Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to future years, with no limit to the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits. The County does not pay accumulated sick leave to employees who terminate prior to retirement. It is the policy of the County to pay certain employees a portion of their sick leave at retirement.

The County accrues for compensated absences in the government-wide and proprietary fund statement for which they are liable to make payment. The liquidation of compensated absences occurs in the fund where the employee resides when the hours are used or upon retirement or termination from the County.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Issuance costs, are expensed in the year incurred.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs are recognized in the period issued. Bond proceeds are reported as other financing sources.

Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form; or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, 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 determined by formal action of the County's highest level of decision-making authority (Resolution by the Board of Supervisors), and that remains binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance – amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making (Resolution by Board of Supervisors), or by a body or an official designated by the Board of Supervisors for that purpose. The Board of Supervisors has adopted an accounting policy whereby the authority to assign fund balance to specific purposes is delegated to the County Administrator in consultation with the County Director of Finance. This is also the classification for residual funds in the County's special revenue, capital projects, and debt service funds.
- Unassigned fund balance – the residual classification for the County's General Fund that includes amounts not contained in the other classification. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the County's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the County's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

The Board of Supervisors, as the highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, (resolution). These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use through the same type of formal action taken to establish the commitment. Board action to commit fund balance needs to occur within the fiscal reporting period; but the amount, if any, which will be subject to the constraint, may be determined at a subsequent period.

Spending Policy

Each year when preparing the budget for the next fiscal year, the Board of Supervisors will on an annual basis, determine any growth in total General Fund discretionary revenue over the current fiscal year. The growth will be used first to fund any increases that result from:

- Any memoranda of understanding (MOU's) between the County and its labor organizations; and
- All legal obligations.

Any remaining discretionary revenue growth will be appropriated as follows:

- First, up to $10 million to repay the Interfund Loans until fully repaid; and
- Second, 50 percent to the General reserve, and 50 percent reinvested in high priority services as determined by the Board of Supervisors.

In the event that total General Fund discretionary revenue exceeds $566 million, any remaining discretionary revenue growth available after satisfying MOU a legal obligations and repayment of the Interfund Loans will be appropriated as follows:

Item	Amount	Maximum
Unassigned General Reserve	5 percent	10 percent of discretionary revenues
Innovation Investment Revolving Fund	5 percent	5 percent of discretionary revenues
Management Audits	5 percent	Based on need
High Priority Services	Balance	No maximum

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net investment in Capital Assets* – This category groups all capital assets, including infrastructure and deferred outflows of resources, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the County, not restricted for any project or other purpose.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Liability/Property, Workers Compensation, Unemployment and Department of Technology ISF Deficit Net Position

As of June 30, 2015, the Liability/Property, Workers Compensation and Department of Technology ISF have deficit net position of $16,818, $89,378 and $21,249, respectively. These deficits in net position represent the county's unfunded actuarially determined liability for the liability/property and workers compensation. The County is collecting additional amounts from the departments to eliminate the unfunded liability.

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NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balances of the County's governmental funds of $595,467 differs from net positon of governmental activities of $(403,587) primarily from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental fund balance sheets. The effect of the differences is illustrated below:

Balance Sheet/Statement of Net Position

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Governmental Activities Statement of Net Position
Assets:					
Current assets:					
Cash and investments	$ 537,574	$	$ 120,583	$	$ 658,157
Receivables, net of allowance for uncollectibles:					
Billed	29,595		161		29,756
Interest	742		16		758
Intergovernmental	247,895		2,911		250,806
Receivable from component unit	568				568
Due from other funds	194		16,067	(36,773)	(20,512)
Prepaid expenses	21,495		320		21,815
Inventories	772		1,825		2,597
Total current assets	838,835		141,883	(36,773)	943,945
Noncurrent assets:					
Long-term receivables	70,100		87		70,187
Prepaid Bond Insurance		6,548			6,548
Long-term advances to other funds	9,207		41,752	(50,959)	
Loan receivable from Successor Agency	71,085				71,085
Capital assets:					
Land and other nondepreciable assets		178,857			178,857
Buildings & improvements, infrastructure, equipment and intangibles, net		1,529,720	42,654		1,572,374
Total capital assets		1,708,577	42,654		1,751,231
Total noncurrent assets	150,392	1,715,125	84,493	(50,959)	1,899,051
Total assets	989,227	1,715,125	226,376	(87,732)	2,842,996
Deferred outflows of resources:					
Accumulated decrease in market value of SWAP agreement		107,268			107,268
Deferred outflow of resources related to pensions		218,991	13,355		232,346
Loss on refunding		44,108			44,108
Total deferred outflows of resources		370,367	13,355		383,722

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Governmental Activities Statement of Net Position
Liabilities					
Current liabilities:					
Warrants payable	15,090		5,144		20,234
Accrued liabilities	98,552		14,021		112,573
Intergovernmental payable	59,984		54		60,038
Accrued interest payable		17,778			17,778
Due to other funds/payable to external parties	34,748		2,927	(37,675)	
Current portion of insurance claims payable			33,130		33,130
Current portion of long-term debt obligations		55,722	658		56,380
Deferred / unearned revenue	3,555		5,305		8,860
Total current liabilities	211,929	73,500	61,239	(37,675)	308,993
Noncurrent liabilities:					
Insurance claims payable			177,345		177,345
Long-term debt obligations		1,861,733	13,740		1,875,473
Derivative instrument liability		107,268			107,268
Net pension liability		632,933	35,450		668,383
Long-term advances from other funds	41,752		8,305	(50,057)	
Other long-term liabilities	1,629				1,629
Total noncurrent liabilities	43,381	2,601,934	234,840	(50,057)	2,830,098
Total liabilities	255,310	2,675,434	296,079	(87,732)	3,139,091
Deferred inflows of resources	138,450	(138,450)			
Deferred inflows of resources related to pension		453,191	38,023		491,214
Total deferred inflows	138,450	314,741	38,023		491,214
Fund balances/net position:					
Nonspendable	31,739			(31,739)	
Restricted	577,190			(577,190)	
Unassigned	(13,462)			13,462	
Net investment in capital assets		1,708,577	42,662	(388,532)	1,362,707
Restricted for:					
Debt service		(11,230)		47,689	36,459
Capital projects				30,033	30,033
Fire protection				171	171
Health programs				54,465	54,465
Transportation				53,277	53,277
Lighting and landscape maintenance				2,809	2,809
Community facilities				2,414	2,414
Unrestricted		(2,602,030)	(137,033)	793,141	(1,945,922)
Total fund balance / net position	$ 595,467	(904,683)	(94,371)		(403,587)

(a) Explanation of certain differences between the governmental funds balance sheet and the governmental activities statement of net position:

(1) When capital assets (land, infrastructure, building, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the County as a whole.

Cost of capital assets	$ 4,089,976
Accumulated depreciation	(2,381,399)
	1,708,577

Prepaid bond insurance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net position. 6,548

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Compensated absences	(96,429)
Other post employment benefits (OPEB)	(29,709)
Bonds, loans, capital leases, other payables	(1,579,467)
Derivative instrument liability	(107,268)
Accreted interest	(211,850)
Accrued interest payable	(17,778)
	(2,042,501)
Net Pension Liability	
Deferred outflows related to pensions	218,991
Net pension liability	(632,933)
Deferred inflows related to pensions	(453,191)
	(867,133)

Because the focus of governmental funds is on short-term financing, some deferred outflows of resources will not be available to pay for certain period expenditures.

Accumulated decrease in market value of SWAP agreement	107,268
Loss on refunding	44,108
Total deferred outflows of resources	151,376
Unavailable revenue	138,450
Total	$ (904,683)

(2) Internal service funds are used by management to charge the costs of certain activities, related to public works, general services, self-insurance, regional communications and department of technology to individual funds. The assets and deferred outflows, and liabilities and deferred inflows, of certain internal service funds are included in governmental activities in the statement of net position.	$ (94,371)

The net change in fund balances for governmental funds of $44,080, differs from the change in net position for governmental activities of $145,711 reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated on next page.

Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

	Total Governmental Funds	Capital-Related Items (3)	Long-term Revenues, Expenses (4)	Internal Service Funds (5)	Reclassifications and Eliminations	Statement of Activities
Revenues:						
Taxes:						
Property	$ 425,477					425,477
Sales / use	74,171					74,171
Transient occupancy	4,534					4,534
Use of money and property	13,843			16	(2)	13,857
Licenses and permits	56,766				(56,766)	
Intergovernmental	1,546,630				(1,546,630)	
Charges for sales and services	244,887			3,332	132,865	381,084
Operating grants and contributions					1,223,283	1,223,283
Capital grants and contributions					18,210	18,210
Grants and contributions not restricted to specific programs					287,041	287,041
Fines, forfeitures and penalties	43,041				(43,041)	
Pledged tobacco settlement proceeds	12,368					12,368
Miscellaneous	86,346		(20,500)	1,083	(14,963)	51,966
Total revenues	2,508,063		(20,500)	4,431	(3)	2,491,991

Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

	Total Governmental Funds	Capital-Related Items (3)	Long-term Revenues, Expenses (4)	Internal Service Funds (5)	Reclassifications and Eliminations	Statement of Activities
Expenditures/expenses						
Current:						
General government	$ 151,271	28,973	(6,940)	(3,700)		169,604
Public assistance	656,873	1,013	(12,868)	(5,187)		639,831
Public protection	753,721	16,232	(39,237)	(5,608)		725,108
Health and sanitation	522,894	(3,345)	(13,207)	(3,807)		502,535
Public ways and facilities	137,724	18,319	(2,277)	(1,588)	8	152,186
Recreation and culture	35,368	574	(1,044)	(127)		34,771
Education	1,604	240	6	(30)		1,820
Capital outlay	35,754	(35,754)				
Debt service:						
Principal	69,242		(69,242)			
Interest and fiscal charges	137,656		(12,934)	892	(11)	125,581
Total expenditures/expenses	2,502,107	26,252	(157,743)	(19,155)	(3)	2,351,436
Excess (deficiency) of revenues over (under) expenditures/expenses	5,956	(26,252)	137,243	23,586		140,533
Other financing sources (uses):						
Transfers in	184,765					184,765
Transfers out	(167,637)			(11,950)		(179,587)
Issuance of debt	20,996		(20,996)			
Total other financing sources (uses)	38,124		(20,996)	(11,950)		5,178
Net change in fund balances/net position	44,080	(26,252)	116,247	11,636		145,711
Fund balances/net position - beginning	551,387	1,734,552	(2,729,230)	(106,007)		(549,298)
Fund balances/net position - ending	$ 595,467	1,708,300	(2,612,983)	(94,371)		(403,587)

(b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the governmental statement of activities.

(3) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources depreciation expense charged for the year. Donated assets result in an increase in net position.

Total	$ (26,252)

(4) Bond issuance costs are expended in governmental funds when paid, and prepaid insurance is capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities. $ (504)

Repayment of bond principal is reported as an expenditure in the governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the governmental activities, however, the principal payments reduce the liabilities in the statement of net position. The County's bonded debt was reduced because principal payments were made to bond holders and to escrow agent for refunded bonds:

Certificate of participation	24,345
Teeter notes	25,696
Revenue bonds	2,750
Pension Obligation Bonds	16,374
Accreted Interest	36,607
Capital leases obligations	768
Other long-term debt	77
Total	106,617

(4) Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the governmental activities statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Proceeds were received from:

Teeter notes	(20,996)
Pension Obligation Bonds accreted interest	(11,323)
Revenue bonds accreted interest	(2,792)
Premium/discounts	(1,063)
Total	(36,174)

Contributions to pension plans are reported as expenses in the governmental funds and thus reduce fund balance. In the governmental activities statements, however, contributions to pension plans reduce net pension liability in the statement of net position and does not affect the statement of activities. 86,133

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;

Change in other post employment benefits (OPEB)	(6,667)
Change in compensated absences	(3,899)
	(10,566)

Amortization of deferred inflows (5,664)

Some revenues will not be collected for several months after the year ends, and therefore are not considered "available" and are reported as unavailable revenue in the governmental funds. Deferred inflows decreased by this amount during the year. (20,500)

Decrease in accrued interest (2,901)

Total $ 123,790

(5) Internal service funds are used by management to charge the costs of certain activities, related to public works, general services, selfinsurance, regional communications and department of technology to individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. $ 11,636

NOTE 3 - BUDGETARY PRINCIPLES

As required by the laws of the State of California, the County prepares and legally adopts a final balanced operating budget on or before August 30 of each fiscal year. The Board of Supervisors may, by resolution, extend on a permanent basis or for a limited period, the date from August 30 to October 2. The final budget for fiscal year 2014-15 was adopted on September 23, 2014. Until the adoption of a final balanced budget, operations were governed by the proposed budget approved by the Board of Supervisors in June 2014. Public hearings were conducted on the proposed final budget to review all appropriations and the sources of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in financing requirements.

Operating budgets are adopted for the General Fund, special revenue funds, debt service funds, and capital projects funds on the modified accrual basis of accounting. Budgetary control and the legal level of control are at the budget unit and object level, which classifies expenditures by organizational unit, and by type of goods purchased and services obtained. The statement/schedules of revenues and expenditures - budget and actual presents revenues at the source level and expenditures at the function level. Negative variances on these statements are not indicative of the County's legal level of control.

It is not feasible to compare budget to actual data at the object level in this report. Therefore, this information is contained in a separate report prepared by the Department of Finance, Auditor-Controller Division, titled “Countywide Expenditure Status Report.” Significant amendments, appropriation transfers between departments or funds, and transfers from contingencies must be approved by the Board of Supervisors. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board of Supervisors.

During Fiscal Year 2014-15, the original adopted budget was amended by the Board of Supervisors. The final budget data contained in the financial statements reflects the effect of all approved budget amendments. During Fiscal Year 2014-15, the appropriation limit for the fiscal year 2014-15 budget year was reviewed and determined to be calculated in accordance with Article XIIIB of the California Constitution.

Encumbrance appropriations lapse at the end of the fiscal year with no provisions made to include in the governmental funds restricted, committed or assigned fund balance for following year re-appropriation. Expenditures associated with the encumbrances anticipated to be paid in the next year will be included as part of the following fiscal year budget approval process.

NOTE 4 - CASH, INVESTMENTS, AND RESTRICTED ASSETS

All investments are reported on the statement of net position/balance sheet, at fair value, except for the investment agreement(s) which are carried at cost. The cash and investment pool (Treasurer’s Pool) is available for use by all funds. The portion of this pool applicable to each fund type is displayed on the statements of net position/balance sheets as “cash and investments”. The share of each fund in the pooled cash account is separately accounted for and interest earned, net of related expenses, is apportioned quarterly and at the end of the fiscal year based on the relationship of its average daily cash balance to the total of the pooled cash and investments. The apportionment due to the internal service funds and certain agency funds accrues to the benefit of the General fund. The County, acting in a fiduciary capacity, invests bond proceeds in accordance with long-term obligation covenants. The Treasurer’s investment pool and funds managed in a fiduciary capacity, are subject to oversight by the Treasury Oversight Committee. The value of pool shares that may be withdrawn is determined on an amortized cost basis, which differs from fair value. The difference from their fair value is noted annually on the GASB Statement No. 31, *Compliance - Fair Value Adjustment* letter prepared annually by the County Director of Finance. The County has not provided or obtained any legally binding guarantees during the fiscal year to support the value of pool shares. The County does not permit any voluntary participation in the Treasurer’s Pool. Fair value is determined on a monthly basis.

A separately issued report of County Treasurer's Internal and External Pools is available at http://www.finance.saccounty.net/Treasury/Rpts.asp.

Cash, investments, and restricted assets as shown on the basic financial statements at June 30, 2015, are as follows:

Government-wide statement of net position:	
Cash and investments	$ 964,699
Restricted assets, included in current assets	57,781
Restricted assets, included in noncurrent assets	148,124
Fiduciary funds statement of net position:	
Agency	196,252
Private Purpose Trust	27,547
Investment Trust	2,385,255
Discretely presented component unit (First Five Commission)	59,773
Total cash, investments, and restricted assets including interest receivable	3,839,431
Less interest receivable included in restricted assets	(1,939)
Total cash, investments, and restricted assets	$ 3,837,492

Investments Authorized by Debt Agreement

Cash and investments held by fiscal agents are restricted as to its use. It includes funds for the construction/acquisition of plant and equipment and funds designated by debt agreements as reserve funds and for servicing debt during the construction/acquisition of plant and equipment. At June 30, 2015, all cash held by fiscal agents was covered by federal depository insurance or by collateral held by the County's financial institutions in the County's name.

Investments Authorized by Government Code and County Investment Policy

Investments by the County Treasurer are invested in accordance with Government Code Section 53600 et. seq. and 16429.1 and County Investment Policy. This Code requires that the investments be made with the prudent investor standard, that is, when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the trustee (Treasurer and staff) will act with care, skill, prudence, and diligence under the circumstances then prevailing.

The Government Code also requires that when following the investing actions cited above, that the primary objective of the trustee be to safeguard the principal, secondarily meet the liquidity needs of depositors, and then achieve a return on the funds under the trustee's control. Further, the intent of the Government Code is to minimize risk of loss on County held investments from:

a. Interest rate risk
b. Credit risk
c. Custodial credit risk
d. Concentration of credit risk

Specific restrictions of investment are noted below:

Government Code Section 53601 and the County Investment Policy lists the investments in which the Treasurer may purchase. These include bonds issued by the County; United States Treasury notes, bonds, bills or certificates of indebtedness; registered state warrants, treasury notes, or bonds of the State of California; registered treasury notes or bonds of any of the other 49 states in addition to California; bonds, notes, warrants or other forms of indebtedness of any local agency within California; obligations issued by banks for cooperatives, federal land banks, federal home loan banks, the Federal Home Loan Bank Board or other instruments of, or issued by, a federal agency or United States, government sponsored enterprise; bankers acceptances (not over 180 days maturity, not to exceed 40 percent of the total portfolio); commercial paper of "prime quality" (the highest ranking provided by either Moody's investor services or Standard and Poor's Corporation) and these investments are further restricted as to capacity and credit rating of the company and are restricted as to a percentage of the whole portfolio and the dollar-weighted average maturity is also restricted; negotiable certificates of deposit issued by approved banks, not to exceed 30 percent of the total portfolio; repurchase and reverse repurchase agreements are permitted investments but are subject to stringent rules regarding term, value and timing, all put in place to minimize risk of loss; medium term notes, carry a maturity of no more than five years and rated "A" or better by a nationally recognized rating service, not to exceed 30 percent of the portfolio; shares of beneficial interest issued by a diversified management company subject certain limitations; notes, bonds and other obligations that are at all times secured by a valid first priority security interest in securities of the types listed in Government Code Section 53651; mortgage pass-through securities and other mortgage and consumer receivable backed bonds, not to exceed maturity of five years, subject to the credit rating of the issuer and not to exceed 20 percent of the portfolio; shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized previously.

In addition to the restrictions and guidelines cited in the Government Code, the County Board of Supervisors annually adopts an "Annual Investment Policy for the Pooled Investment Fund" (The Policy). The Policy is prepared by the Department of Finance and is based on criteria cited in the Government Code. The Policy adds further specificity to investments permitted, reducing concentration within most permitted investment types and reducing concentration of investments with any broker, dealer or issuer.

The County was in full compliance with its own more restrictive policy, and therefore was also in compliance with the above cited Government Code sections.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. Under the County's Investment Policy the dollarweighted average maturity on all securities shall be equal to or less than three years. As of June 30, 2015, of the County's $3.6 billion in investments held by the Treasurer and $33 million held by fiscal agents, over 72.3 percent of the investments have a maturity of six months or less. The weighted average days to maturity for the entire portfolio was 323 days. In addition, 91.2 percent of the portfolio matures within 2 years. See table on page 65.

Credit Risk – This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The County is permitted to hold investments of issuers with a short term rating of superior capacity and a minimum long term rating of upper medium grade by the top two nationally recognized statistical rating organizations (rating agencies). For short-term rating, the issuers' rating must be A-1 and P-1, and the long-term rating must be A and A2, respectively by Standard & Poor's and Moody's rating agencies. In addition, the County is permitted to invest in the State's Local Agency Investment Fund, collateralized certificates of deposits and notes issued by the County that are not-rated. See table on page 65.

Custodial Credit Risk – This is the risk that in the event a financial institution or counterparty fails, the County would not be able to recover the value of its deposits and investments. As of June 30, 2015, the County has cash deposits with financial institutions in excess of the federal depository insurance limits of $250,000. Banks are required to pledge securities as collateral. Investments are held with a safekeeping agent in the name of the County.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2015, approximately 48.5 percent of total investments at year-end are in U.S. Government and Agency securities. There is no limitation on amounts invested in these types of issues; 24.2 percent of the portfolio is invested in commercial paper or guaranteed investment contracts. As of June 30, 2015, more than 5 percent of the portfolio in any one single issuer, is invested as shown below:

	Reported Amount
Federal Home Loan Banks	$ 771,860
FNMA/FNMA Discount Notes	481,327
FHLMC Discount/Federal Home Loan Mort. Corp.	303,493

The following schedule indicates the credit and interest rate risk at June 30, 2015. For purposes of this schedule, NR is defined as not rated. The credit ratings listed are for Moody's Investor Services and Standard and Poor's, respectively. Guaranteed investment contracts are subject to the credit rating disclosure requirements but are normally unrated.

	Credit Ratings	Maturity Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Over 5 Years	Fair Value
Imprest cash							$ 315
Cash in banks							9,983
In custody of Treasurer:							
Cash and cash deposits:							
Cash on hand							13
Cash in banks							203,015
Total cash and cash deposits							203,028
Investments held by Treasurer:							
Federal Farm Credit Bonds	Aaa/AA+		50,037	50,041	60,014		160,092
Federal Home Loan Banks	Aaa/AA+		20,016	50,009	257,541		327,566
Federal Home Loan Banks Discount Notes	P-1/A-1+	62,715	381,579				444,294
Federal National Mortgage Association	Aaa/AA+	10,000	60,135	50,747	226,891		347,773
Federal National Mortgage Association Discount Notes	P-1/A-1+		127,885	5,669			133,554
FHLMC Discount Notes	P-1/AA+		11,423				11,423
Federal Home Loan Mortgage Corporation	Aaa/AA+	20,038	50,032	30,402	191,598		292,070
SLGS	Aaa/AAA					1,531	1,531
Commercial paper	P-1/A-1+	144,989	674,800				819,789
Guaranteed Investment contracts	NR					39,887	39,887
Supranationals	Aaa/AAA	44,998					44,998
Negotiable certificates of deposit	P-1/A-1+	220,003	540,074				760,077
Other assets held by Treasurer (primarily Teeter Plan notes)	NR		2,504		27,228		29,732
Local Agency Investment Fund	NR	68,700					68,700
Money Market Mutual funds	AAAm	109,813					109,813
Total investments held by Treasurer		681,256	1,918,485	186,868	763,272	41,418	3,591,299
Total in custody of Treasurer							3,794,327
Investments held by fiscal agents:							
Money Market Mutual funds	AAA/Aaa	10,846					10,846
Money Market Mutual funds	Aaa/AAAm	22,021					22,021
Total investments held by fiscal agents		32,867					32,867
Total investments		$ 714,123	1,918,485	186,868	763,272	41,418	
Total cash and investments							$3,837,492

Investment in State Investment Pool

The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the County's investment in this pool is reported at amounts based upon the County's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The following are condensed statements of net position and changes in net position for the Treasurer's Pool and Non-Pooled Funds at June 30, 2015:

Statement of Net Position	Treasurer's Pool	Non-Pooled Funds	Total
Net position held for pool participants	$ 3,200,233	594,094	3,794,327
Equity of internal pool participants	$ 1,188,708	220,364	1,409,072
Equity of external pool participants	2,011,525	373,730	2,385,255
Total equity	$ 3,200,233	594,094	3,794,327
Statement of changes in net position			
Net position at July 1, 2014	$ 2,861,529	446,423	3,307,952
Net changes in investments by pool participants	338,704	147,671	486,375
Net position at June 30, 2015	$ 3,200,233	594,094	3,794,327

A summary of the investments held by the Treasurer's and Non-Pooled Funds at June 30, 2015 are as follows:

	Fair Value	Cost	Interest Rate Range (%)	Maturity Range
Governmental securities	$ 1,718,303	1,720,149	.04-8.2	7/15-6/20
Supranationals	44,998	44,983	0.12	7/15
Commercial paper	819,789	819,632	.11-.22	7/15-10/15
Negotiable certificates of deposit	760,077	759,986	.12-.24	7/15-10/15
Other assets held by Treasurer (primarily Teeter Plan notes)	29,732	29,732	0.39	8/15-8/19
Local Agency Investment Fund	68,700	68,700	0.29	N/A
Money Market Mutual Funds	109,813	109,813	.01-.31	N/A
Guaranteed investment contracts	39,887	39,887	5.30-5.64	10/27-5/39
Total investments held by Treasurer	$ 3,591,299	3,592,882		

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, is as follows:

	Restated Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 141,136	2,668	(6,427)	137,377
Construction in progress	22,100	21,806	(10,882)	33,024
Permanent Easement	6,229	2,227		8,456
Total capital assets not being depreciated	169,465	26,701	(17,309)	178,857
Capital assets, being depreciated:				
Buildings and improvements	895,137	5,273	(2,928)	897,482
Infrastructure	2,854,427	50,752		2,905,179
Equipment	266,386	13,955	(18,727)	261,614
Intangible - Computer Software	42,021	2,310	(160)	44,171
Total capital assets being depreciated	4,057,971	72,290	(21,815)	4,108,446
Less accumulated depreciation for:				
Buildings and improvements	(427,071)	(27,697)	1,250	(453,518)
Infrastructure	(1,772,367)	(61,225)		(1,833,592)
Equipment	(217,601)	(12,985)	17,730	(212,856)
Intangible - Computer Software	(33,921)	(2,344)	159	(36,106)
Total accumulated depreciation	(2,450,960)	(104,251)	19,139	(2,536,072)
Total capital assets, being depreciation	1,607,011	(31,961)	(2,676)	1,572,374
Total governmental activities	$ 1,776,476	(5,260)	(19,985)	1,751,231

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 133,557			133,557
Construction in progress	49,648	25,770	(12,296)	63,122
Permanent Easement	25			25
Water facility rights	195,647	275		195,922
Other Intangible Assets	1,904			1,904
Total capital assets not being depreciated	380,781	26,045	(12,296)	394,530
Capital assets, being depreciated:				
Buildings and improvements	2,281,044	16,217	(3,795)	2,293,466
Infrastructure	151,634	453		152,087
Equipment	75,914	11,702	(6,021)	81,595
Computer Software	14			14
Water facility rights	1,273			1,273
Total capital assets being depreciated	2,509,879	28,372	(9,816)	2,528,435
Less accumulated depreciation for:				
Buildings and improvements	(502,153)	(68,820)	1,132	(569,841)
Infrastructure	(31,129)	(3,460)		(34,589)
Equipment	(55,432)	(6,038)	6,002	(55,468)
Computer Software	(5)	(2)		(7)
Water facility rights	(330)	(25)		(355)
Total accumulated depreciation	(589,049)	(78,345)	7,134	(660,260)
Total capital assets. being depreciated, net	1,920,830	(49,973)	(2,682)	1,868,175
Total business-type activities	$ 2,301,611	(23,928)	(14,978)	2,262,705
Component Unit: First Five Sacramento Commission				
Capital assets, being depreciated:				
Equipment	$ 15		(15)	
Less accumulated depreciation for:				
Equipment	$ (15)	$	$ 15	$

Interest costs relating to the acquisition or construction of capital assets are capitalized as a component of the cost of capital assets. The total capitalized interest relating to projects completed or in progress during the fiscal year ended June 30, 2015 was $175 for the Airport and $1,556 for the Water Agency.

Depreciation expense and amortization was charged to functions/programs of the primary government as follows:

	Depreciation Expense
Governmental activities:	
General government	$ 15,766
Public assistance	1,232
Public protection	19,581
Health and sanitation	3,163
Public ways and facilities	49,528
Recreation and culture	3,943
Education	556
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	10,482
Total depreciation expense - govenmental activities	$ 104,251
Business-type activities:	
Airport	$ 53,532
Solid Waste	7,152
Parking Enterprise	303
Water Agency	17,154
County Transit	204
Total depreciation expense - business-type activities	$ 78,345

NOTE 6 - INTERFUND TRANSACTIONS

The following summarizes interfund receivables and payables, advances to / from other funds, and transfers as of and for the year ended June 30, 2015:

Due From / To Other Funds at June 30, 2015, are as follows:

Receivable Fund	Payable Fund	Amount
General		
	Internal service	$ 19
Nonmajor governmental		
	Nonmajor enterprise	175
Internal service	General	31,950
	Nonmajor governmental	2,798
	Major enterprise, Airport	1,758
	Major enterprise, Solid Waste	1,954
	Major enterprise, Water Agency	196
	Nonmajor enterprise	4
	Internal service funds	2,907
	Subtotal	41,567
	Total	$ 41,761

Amounts due the General Fund are related to: 1) Principal and interest due from Public Facilities Fixed Asset Financing Program (non-major governmental); 2) To fund community services activities pending reimbursement from federal, state and local government; 3) Sheriff security and Department of Environmental Review and Assessment services provided to the Airports; and 4) Reimbursement due from Liability/Property Internal Service Fund for the final quarter of the fiscal year ending June 30, 2015.

Amounts due the non-major governmental funds are a result of: 1) Transactions to repay the Public Facilities Fixed Asset Financing Program for year end purchases; 2) Teeter excess, net penalty and interest revenue remaining after debt service interest costs are paid.

Amounts due the internal service funds are a result of: 1) Self-insurance funds owed costs of premiums for property insurance, workers' compensation claims, and unemployment insurance from funds; 2) General Services work requests for mailings, technical services, building design, and water quality work; 3) Services provided by Public Works-MIS unit to other internal service funds; 4) General Service facility management site work for other internal service fund departments; 5) Self insurance fund owed overpayment of premiums for property insurance to Airports.

Advances To/From Other Funds at June 30, 2015 are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental	Internal Service	$ 8,305
	Solid Waste	902
		9,207
Internal service	General	41,752
	Total	$ 50,959

Amounts advanced from non-major governmental funds are related to the Fixed Asset Financing program, $8,305 in the Internal Service Funds, and $902 related to the purchase of land to be repaid over ten years (Solid Waste). Amounts advanced from internal service funds, $41,752, related to General Fund advances. The advances to the General Fund were for operations. As per the Fund Balance policy, each year when preparing the budget for the next fiscal year, the Board of Supervisors will on an annual basis, determine any growth in total General Fund discretionary revenue over the current fiscal year. The growth will be used first to fund any increases that result from any memorandum of understanding (MOU's) between the County and its labor organizations and all legal obligations. Any remaining discretionary revenue growth will be appropriated first, up to $10 million to repay the interfund loans until fully repaid. In Fiscal Year 2014-15, the General Fund repaid $2,032 to Internal Service Funds and $9,168 to non-major governmental.

Transfers Out / In Other Funds for the year ended June 30, 2015 are as follows:

Transfer Out	Transfer In	Amount	
General	Nonmajor governmental	$ 119,067	Transfer to cover debt service payments
Nonmajor governmental	General	13,406	Transfers to cover debt service payments and Teeter Property tax
Nonmajor governmental	Nonmajor governmental	35,164	Transfer to cover debt service payments and capital project
Internal service	Nonmajor governmental	11,950	Transfer to cover debt service and Pension Obligation Bond debt service payments
Enterprise - Water Agency	Nonmajor Governmental	797	Transfer to cover Pension Obligation Bonds debt service payments
Enterprise - Airport		2,765	
Enterprise - Solid Waste		1,583	
Nonmajor enterprise		33	
		$ 184,765	

NOTE 7 - LEASES

Capital leases:

The County has entered into certain capital lease agreements under which the related asset will become the property of the County when all terms of the lease agreements are met.

As of June 30, 2015, the future minimum lease payments under capital leases are as follows:

Year ending June 30	Governmental Activities
2016	$ 820
2017	654
2018	654
2019	654
2020	654
2021 - 2025	1,387
Total minimum lease payments	4,823
Less amount representing interest	(700)
Net present value of minimum lease payments	$ 4,123

The following is a schedule of capital assets under capital leases by major classes at June 30, 2015:

Capital Assets under Capital Leases	
Asset:	Governmental Activities
Land	$ 673
Structures and improvements	10,560
Total	11,233
Less: Accumulated depreciation	
Structures and improvements	(5,468)
Net Capital Assets under lease	$ 5,765

Operating Leases:
The County also leases buildings and equipment under operating leases, some of which contain escalation clauses. Future minimum non-cancelable operating lease payments for governmental and proprietary fund types as of June 30, 2015, are as follows:

	Operating Leases Commitment	
Year Ending June 30	Governmental	Business - Type
2016	$ 31,299	710
2017	29,509	728
2018	23,735	740
2019	21,442	670
2020	18,447	578
2021 - 2025	47,174	123
2026 - 2030	2,467	
	$ 174,073	3,549

Operating leases may be terminated without substantial penalty if the Board of Supervisors determines that funds are not available for appropriation in the County budget.

Total rental payments for operating leases recorded for the year ended June 30, 2015 were $35,632.

Lease Income and Receivables
The Airports Enterprise Fund derives a substantial portion of its revenues from charges ~~to~~ air carriers and concessionaires. Substantially all of the assets classified under capital assets in the Airports Enterprise Fund are for the purpose of rental or related use.

Airports as lessor, leases land, buildings and terminal space to air carriers and concessionaires on a fixed fee as well as a contingent basis. All Airport leases are treated as operating leases for accounting purposes. Most of the leases provide for an annual review and re-determination of the rental amounts.

In fiscal year 2014-15, Airports received approximately $4,885 for contingent rental payments in excess of stated minimums.

The following is a schedule of future minimum rentals on non-cancelable operating leases as of June 30, 2015.

Year Ending June 30	Future Minimum Rentals Business Type Activities
2016	$ 19,565
2017	17,902
2018	17,460
2019	15,822
2020	6,887
2021 - 2025	10,220
2026 - 2030	4,792
2031 - 2035	3,092
2036 - 2040	2,322
2041 - 2045	2,322
Total future minimum rentals	$ 100,384

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 104,006	84,665	(80,472)	108,199	8,684
Certificates of participation	269,975		(24,345)	245,630	15,750
Teeter notes	34,432	20,996	(25,696)	29,732	10,001
Pension obligation bonds	990,308		(16,374)	973,934	13,876
Accreted Interest	214,284	11,323	(36,607)	189,000	
Revenue bonds	326,852		(2,750)	324,102	4,410
Accreted Interest	20,058	2,792		22,850	
OPEB Liability	26,704	7,860		34,564	
Other long-term debt	3,559	40	(77)	3,522	2,791
Capital lease obligations	4,891		(768)	4,123	644
Deferred amounts					
For issuance premiums	3,771		(195)	3,576	(195)
For issuance discounts	(7,798)		419	(7,379)	419
Total governmental activities - long-term obligations	$ 1,991,042	127,676	(186,865)	1,931,853	56,380
Business-type activities:					
Compensated absences	$ 6,273	5,256	(5,241)	6,288	235
Revenues bonds	1,154,800		(18,370)	1,136,430	23,290
PFC and subordinate revenue bonds	316,575		(12,520)	304,055	13,180
Certificates of participation	15,120		(1,620)	13,500	1,680
Reimbursement agreements	2,054		(420)	1,634	823
Usage fee - City of Sacramento	4,215		(1,002)	3,213	1,035
OPEB Liability	1,924	535		2,459	
Water rights - SMUD assignment	5,715		(759)	4,956	759
SMUD transformer	1,845		(1,845)		
Deferred amounts					
For issuance premiums	15,644		(701)	14,943	700
For issuance discounts	(6,376)		247	(6,129)	(247)
Total business-type activities - long-term obligations	$ 1,517,789	5,791	(42,231)	1,481,349	41,455
Component Unit (First Five Commission):					
Compensated absences	$ 210	189	(138)	261	14
OPEB Liability	42	10		52	
Total component unit	$ 252	199	(138)	313	14

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities reported in these funds are included with governmental activities. At year-end, $11,770 of the internal services funds compensated absences balance and $4,903 in OPEB liability balance are included in governmental activities. Also for the governmental activities, claims and judgments (if applicable) and compensated absences are liquidated by the General Fund and Internal Service Funds.

Individual issues of bonds, notes and certificates of participation outstanding at June 30, 2015 are as follows:

Governmental Activities:

Certificates of Participation:

	Amount Outstanding at June 30, 2015
County of Sacramento 2003 Certificates of Participation (2003 Public Facilities Projects – ADA Improvements to the Boys Ranch, Mather Golf Course and Thornton Youth Center) issued April 24, 2003. Principal payments are due June 1, 2016 through the year 2034, escalating from $395 to $4,145, with interest rates ranging from 4.1 percent to 5.0 percent.	$ 11,670
County of Sacramento 2003 Certificates of Participation (Juvenile Courthouse Project) issued June 19, 2003. Principal payments are due December 1, 2015, through the year 2034, escalating from $900 to $2,160, with interest rates ranging from 4.0 percent to 5.0 percent.	28,560
County of Sacramento 1997 Refunding Certificates of Participation (1994 Public Facilities Project – Coroner/Crime Lab and Data Center) issued January 1, 1998, to defease $89,500 of outstanding debt for the County of Sacramento Certificates of Participation (1994 Public Facilities Project). Principal payments are due October 1, 2014, through the year 2027, escalating from $3,330 to $6,170, with interest rates ranging from 4.3 percent to 5.0 percent. Lump-sum payments of $17,495 and $50,295 are due October 1, 2017, and October 1, 2027, respectively.	61,285
County of Sacramento Certificates of Participation (2006 Public Facilities Project) issued on May 11, 2006, $40,860 of refunding bonds for the cost of acquisition, construction of a new fleet maintenance facility, acquiring and improving the County's voter registration and elections/sheriff station house facility, partially refunded and defeased $14,550 of outstanding debt for the County of Sacramento's 1997 Certificates of Participation (1997 Public Facilities Project). The County issued $27,690 in Serial Certificates with interest ranging from 4.0 percent to 5.0 percent, $5,785 of 5 percent Term Certificates due February 1, 2031 and $7,385 of 5 percent Term Certificates due February 1, 2036. Principal payments are due February 1, 2016, through the year 2036, ranging from $1,840 to $2,095. On October 30, 2014, the County sold a Bank of America building and used the proceeds to partially defease principal by $5,065.	22,600
County of Sacramento 2007 Certificates of Participation (Animal Care Facility/Youth Detention Facility – 120 bed expansion) issued July 25, 2007. Principal payments are due October 1, 2015 through the year 2037, escalating from $995 to $2,935, with interest rates ranging from 4.0 percent to 5.0 percent.	41,155

	Amount Outstanding at June 30, 2015
County of Sacramento 2010 Certificates of Participation issued on March 3, 2010. The County issued the 2010 bonds to refund and defease $30,494 of outstanding debt for 2003 Refunding Certificates of Participation, Mail Jail Detention Facility; $5,459 for 1999 Refunding Certificates of Participation – Cherry Island Golf Course; $67,055 for 1997 Refunding Certificates of Participation (1994 Public Facilites Project), to pay costs of issuance, debt service reserve of $12,532 and to pay the Swap termination fee of $10,180 on the 1990 Swap agreement. Principal payments on the 2010 bonds are due commencing on February 1, 2016 through February 1, 2030, payments ranging from $3,235 to $9,975 and interest rates ranging from 3.0 percent to 5.5 percent.	80,360
Total certificates of participation	245,630
Add: Issuance premium	3,576
	$ 249,206

	Amount Outstanding at June 30, 2015
Teeter notes:	
County of Sacramento, 2010 Teeter Loan Agreement Note, dated November 30, 2010, to purchase the delinquent property taxes receivable as of June 30, 2010. Annual payments of principal and interest are due August 1st of each year and ending in 2015. The amount of principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2015. Interest payments will be at a variable rate that averaged 0.363 percent in fiscal year 2014-15 and was 0.388 percent at June 30, 2015.	$ 2,504
County of Sacramento, 2011 Teeter Loan Agreement Note, dated November 4, 2011, to purchase the delinquent property taxes receivable as of June 30, 2011 at $36,698. Annual payments of principal and interest are due August 1st of each year and ending in 2016. The amount of the principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2016. Interest payments will be at a variable rate that averaged 0.363 percent in the fiscal year 2014-15 and was 0.388 percent at June 30, 2015.	3,537
County of Sacramento, 2012 Teeter Loan Agreement Note, dated March 27, 2013, to purchase the delinquent property taxes receivable as of June 30, 2012 at $28,374. Annual payments of principal and interest are due August 1st of each year and ending in 2017. The amount of the principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2017. Interest payments will be at a variable rate that averaged 0.363 percent in the fiscal year 2014-15 and was 0.388 percent at June 30, 2015.	4,859
County of Sacramento, 2013 Teeter Loan Agreement Note, dated December 10, 2013, to purchase the delinquent property taxes receivables as of June 30, 2013, at $23,100. Annual payments of principal and interest are due August 1st of each year and ending in 2018. The amount of the prinicpal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2018. Interest payments will be at a variable rate that averaged 0.363 percent in the fiscal year 2014-15 and was 0.388 percent at June 30, 2015.	6,851
County of Sacramento, 2014 Teeter Loan Agreement Note, dated December 9, 2014, to purchse the delinquent property taxes receivables as of June 30, 2014, at $20,996. Annual payments of principal and interest are due August 1st of each year and ending in 2019. The amount of the principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid prinicipal shall be due and payable on August 1, 2019. Interest payments will be at a variable rate that averaged 0.374 percent in the fiscal year 2014-15 and was 0.388 percent at June 30, 2015.	11,981
Total Teeter notes	$ 29,732

	Amount Outstanding at June 30, 2015
Pension obligation bonds:	
County of Sacramento Pension Obligation Bonds issued July 22, 1995, $538,060 of Series 1995 Taxable Pension Funding Bonds to fund the accrued actuarial liability of the County to the Retirement System. The issue is composed of $404,060 of Series 1995A Fixed Rate Bonds, $67,000 of Series 1995B Variable Rate Bonds, and $67,000 of Series 1995C Variable Rate Bonds. Principal payments on the fixed rate bonds are due commencing June 30, 2016, through June 30, 2022, escalating from $11,066 to $45,379. Rates on the fixed rate bonds range from 6.19 percent to 7.68 percent. On September 22, 2011, the County did a partial advance refunding to defease $134,000 of the 1995 B & C Pension Funding variable rate bonds.	$ 169,733
County of Sacramento Pension Obligation Bonds issued July 15, 2003, $152,321 of Series 2003 A & B Taxable Pension Funding Bonds. The net proceeds, $149,630 established an irrevocable escrow fund to defease to maturity a portion of the Series 1995 Taxable Pension Funding Bonds, from August 15, 2003 through August 15, 2008. The issue is composed of $54,879 of Series 2003A, Capital Appreciation Bonds, $97,441 of Series 2003B Convertible Capital Appreciation Bonds to provide budgetary relief (over three to seven years at the time of bonds were issued) due to pension benefit enhancements and losses incurred by the pension system. Final principal payment on the Series 2003A bonds was made on August 15, 2008, in the amount of $26,500. Principal payments on the Series 2003B bonds are due commencing August 15, 2022, for $69,014, and August 15, 2023, for $28,426. The rate on Series 2003B bonds is 5.73 percent.	97,441
County of Sacramento Pension Obligation Bonds issued March 28, 2008, $359,165 of Series 2008 Taxable Pension Refunding Bonds. The County issued the Series 2008 Bonds to refund and defease $350,037 the fully accreted outstanding amount of its Taxable Pension Funding Bonds, Series 2004 C-1 and to pay the costs of issuance of the Series 2008 Bonds. Principal payments on the Series 2008 bonds are due June 30, 2016 through June 30, 2031, escalating from $2,400 to $48,585. The County entered into a swap agreement effective July 10, 2006, on the 2004 refunded series C-1 fixing the interest rate to 5.901 percent, which remains in effect for the 2008 Taxable Pension refunding bonds. See Note 9, Derivatives – Interest rate swaps.	343,240
County of Sacramento Taxable Pension obligation Bonds, Series 2011A issued on September 22, 2011. The County issued the 2011 bonds to refund $134,000 outstanding principal amount of its Taxable Pension Funding Bonds, Series 1995B & C, to pay costs associated with the termination of interest rate swaps relating to the refunded bonds $51,920, and to pay cost of issuance of the Series 2011A Bonds, $2,912. Principal payments on the 2011 bonds are due commencing on August 1, 2018 through August 1, 2023, payments ranging from $27,230 to $58,260 and interest rates ranging from 4.19 percent to 6.42 percent.	177,685
County of Sacramento Taxable Pension obligation Bonds, Series 2011B issued on October 6, 2011. The County issued the 2011B bonds to refund $47,760 outstanding principal amount of its Taxable Pension Funding Bonds, Series 2009, to pay costs associated with the termination of interest rate swaps relating to the refunded bonds of $24,629, and to pay cost of issuance of the Series 2011B Bonds, $1,665. The 2011B bonds are due on June 30, 2025 in full, $73,875 at an interest rate of 6.625 percent.	73,875

	Amount Outstanding at June 30, 2015
County of Sacramento Pension Obligation Bonds issued on October 30, 2013, for $111,960 of Series 2013 Taxable Pension Refunding Bonds. The County issued the Series 2013 Bonds to refund and defease $62,402 the fully accreted outstanding amount of its Taxable Pension Obligation Bonds, Series 2004 C-3 and to pay the costs of issuance of the Series 2013 Bonds. Principal payments on the Series 2013 Bonds are due commencing August 1, 2024, for $27,310, and August 1, 2025, for $84,650. The rate on Series 2013 bonds is 7.25 percent.	111,960

The total accreted interest balance at June 30, 2015, on the 1995, 2003 and 2004 Pension Obligation Bonds is $189,000.

Total pension obligation bonds	973,934
Plus: Accreted interest	189,000
Less: deferred amount for issuance discount	(3,298)
	$ 1,159,636

	Amount Outstanding at June 30, 2015
Revenue Bonds:	
On December 1, 2005, the Tobacco Securitization Authority issued $255,486 of refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of $176,080 of bonds and to provide additional funds to be used by the County on selected projects. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. The Series 2005 bonds are payable solely from pledged Tobacco Settlement Revenues and interest earnings on amounts on deposit. The Authority issued $219,685 for the Series 2005A-1 Senior Current Interest Bonds. The first Series A-1 Term Bonds are for $45,825 with an interest rate of 4.75 percent, final early (Turbo) redemption date of June 1, 2015, with a due date of June 1, 2023. The second Series A-1 Term Bonds are for $87,290 with an interest rate of 5.375 percent, final Turbo redemption date of June 1, 2024, with a due date of June 1, 2038. The third Series A-1 Term Bonds are for $86,570 with an interest rate of 5.5 percent, final Turbo redemption date of June 1, 2028, with a due date of June 1, 2045. The Authority issued $12,468 for the Series 2005A-2 Senior Convertible Bonds with an interest rate of 5.4 percent, final Turbo redemption date of June 1, 2017, with a due date of June 1, 2027. The Authority issued $11,674 for the Series 2005B First Subordinate Capital Appreciation Bonds with an interest rate of 5.9 percent, final Turbo redemption date of June 1, 2030, with a due date of June 1, 2045. The Authority issued $11,658 for the Series 2005C Second Subordinate Capital Appreciation Bonds with an interest rate of 6.7 percent, final Turbo redemption date of June 1, 2033, with a due date of June 1, 2045.	$ 237,636
The Sacramento County Financing Authority issued three series of Revenue Bonds issued December 23, 2003 for the purpose of allowing the Authority to finance four redevelopment projects in designated redevelopment project areas in the City and County of Sacramento. The net proceeds were then in turn loaned to the County and City. The sources of repayment of the bonds are tax increment and/or housing set-aside tax increment revenues, depending upon the project. Incremental taxes were projected to produce 128 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $70,023, payable through December 2033. For the current year, principal and interest paid and total incremental tax revenues were $3,381 and $2,051 respectively. Series A - $33,696 Mather/McClellan and Del Paso Heights project areas improvements. The series includes $13,490 in serial bonds, maturing from December 2004 - 2022, with interest rates ranging from 2.0 percent to 5.0 percent. In addition, $8,165 in term bonds were issued with a stated rate of 5.125 percent maturing in December 2028. Another term bond of $9,065 was issued with a stated interest rate of 4.75 percent which matures in December 2033. Finally, $2,526 in capital appreciation bonds were issued with a stated interest rate ranging from 5.18 percent to 5.58 percent that mature from December 2020-2030. Series B - $8,345 Mather/McClellan Housing Project. The issue consists of four term bonds ranging in value from $670 to $4,450. The bonds mature from 2011 through 2033. Stated interest rates range from 3.82 percent to 6.26 percent. Series C - $12,880 North Sacramento Project, North Sacramento Housing Project, Alkali Flat Project and Alkali Flat Housing Project. This issue contains serial bonds, totaling $8,665 maturing from December 2004 to 2021. Interest rates range from 2.5 percent to 5.3 percent. It also has two term bonds ($1,635 and $2,580) maturing in December 2028 and 2033, respectively. Both term bonds have a stated interest rate of 5.0 percent.	

	Amount Outstanding at June 30, 2015
Sacramento County Financing Authority issued two series of Tax Allocation Revenue bonds on March 5, 2008 for the purpose of loaning the proceeds to the Agency. The loan proceeds will finance redevelopment activities, including low and moderate income housing in the designated redevelopment project area in the County of Sacramento. The source of repayment of the bonds is tax increment and/or housing set-aside tax increment revenues, depending upon the project. The 2008 loans are issued on parity to the outstanding 2003A and 2003B loans. The loans are sized to satisfy the coverage and cash flow requirements of the project area wrapping around parity debt. Payment of debt service on the Bonds is insured by Assured Guaranty. Tax increment revenues were projected to produce 128 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $82,343, payable through December 2038. For the current year, principal and interest paid and total tax increment revenues were $2,995 and $2,375, respectively. Series A - $24,765 Mather/McClellan (Tax Exempt) Redevelopment Area improvements.	
Redevelopment agencies were dissolved as of January 31, 2012. See Note 23 – Successor Agency Trust for Assets of Former Redevelopment Agency.	
Principal payments on both Series are due December 1st through final maturity in 2038. Interest payments are due on June 1st and December 1st. The 2003 Series A Capital Appreciation Bonds are callable at par beginning on December 1, 2018. The tax-exempt Series 2008A Bonds are callable at par beginning on December 1, 2018. The taxable Series 2008B Bonds are subject to optional redemption on any date, with a "make-whole premium" determined at the time of optional redemption on the bases of the value of debt service otherwise due on the redeemed bonds discounted at the comparable Treasury yield plus 12.5 basis points.	86,466
Total revenue bonds	324,102
Plus: Accreted interest	22,850
Less: deferred amount for issuance discount	(4,081)
	$ 342,871

	Amount Outstanding at June 30, 2015
Other long-term debt:	
Sacramento County Water Agency reimbursement agreements with interest at net County Treasury Pool Rate to be paid on unpaid balance after County acceptance of project completion, unless paid within 60 days of acceptance and maturities ranging from 30 days to 5 years to be repaid from drainage permit revenues in the Water Agencies Special Revenue Fund.	$ 2,712
California Energy Commission loan in the amount of $1,088, at 3.0 percent interest for energy efficiency projects at Rio Consumnes Correctional Center. Principal payments ranging from $39 to $51 are due December 22 and June 22 of each year ending December 2024.	810
Total other long term debt	$ 3,522

Long-term debt obligation maturities of governmental activities are summarized below. The amounts representing interest for variable rate obligations have been based on the debt's interest rate at June 30, 2015.

	Certificates of Participation		Teeter Note		Pension Obligation	
Year ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 15,750	12,062	10,001	132	13,876	104,583
2017	16,625	11,314	7,497	73	16,042	107,826
2018	17,565	10,523	5,729	45	18,316	111,065
2019	14,590	9,656	4,109	24	63,317	61,449
2020	14,310	8,929	2,396	9	70,769	56,460
2021 - 2025	60,880	35,076			483,324	221,512
2026 - 2030	65,935	18,911			259,705	41,063
2031 - 2035	31,590	6,530			48,585	236
2036 - 2040	8,385	623				
	$ 245,630	113,624	29,732	283	973,934	704,194

	Revenue Bonds		Other		
Year ending June 30	Principal	Interest	Principal	Interest	Accreted Interest
2016	$ 4,410	15,885	2,712		39,493
2017	4,550	15,784	810		39,063
2018	5,880	15,564			38,559
2019	6,340	15,277			
2020	6,550	14,963			95
2021 - 2025	40,670	72,884			73,076
2026 - 2030	45,475	61,054			2,624
2031 - 2035	57,205	45,366			
2036 - 2040	67,370	28,265			
2041 - 2045	85,652	261,210			18,940
	$ 324,102	546,252	3,522		211,850

	Amount Outstanding at June 30, 2015
Business-type Activities:	
Revenue, Passenger Facility Charges (PFC) and Subordinated Revenue Bonds:	
On May 9, 2007, Sacramento County Water Financing Authority issued $184,500 of serial 2007A (Fixed Rate) series and $228,920 of term series 2007B (Index Rate) Revenue Bonds. The interest rates on the 2007A bonds range from 3.75 percent to 5.0 percent. The variable interest rates on the 2007B bonds range from 0.739 percent to 0.759 percent at June 30, 2015. Proceeds from this debt issue were used to finance or reimburse the costs of acquisition and construction of certain additions, betterments, and improvements to the Agency's Water System and to advance refund the majority of the 2003 revenue bonds which have been subsequently paid in full.	$ 371,070
On May 1, 2008, The County issued $496,195 of Airport System Senior Revenue Bonds, Series A, B and C, and $89,430 of Airport Subordinate and PFC Revenue Refunding Bonds, Series D and E. Series 2008A fully refunded Series 1992B Bonds, Series 1998A Bonds and advance refunded Series 2002A Bonds. Series 2008A also provided $56.5 million to finance a portion of the costs of Terminal Modernization Program at the Sacramento International Airport. Series 2008B refunded 45.4 percent of the Series 2006A Bonds and provided $266.5 million to finance a portion of the costs of Terminal Modernization Program at Sacramento International Airport. Series 2008C advance refunded Series 2002B Bonds. Series 2008D fully refunded Series 1998B Bonds. Series 2008E refunded 54.6 percent of the Series 2006A Bonds. The reacquisition price exceeded the net carrying amount of the old debt by $15,225. This amount is recorded in deferred outflows. This current and advance refunding was undertaken in part to adopt a new Bond Indenture that was approved by the County of Sacramento Board of Supervisors. This refunding and advance refunding reduced the total debt service payments over the next 25 years by $38,284, and resulted in an economic gain of $24,908. The Series A, B and C Bonds are payable from, and secured by, future Net Revenues of the Airport. Series D and E Bonds are payable from, and secured by, a pledge of the net proceeds of the PFC imposed by the Airport. The bonds are additionally payable from, and secured by, the Net Revenues of the Airport subordinate and junior to the lien of the Series 2008 A, B and C bonds, and any additional parity revenue bonds that may be issued in the future.	

	Amount Outstanding at June 30, 2015
On July 28, 2009, the Airport issued additional bonds in the amount of $480,050 to continue the financing of the Terminal Modernization Program, Airport System Senior Revenue Bonds Series 2009A $31,115, and Series 2009B $170,685; Subordinate and PFC/Grant revenue Bonds Series 2009C $112,860, and Series 2009D $165,390. The Airport issued the Series 2009 Senior Bonds as Senior Obligations pursuant to the Master Indenture approved on May 1, 2008, and Third Supplemental Indenture, approved on July 1, 2009. The Series 2009 Senior Bonds are to be secured by the Trust Estate and payable from Net Revenues on parity with the Series 2008 Senior Bonds. The Airport issued the Series 2009 Subordinate Bonds as Subordinate Obligations under the Master Indenture and the Fourth Supplemental Indenture approved on July 1, 2009. The Series 2009 Subordinate Bonds are secured by the Trust Estate and payable from Net Revenues on parity with the 2008 Subordinate Bonds. Principal and interest on the 2009C Bonds and Series 2009D Bonds are additionally payable from and secured by available PFC Revenues which consist of a portion of the Passenger Facility Charges approved by the Federal Aviation Administration and imposed and collected with respect to International Airport, and by Available Grant Revenues which consist of a portion of the Letter of Intent grant awards approved by the FAA on March 6, 2009. On August 25, 2010, the County issued additional Airport System Senior Revenue Bonds in the amount of $128,300 to complete the financing of the Terminal Modernization Program. The Series 2010 Senior Bonds were issued pursuant to the Master Indenture approved on May 1, 2008, as supplemented and amended by a Fifth Supplemental Indenture or Trust, dated as of August 1, 2010. The Series 2010 Senior Bonds are to be secured by the Trust Estate and payable from Net Revenues on parity with the Series 2009 and 2008 Senior Bonds. The bonds are issued under the terms of supplemental indentures adopted by the Board and are subject to call and redemption at the option of the Airport prior to their respective maturity dates.	1,069,415
Total Revenue Bonds	1,136,430
PFC & Subordinated Bonds	304,055
Add: Issuance premiums	14,697
Less: Issuance discounts	(6,129)
	$ 1,449,053

	Amount Outstanding at June 30, 2015
Certificates of Participation (COP):	
On July 19, 2005, Sacramento County Department of Waste Management & Recycling (Solid Waste Enterprise Fund) issued the 2005 Refunding Revenue Certificates of Participation totaling $27,580, with interest rates ranging from 3.0 percent to 5.0 percent. Proceeds from this were used to (i) establish irrevocable escrow funds to refund in full the $15,865 of County of Sacramento Certificates of Participation 1997 Public Facilities Project (Solid Waste Facilities); $8,800 of County of Sacramento Certificates of Participation 1998 Public Facilities Project (Gas to Energy Facilities); and $4,795 of County of Sacramento Certificates of Participation 2002 Public Facilities Project (Solid Waste Facilities); (ii) pay the costs of the bond insurance premium and (iii) purchase a Reserve Fund Surety Bond in the amount of the reserve fund requirement. As a result, the County of Sacramento Certificates of Participation 1997 Public Facilities Project, the County of Sacramento Certificates of Participation 1998 Public Facilities Project and the County of Sacramento Certificates of Participation 2002 Public Facilities Project are considered to be defeased and the liability for those Certificates of Participation have been removed from the Fund's financial statements. At June 30, 2015, $2,420 of the 1997 bonds were legally defeased and remain outstanding.	$ 13,500
Total certificates of participation	13,500
Add: amounts for issuance premium	246
	$ 13,746
Reimbursement agreements:	
Sacramento County Water Agency Enterprise fund enters into various reimbursement agreements with developers for construction of water supply facilities within the Water Agency's jurisdiction. Impact fees are established within the zone to pay for the construction of new water supply facilities. A reimbursement agreement is established when the amount of impact fees applied to the water supply facilities exceed the amount of the fees due to the contractors for performing the service of construction for the water supply facilities.	$ 1,634
Total reimbursement agreements	$ 1,634

	Amount Outstanding at June 30, 2015
Usage fee – City of Sacramento:	
Sacramento County Water Agency Enterprise fund has agreed to pay the City of Sacramento for use of Sacramento River water treatment plant facilities for diverting, treating and conveying surface water. The final payment occurred during fiscal year 2008-09. In the initial agreement with the City of Sacramento, a provision existed which allowed the Water Agency to acquire additional wheeling capacity. During fiscal year 2009, the Agency exercised that option and purchased additional capacity. The Water agency agreed to pay the City in ten annual installments an amount that included payment of principal and interest at a rate equal to the City's pool rate of return. The principal, based on the present value of the Agency's share of the facilities at the time of the agreement was $9,569. Annual principal and interest payment are $1,145 with the final payment occurring during the 2018 fiscal year.	$ 3,213
Water rights – SMUD assignment:	
Sacramento County Water Agency Enterprise fund has entered into an agreement with Sacramento Municipal Utilities District (SMUD) which provides for the assignment of thirty thousand acre feet of SMUD's CVP water supply to the Water Agency. Under this contract the Water Agency has agreed to pay the United States certain costs that are allocated to the assigned contract amount. Under the terms of the agreement, the Water Agency will pay the balance over ten years with final payment due October 2021.	$ 4,956

Long-term debt obligation maturities of business-type activities are summarized below. The amounts representing interest for variable rate obligations have been based on the debt's interest rate at June 30, 2015.

	Revenue Bonds and PFC Revenue Bonds		COP		Usage Fee City of Sacramento	
Year ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 36,470	72,460	1,680	559	1,035	109
2017	29,815	70,959	1,755	484	1,071	74
2018	31,145	69,600	1,835	406	1,107	38
2019	32,575	68,176	1,915	323		
2020	34,125	66,475	2,015	225		
2021 - 2025	197,695	305,015	4,300	178		
2026 - 2030	252,750	248,785				
2031 - 2035	320,160	176,669				
2036 - 2040	373,925	85,989				
2041 - 2045	131,825	7,003				
	$ 1,440,485	1,171,131	13,500	2,175	3,213	221

	SMUD Water Rights	
Year ending June 30	Principal	Interest
2016	$ 759	196
2017	759	166
2018	759	136
2019	759	106
2020	759	76
2021 - 2025	1,161	72
	$ 4,956	$ 752

The various debt indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds. The County was in compliance with all such significant financial limitations and restrictions for fiscal year ending June 30, 2015.

Conduit Debt and Non-Exchange Financial Guarantees

River City Regional Stadium Financing Authority; Taxable Lease Revenue Bonds, Series 1999

The County is a member of the River City Regional Stadium Financing Authority. In 1999, the Authority issued taxable lease revenue bonds in the amount of $39,990, to finance the site acquisition and construction of a privately owned and operated baseball stadium and related improvements, known as Raley Field. If ticket receipt revenues are insufficient to pay the annual lease obligations, the County has agreed to pay 66 percent of these annual obligations. The Stadium lease obligates the River City Companies to repay the County for any payments made by the County.

As of June 30, 2015, the principal amount of bonds outstanding was $30,625, and 66 percent of the average annual lease obligation amount is $2,343. The guarantee will be in effect until the bonds mature in 2029, or until all bonds are fully paid. Ticket receipts have been sufficient since the bonds were issued in 1999 to meet all lease obligations, and the County does not anticipate that this will change, as current ticket receipts are projected to be sufficient to continue to meet the lease obligations. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Sacramento Regional Arts Facilities Financing Authority; Series 2002 Certificates of Participation

The County is a member of the Sacramento Regional Arts Facilities Financing Authority. In 2002, the Authority issued certificates of participation in the amount of $16,580, to finance the acquisition, construction, improvement, renovation and equipping of certain theatre facilities located in the City of Sacramento. If ticket receipt revenues are insufficient to pay the annual lease obligations, the County has agreed to pay 50 percent of these annual obligations. The Facility Lease Agreement obligates the California Musical Theatre to repay the County for any payments made by the County.

As of June 30, 2015, the principal amount of certificates of participation outstanding (COPs) was $12,470, and 50 percent of the average annual lease obligation amount is $522. The guarantee will be in effect until the bonds mature in 2032, or until all bonds are fully paid. Ticket receipts have been sufficient since the certificates of participation were issued in 2002 to meet all lease obligations, and the County does not anticipate that this will change, as current ticket receipts are projected to be sufficient to continue to meet the lease obligations. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2015, the total amount of all non-exchange financial guarantees outstanding is $26,448.

Department of Airports Special Facilites Revenue Bonds

Variable Rate Demand Special Facilities Airport Revenue Bonds, Series 1998 (Special Facility Bonds), totaling $9,900 were issued on November 3, 1998 to finance the demolition of an existing facility and construction and installation of a replacement aircraft maintenance hangar and associated facilities at International for Cessna. Although taking the legal form of a financing lease between the County and Cessna, the substance of these arrangements is that the Special Facility Bonds constitute a special obligation of the Department of Airports payable from and secured by certain revenues under its lease with Cessna and certain proceeds pledged therefore under the Indenture. The bonds do not constitute a debt, liability or general obligation of the Department of Airports or a pledge of the faith and credit of the Department of Airports. The Department of Airports will not be obligated to levy any taxes or expend any funds for the repayment of the bonds. As of June 30, 2015, the outstanding balance of the debt was $8,800. The Special Facility Bonds will mature on November 1, 2028.

At June 30, 2015 the County's debt limit for general obligation bonds and legal debt margin was $1,646,487.

NOTE 9 - DERIVATIVES - INTEREST RATE SWAP

All three of the County's interest rate swap are considered to be effective hedging derivative instruments. The County used the consistent critical terms method to evaluate hedge effectiveness for the $99,955 and $128,965 Water Agency Revenue bonds, Series 2007B, and the regression analysis method for the $330,875 Taxable Pension Bonds, 2008 C-1 swap. Using these methods, as described in more detail below, these three County swaps are classified as effective hedging derivative instruments.

The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the June 30, 2015 financial statements are as follows debit(credit).

		Changes in Fair Value		Fair Value - as of June 30, 2015	
	Notional Amount	Classification	Amount	Classification	2015
Governmental Activities:					
Cash Flow Hedges:					
Series 2004 C-1 / 2008 C-1					
Pay-fixed interest rate swap	$ 330,875	Deferred outflow	$ (2,560)	Debt	$ (107,268)
		Total Governmental Activities	$ (2,560)		$ (107,268)
Business type Activities:					
Cash Flow Hedges:					
Series 2007 B Swap Ins B					
Pay-fixed interest rate swap	$ 128,965	Deferred outflow	$ (2,654)	Debt	$ (30,962)
Series 2007 B Swap Inst. B					
Pay-fixed interest rate swap	99,955	Deferred outflow	(3,644)	Debt	(29,431)
		Total Business Type activities	$ (6,298)		$ (60,393)

Objective and Terms of Hedging Derivative Instruments:

The following table displays the objective and terms of the County's hedging derivative instruments outstanding at June 30, 2015 along with the credit rating of the associated counterparty:

Governmental Activities:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Series 2004 C-1 / 2008 C-1 Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 C-1 bonds	$ 330,875	7/10/2006	7/10/2030	County pays 5.901% fixed; receives USD LIBOR (BBA) adjusted monthly: 0.1854%	Baa1 Moody's A- S&P A Fitch

Business Type Activities:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Series 2007 B Swap Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2007 Series B bonds	$ 128,965	5/9/2007	6/1/2034	SCWA pays fixed 4.193%; receives 67% of USD-LIBOR-BBA plus 55 bps	A+ S&P Aa2 Moody's
Series 2007 B Swap Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2007 Series B Bonds	99,955	5/9/2007	6/1/2039	SCWA pays fixed 4.221%; receives 67% of USD-LIBOR-BBA plus 57 bps	A+ S&P Aa2 Moody's

Taxable Pension Funding Bonds Refunding 2008 C-1 Swap:

Credit Risk:

The County is not exposed to credit risk resulting from a failure of the counterparty to perform because the swap has a negative fair value. However, should interest rates change and the fair value of the swap become positive, the County would be exposed to the credit risk of the counterparty in the amount of the derivative's fair value. The swap counterparty was rated "Baa1" by Moody's Investors Services, "A-" by Standard & Poor's and "A" by Fitch as of June 30, 2015.

Interest Rate Risk:

The Agency is exposed to interest rate risk on its interest rate swaps. On its pay-fixed receive-variable interest rate swap, as the LIBOR index decreases, the Agency's net payment on the swap increases.

Basis Risk:

The basis risk is the difference between the rate paid on the variable-rate bonds and the floating amount received from the interest rate swap of the 1-Month LIBOR. Since the refunded bonds variable-rate payments were fixed to the 1-Month LIBOR as well, and both reset on the same day of the month, the basis risk became fixed. The basis risk for the 2026 Term bonds is 1.30 percent and for the 2030 Term bonds is 1.45 percent.

Contingencies:

Should the Agency be downgraded below Baa2 by Moody's or BBB by S&P and an insurer event has occurred, the counterparty has the option to terminate the swap. As of June 30, 2015, the negative fair value of the swap amounted to $107,268.

Termination Risk:

The County or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. If the swap is terminated, other than by the counterparty exercising its option under the agreement, and at the time of termination, the swap has a negative fair value, the County would be liable to the counterparty for a payment equal to the swap's fair value.

Water Agency Revenue Bonds, Series 2007B Swaps:

Credit Risk:

The Sacramento County Water Agency (Agency) Enterprise Fund is not exposed to credit risk resulting from a failure of the counterparty to perform because of the swaps' negative fair value. If the swaps had positive fair value greater than $10 million, the Sacramento County Water Agency would be exposed to credit risk from the counterparty. The swap counterparty was rated "Aa2" by Moody's Investors Services and "A+" by Standard & Poor's as of June 30, 2015.

Interest Rate Risk:

The Agency is exposed to interest rate risk on its interest rate swaps. On its pay-fixed receive-variable interest rate swap, as the LIBOR index decreases, the Agency's net payment on the swap increases.

Basis Risk:
The swaps are not exposed to basis risk since there is no difference between the rates paid on the variable-rate bonds and the floating amounts received from the interest rate swaps.

Contingencies:
The Agency's swap assignment agreement includes provisions relating to the posting of collateral for the swap counterparty and the Agency. The swap Credit Support Annex, which is part of the swap agreement, is a one-way CSA where the counterparty has the obligtion to post depending on the thresholds. Conversely, the Agency does not have to post unless (1) a rating event occurs (the Agency gets downgraded below A2 by Moody's or A by S&P; and (2) an insurer event occurs which could be a combination of several events but most likely (a) the insurer gets downgraded; and (b) the insurer has failed to payout an obligation of greater than $30 million; and (3) The Agency chooses the option to post collateral. The two other options available to the Agency are to provide a letter of credit or to assign the agreement to another entity.

Should the Agency be downgraded below Baa2 by Moody's or BBB by S&P and an insurer event has occurred, the counterpaty has the option to terminate the swap. As of June 30, 2015, negative fair value of the swaps amounted to $60,393.

Termination Risk:
The Sacramento County Water Agency or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic interest rate. If the swaps are terminated, other than by the counterparty exercising its option under the agreement, and at the time of termination, the swaps are in a liability position, the Sacramento County Water Agency would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Derivative Instrument Payments and Hedged Debt:

Using the rates as of June 30, 2015, debt service requirements of governmental activities and business type activities for the variable rate debt and the net receipts/payments on associated hedging derivative instruments are presented below:

Governmental Activities:

	2004 C-1 / 2008 C-1 Pension Refunding Bonds Series C-1 Variable-Rate			
Year ending June 30	Principal	Interest	Interest Rate Swaps, Net	Net Cash Flows
2016	$ 2,400	5,835	20,391	28,626
2017	4,775	5,756	20,118	30,649
2018	7,250	5,638	19,704	32,592
2019	7,500	5,515	19,275	32,290
2020	10,650	5,341	18,667	34,658
2021 - 2025	87,025	22,874	79,941	189,840
2026 - 2030	175,055	11,710	40,927	227,692
2031 - 2035	48,585	260	910	49,755
	$ 343,240	62,929	219,933	626,102

Business-Type Activities:

	Sacramento County Water Agency Enterprise Fund Series 2007 B Revenue Bonds			
Year ending June 30	Principal	Interest	Interest Rate Swaps, Net	Net Cash Flows
2016	$	1,712	7,915	9,627
2017		1,712	7,915	9,627
2018		1,712	7,915	9,627
2019		1,712	7,968	9,680
2020		1,712	7,861	9,573
2021 - 2025	5,955	8,515	39,401	53,871
2026 - 2030	45,365	8,002	36,995	90,362
2031 - 2035	96,020	5,257	24,105	125,382
2036 - 2040	81,580	1,580	7,209	90,369
	$ 228,920	31,914	147,284	408,118

NOTE 10 - SPECIAL ASSESSMENT DEBT AND RELATED ACTIVITIES

At June 30, 2015, special assessment improvement bonds outstanding for all assessment districts totaled $166,514. Since the County is not obligated in any manner for special assessment bonds, the debt is not recorded in these financial statements. However, construction of special assessment projects and the related debt obligation proceeds are accounted for in the Capital Projects Funds. Since the County acts as an agent for the property owners in collecting assessments and forwarding such funds to the bondholders, this activity is reported in the Agency Funds.

The Laguna Stonelake Community Facilities District No. 1 (District) has been authorized to issue $20,000 of Special Tax Bonds. On October 14, 1999 the District issued $13,025. On May 12, 2005 the District issued the $11,525 series 2005 Special Tax Refunding Bonds with interest rates ranging from 2.75 percent to 4.50 percent, the proceeds of which were used to defease the outstanding 1999 Bonds with an average interest rate of 6.30 percent. The 2005 refunding bonds constitute the entire bonded indebtedness of the District. The defeased 1999 bonds in original aggregate principal amount of $13,025 are the only bonds that have been issued under such authorization. At June 30, 2015, $6,975 of authorized bonds remains un-issued. The outstanding balance at June 30, 2015 was $7,235.

The McClellan Park Community Facilities District No. 2004-1 (District) has been authorized to issue $90,000 of Special Tax Bonds. On September 28, 2004 the District issued $10,250 Series 2004 Special Tax Bonds with interest rates ranging from 3.00% to 6.25%. On December 8, 2011 the District issued $10,395 Series 2011 Special Tax Bonds with interest rates ranging from 2.25 percent to 6.00 percent. The Series 2004 and the Series 2011 bonds, a total of $20,645, constitute the entire bonded indebtedness as of June 30, 2015. At June 30, 2015, $69,355 of authorized bonds remains un-issued. The outstanding balance at June 30, 2015, for the Series 2004 bonds was $9,630 and for the Series 2011 bonds was $10,375.

The Laguna Creek Ranch/Elliott Ranch Community Facilities District No. 1 (District) has been authorized to issue a total of $63,500 of Special Tax Bonds for both Improvement Areas No. 1 and No. 2 by Board of Supervisors Resolution No. 90-1497 dated August 28, 1990 with $37,500 being the authorized bonded indebtedness for Improvement Area No. 1 and $26,000 being the authorized bonded indebtedness for Improvement Area No. 2. On August 13, 1997 the District issued $21,415 of 1997 Refunding Bonds for Improvement Area No.2, the proceeds of which were used to defease the outstanding 1990 Bonds. On December 30, 1997 the District issued $31,980 of 1997 Refunding Bonds for Improvement Area No. 1, the proceeds of which were used to defease the outstanding 1990 Bonds. The defeased 1990 bonds in original aggregate principal amount of $34,000 for Improvement Area No. 1 and $24,155 for Improvement Area No 2 are the only bonds that have been issued under such authorization. On January 27, 2011, the District issued $12,830 of 2011 Refunding Bonds for improvement Area No. 2, the proceeds of which were used to defease the outstanding 1997 Refunding Bonds. On March 3, 2011, the District issued $17,075 of 2011 Refunding Bonds for Improvement Area No. 1, the proceeds of which were used to defease the outstanding 1997 Refunding Bonds. The 2011 Refunding Bonds constitute the entire bonded indebtedness of the District. At June 30, 2015, $3,500 of authorized Improvement Area No. 1 bonds and $1,845 of authorized Improvement Area No. 2 bonds remain un-issued. Interest rates for District No. 1 range from 2.0 percent to 5.0 percent, and District No. 2 ranges from 1.5 percent to 5.25 percent. The outstanding balance was at June 30, 2015, for Improvement Area No. 1 was $11,395 and for Improvement Area No. 2 was $9,090.

The Metro Air Park Community Facilities District No. 1998-1 (District) has been authorized to issue $7,250 of Special Tax Bonds. On December 30, 1998 the District issued $5,310 of Special Tax Bonds with an interest rate of 7.00 percent. These bonds constitute the entire bonded indebtedness as of June 30, 2015. At June 30, 2015, $1,940 of authorized bonds remains un-issued. The outstanding balance at June 30, 2015 was $2,640.

The Metro Air Park Community Facilities District 2000-1 (District) has been authorized to issue $200,000 of Special Tax Bonds. On April 8, 2004 the District issued $63,460 Series 2004A Special Tax Bonds with an interest rate of 7.00 percent. On December 14, 2007 the District issued $40,200 Series 2007B Special Tax Bonds with an interest rate of 7.00 percent. The Series 2004A & the Series 2007B bonds, a total of $103,660, constitute the entire bonded indebtedness as of June 30, 2015. At June 30, 2015, $96,340 of authorized bonds remains un-issued. The outstanding balance at June 30, 2015, for the 2004A bonds was $54,760 and for the 2007B bonds was $40,200.

The County of Sacramento Community Facilities District No. 2005-2 (North Vineyard Station No. 1) (District) has been authorized to issue $30,000 of Special Tax Bonds. On September 6, 2007 the District issued $14,415 of Special Tax Bonds with interest rates ranging from 4.40 percent to 6.00 percent. These bonds constitute the entire bonded indebtedness. At June 30, 2015, $15,585 of authorized bonds remains un-issued. The outstanding balance at June 30, 2015, was $14,095.

The Park Meadows Community Facilities District No. 1 (District) has been authorized to issue $1,200 of Special Tax Bonds. On June 28, 2000 the District issued Current Interest Bonds in the amount of $230 at the interest rate of 7.75 percent, and Convertible Capital Appreciation Bonds in the original principal amount of $892 at the interest rate of 8.25 percent. These bonds constitute the entire bonded indebtedness. As of June 30, 2015, $78 of authorized bonds remain unissued. The outstanding balance at June 30, 2015, was $684.

Sunrise Recreation and Park District (District) issued $7,435 of Certificates of Participation bonds on July 12, 2007 for a portion of the District's cost of recreation and park construction at or near the Antelope Community Park. The interest rate ranges from 3.95 percent to 4.50 percent. The outstanding balance at June 30, 2015, was $6,410.

NOTE 11 - PLEDGED REVENUES

The County has pledged a portion of delinquent property tax revenues to re-pay $29,732 in Teeter notes in accordance with the alternative method of distribution of property tax levies and assessments. The notes were issued on December 1, 2009, November 30, 2010, and November 4, 2011, March 27, 2013, December 10, 2013, and December 9, 2014. The notes are due and payable to the County of Sacramento-Pooled Investment Fund and are payable solely from the collection of delinquent property taxes. Total principal of $29,732 and interest of $283 remain on the notes and are payable through August 1, 2019. For the current year, net revenues pledged were equal to the total principal and interest paid of $25,696 and $115, respectively.

The County has pledged certain future revenues, net of specified operating expenses, to repay $496,195 in Department of Airports Senior Revenue Bonds issued in May 2008, and $201,800 in Department of Airports Senior Revenue Bonds issued in July 2009, and $128,300 in Department of Airports Senior Revenue Bonds issued in August 2010. Proceeds from the 2008 Senior Revenue Bond refunded Series 1992B, Series 1998A, Series 2002A, and 45.4 percent of Series 2006A as well as provided $323 million in financing for the Terminal Modernization Program. The bonds are payable solely from Net Revenues of the Department of Airports and are payable through 2041. The total principal and interest remaining to be paid on senior bonds is $1,417,928. Principal and interest paid for the current year was $49,246 and the total Net Revenues were $76,516.

The County has pledged Passenger Facility Charges (PFC) to repay $89,430 in Department of Airports Subordinate and PFC Revenue Refunding Bonds issued in May 2008 and $278,250 in Airport System Subordinate and PFC/Grant Revenue Bonds issued in July 2009. Proceeds from the 2008 bond series refunded Series 1996C, Series 1998B and 54.6 percent of Series 2006A. Proceeds from 2009 Subordinate and PFC/Grant Revenue Bonds provided $251 million to continue the financing of the Terminal Modernization Program. The 2008 Subordinate and PFC Bonds are payable through 2026 and the 2009 Subordinate and PFC/Grant Revenue Bonds are payable through 2041. Total principal and interest remaining to be paid on the subordinate bonds is $592,249. Principal and interest paid for the current year was $29,912, the available PFC revenue was $21,943, and the Available Grant Revenues, $8,329. The PFC cash generated in fiscal year 2015 was $18,166.

The table below identifies the Available PFC and Available Grant Revenues pledged for the payment of debt service on the Series 2008D, 2008E, 2009C, and 2009D bonds:

Fiscal Year Ending June 30	Passenger Facility Charges	Grant Revenues
2015	$ 21,943	8,329
2016	21,945	
	$ 43,888	8,329

NOTE 12 - COMMITMENTS

The County has entered into several agreements related to the construction of capital projects, the expansion of the International Airport and other activities.

Governmental Funds – The County's governmental funds have entered into contracts for the construction of certain projects totaling $33,024 at June 30, 2015.

Airport – The Airport had approximately $3,969 in outstanding construction contract commitments at June 30, 2015.

Solid Waste Enterprise Fund – Solid Waste entered into equipment and construction agreements totaling $1,665 at June 30, 2015.

Water Agency Enterprise Fund – The Water Agency has entered into contracts for the construction of certain projects totaling $11,021 at June 30, 2015.

NOTE 13 - CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations that place specific requirements on the Solid Waste Fund regarding closure and postclosure maintenance and monitoring functions for the Fund's landfills. These functions are required for 30 years after closure of the landfill sites. Although closure and postclosure care costs will be paid only near or after the date that a site is closed, the Fund recognizes these costs (as described below) as operating expenses each year.

Solid Waste operates one active landfill (Kiefer) and maintains postclosure care for two closed landfills (Elk Grove and Grand Island).

Management of the fund has deemed the capacity of the Kiefer Landfill will be the basis of recognizing its closure and postclosure care costs. Kiefer Landfill closure and postclosure care liabilities at June 30, 2015 were $17,389. The Fund will recognize costs of $35,131 as the remaining capacity in the Kiefer Landfill is used in future years. At June 30, 2015, the capacity of the Kiefer Landfill used to date was 33 percent and the estimated remaining landfill life is 58 years. As required by applicable laws, management has established a fund for the post-closure Kiefer Landfill, in which $9,155 is considered restricted at June 30, 2015, with the remaining balance recorded considered designated. The Board of Supervisors has approved pledges of revenues to provide financial assurance for the postclosure maintenance costs of the Kiefer Landfill. Management expects that any increase to future closure and postclosure costs (due to changes in technology or applicable laws or regulations, for example), will be paid from charges to future users.

A portion of the property on which the Elk Grove Landfill is located (22.1 acres) was deeded to the County in 1936. In 1969, an additional 14.9 acres was added by eminent domain condemnation proceedings. The property was used as a municipal solid waste facility until 1978 and in 1979, it was officially closed. A final cover was placed on the landfill in 1993.

The Grand Island Landfill is a closed 10.4 acre disposal site that was leased to and operated by the County from 1971 to 1979. It is owned by the U.S. Army Corps of Engineers. A final cover was placed on the landfill in 1998.

Sections of Title 27 of the California Code of Regulations, Chapter 6, Subchapter 2, Article 2, require the operator of a disposal facility to demonstrate financial responsibility to the California Department of Resources Recycling and Recovery (CalRecycle) for maintenance. The Elk Grove and Grand Island Landfills are exempt from these regulations because these sites were not operated after January 1, 1988.

Title 27 also specifies that at sites where CalRecycle does not require a fund, the Regional Water Quality Control Board (RWQCB) shall require the establishment of an irrevocable fund (or to provide other means) pursuant to CalRecycle promulgated sections, to ensure maintenance. The RWQCB required the County to provide evidence of financial responsibility for initiating and completing corrective action for all known and reasonably foreseeable releases for the Elk Grove and Grand Island Landfills in 1999 and 2004, respectively.

The State law provides that the County can choose any alternative financial assurance mechanism acceptable to CalRecycle for the Elk Grove and Grand Island Landfills. The County has chosen the pledge of revenue approach because it best fits the local conditions present in Sacramento County. The Board of Supervisors has approved pledges of revenues to provide financial assurance for the postclosure maintenance costs of the Elk Grove and Grand Island Landfills.

The Fund reported Elk Grove Landfill postclosure care liabilities at June 30, 2015 as $1,816.

The Elk Grove landfill is 100 percent full and the postclosure 30-year liability period runs through June 2024. At June 30, 2015, the reported liabilities represent costs for the remaining 9 years. The portion of the postclosure costs expected to be paid during the next year is $227.

The Fund reported Grand Island Landfill postclosure care liabilities at June 30, 2015 of $343. The landfill is 100 percent full and the postclosure 30-year liability period runs through June 2029. At June 30, 2015, the reported liabilities represent postclosure costs for the remaining 14 years. The portion of the postclosure costs expected to be paid during the next year is $26.

Future closure and postclosure costs are based on what it would cost to perform all closure and postclosure care in 2015. Actual costs may be different due to inflation, changes in technology, changes in permitted capacity and/or changes in regulations.

The Fund is responsible for the costs associated with permanently covering all waste buried at the Kiefer Landfill. The funding for such closure is earned during the operating life of the site. Landfill partial final cover costs are those costs incurred during the life of the landfill which are expected to be spent prior to the day the landfill stops accepting waster, and do not include the costs associated with the final phase of closure activity occurring on or near the date the landfill stops accepting waste.

Based on the percentage used of the total capacity available with the open and active area of the Kiefer Landfill, the closure liability for the fiscal years ending June 30, 2015, is estimated to be $18,944.

Changes in accrued landfill closure and postclosure care liability for the fiscal year ended June 30, 2015 were as follows:

	July 1, 2014 Beginning	Additions	Reductions	June 30, 2015 Ending	Due within One Year
Kiefer	$ 16,739	650		17,389	
Elk Grove	2,012	30	(226)	1,816	226
Grand Island	365	5	(27)	343	26
Kiefer Final Cover	19,575	500	(1,131)	18,944	75
	$ 38,691	1,185	(1,384)	38,492	327

NOTE 14 - RETIREMENT PLAN

General Information about the Pension Plan

Plan Description **-** All County full-time and part-time employees participate in the Sacramento County Employees' Retirement System ("SCERS" or the "System"), a multiple employer, cost-sharing, public employee retirement system. SCERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). SCERS is a cost-sharing multiple employer public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the Safety and Miscellaneous members employed by the County of Sacramento. SCERS also provides retirement benefits to the employee members of the Superior Court of California (County of Sacramento) and eleven Special Districts.

The management of SCERS is vested with the Sacramento County Board of Retirement. The Board consists of nine members and two alternates. The County Director of Finance is appointed by the County Executive, subject to confirmation by the Board of Supervisors. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two members are elected by the Miscellaneous membership; one member and one alternate are elected by the Safety membership, one member and one alternate are elected by the retired members of the System. All members of the Board of Retirement serve terms of three years except for the County Director of Finance whose term runs concurrent with the term as Director of Finance.

Plan membership at June 30, 2015, consisted of the following:

Retired members or beneficiaries currently receiving benefits	10,049
Vested terminated members entitled to but not yet receiving benefits	3,201
Active members	12,049
Total	25,299

SCERS is legally and fiscally independent of the County. SCERS' Comprehensive Annual Financial Report, including a separate audit of the financial statements for the fiscal year ended June 30, 2014, is available on the System's web site http://www.scers.org or can be obtained by contacting the County's Department of Finance.

Benefits Provided - SCERS provides service retirement, disability, death and survivor benefits to eligible employees. All permanent full-time or part-time employees of County of Sacramento or contracting district become members of SCERS upon employment. There are separate retirement plans for Safety and Miscellaneous member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain other classifications. There are four tiers applicable to Safety members. Those hired prior to January 1, 2012, are included in either Tier 1 or Tier 2 depending on date of hire and bargaining unit. Those hired after that date but

prior to January 1, 2013, are included in Tier 3. Any new Safety member who becomes a member on or after January 1, 2013, is designated PEPRA Safety (Tier 4) and is subject to the provisions of California's Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197. All other employees are classified as Miscellaneous members. There are five tiers applicable to Miscellaneous members. Those hired prior to September 27, 1981, are included in Tier 1. Those hired after that date but prior to January 1, 2012, are included in Tier 2 or Tier 3 depending on date of hire and bargaining unit. County members hired after that date but prior to January 1, 2013, are included in Tier 4. New members hired on or after January 1, 2013, are designated as PEPRA Miscellaneous (Tier 5) and are subject to the provisions of California Government Code 7522 et seq. and AB 197.

Safety members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 50, and have acquired five years of retirement service credit.

Miscellaneous members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Miscellaneous members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52, 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.

Safety member benefits for Tier 1 and Tier 2 are calculated pursuant to the provisions of California Government Code Section 31664.1. Safety member benefits for Tier 3 are calculated pursuant to the provision of California Government Code Section 31664.2. The monthly allowance is equal to 2% of the first $350 of final compensation, plus 3% of the excess final compensation times years of accrued retirement service credit times age factor from either Section 31664.1 (Tier 1 and 2) or 31664.2 (Tier 3). Safety member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

Miscellaneous member benefits for Tier 1, Tier 2 and Tier 3 are calculated pursuant to the provisions of California Government Code Section 31676.14. Miscellaneous member benefits for Tier 4 are calculated pursuant to the provisions of California Government Code Section 31676.1. The monthly allowance is equal to 1/90th of the first $350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times age factor from either Section 31676.14 (Tier 1, Tier 2 and Tier 3) or Section 31676.1 (Tier 4). Miscellaneous member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members with membership dates on or after January 1, 2013.

Final average compensation consists of the highest 12 consecutive months for a Tier 1 Safety or Tier 1 Miscellaneous member and the highest 36 consecutive months for a Tier 2, Tier 3, Tier 4 or Tier 5 member.

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. An eligible surviving spouse is one married to the member one year prior to the effective retirement date. 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 or named beneficiary having an insurable interest in the life of the member.

SCERS provides an annual cost-of-living benefit to Safety Tier 1, Tier 2, Tier 3 and Tier 4 member retirees and Miscellaneous Tier 1, Tier 3, Tier 4 and Tier 5 member retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-San Jose area, is capped at 4% for Tier 1 members and 2% for all other members eligible for a cost-of-living adjustment.

The County of Sacramento and contracting districts 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 SCERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2014, for 2013/2014 (based on the June 30, 2012 valuation) was 25.00% of compensation. All members are required to make contributions to SCERS regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2014, for 2013/2014 (based on the June 30, 2012 valuation) was 6.42% of compensation.

Contributions - Benefits payable by the System are financed through member contributions, employer contributions, and earnings from investments. Member contributions are required by law. Contribution rates, which are actuarially determined, are based on age at entry into the System (a single rate is used for members entering the System after January 1, 1975). County, Superior Court and Member Districts' contributions are actuarially determined to provide for the balance of contributions needed. This rate includes an additional amount required to partially fund the annual cost-of-living increases for retired members of the Miscellaneous Tier 1, Tier 3, Tier 4 and Tier 5 and Safety Tiers. All contribution rates are reviewed and revised annually. The authority for both benefit provisions and contribution obligations is derived from the County Employees Retirement Law of 1937 and California Public Employees' Pension Reform Act of 2013 (CalPEPRA).

Employee and employer contribution rates for the fiscal year ended June 30, 2015, are as follows:

	Miscellaneous - Countribution Rates				
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Employee	5.43 to 6.74%	3.82 to 5.26%	5.18 to 6.79%	7.8 to 8.07%	8.78%
Employer	13.30 to 14.59%	11.00 to 12.43%	13.42 to 14.98%	9.38 to 9.60%	8.78%

	Safety - Countribution Rates			
	Tier 1	Tier 2	Tier 3	Tier 4
Employee	7.15 to 14.3%	5.97 to 13.22%	5.91 to 13.04%	13.86%
Employer	21.35 to 30.01%	18.62 to 25.80%	18.11 to 24.93%	13.86%

For the year ended June 30, 2015, the employer contributions to the Plan were equal to the actuarially determined required employer contributions as follows:

Employer Contributions	Governmental Activities	Business-type Activities	Total	Component Unit First Five Commission
County - Miscellaneous	$ 106,601	7,985	114,586	251
County - Safety	76,291	1,030	77,321	
Carmichael Recreation and Park District - Miscellaneous	325		325	
Mission Oaks Recreation and Park District - Miscellaneous	258		258	
Sunrise Recreation and Park District - Miscellaneous	459		459	
Total Employer Contributions	$ 183,934	9,015	192,949	251

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the County of Sacramento reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Governmental Activities	Business-type Activities	Total	Component Unit First Five Commission
County - Miscellaneous	$ 278,019	21,733	299,752	693
County - Safety	387,842	5,199	393,041	
Carmichael Recreation and Park District - Miscellaneous	787		787	
Mission Oaks Recreation and Park District - Miscellaneous	643		643	
Sunrise Recreation and Park District - Miscellaneous	1,092		1,092	
Total Net Pension Liability	$ 668,383	26,932	695,315	693

The County's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The Net Pension Liability (NPL) for the plan was measured as of June 30, 2014 and 2013, and determined based upon the Total Pension Liability (TPL) from actuarial valuations as of June 30, 2014 and 2013, respectively. 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 Plan's fiduciary net position was determined in proportion to the valuation value of assets for each membership class. The County's is the sole active employer in the Safety membership class that made contributions in fiscal year 2013-14; therefore 100% of pension amounts for the Safety membership class are allocated to the County. For the Miscellaneous membership class, actual contributions for Miscellaneous employers for the fiscal year ended June 30, 2014, are used as the basis for determining each Miscellaneous employer's proportion of pension amounts. The County's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014, was as follows

	County	Carmichael	Mission Oaks	Sunrise
Proportion - June 30, 2013	87.538 %	0.117 %	0.099 %	0.191 %
Proportion - June 30, 2014	89.865 %	0.102 %	0.083 %	0.142 %
Change - Increase (Decrease)	2.327 %	(0.015)%	(0.014)%	(0.049)%

For the year ended June 30, 2015, the County recognized pension expense of $93,976. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources						
	Governmental Activities						
	County	Carmichael	Mission Oaks	Sunrise	Business-type Activities	Total	Component Unit First Five Commission
Changes in assumptions	$ 48,266				647	48,913	
Changes in proportions		102	44			146	
Pension contributions subsequent to measurement date	182,892	325	258	459	9,015	192,949	251
Total deferred outflows related to pension	$ 231,158	427	302	459	9,662	242,008	251

	Deferred Inflows of Resources						
	Governmental Activities						
	County	Carmichael	Mission Oaks	Sunrise	Business-type Activities	Total	Component Unit First Five Commission
Differences between actual and expected experience	$ 66,297	144	118	200	4,187	70,946	127
Changes in assumptions	26,883	76	62	106	2,101	29,228	67
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	358			187	28	573	1
Net differences between projected and actual earnings on plan investments	394,787	623	509	864	19,543	416,326	548
Total deferred inflows related to pension	$ 488,325	843	689	1,357	25,859	517,073	743

A total of $192,949 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	County	Carmichael	Mission Oaks	Sunrise
2016	$ (126,177)	(188)	(164)	(352)
2017	(126,177)	(188)	(164)	(352)
2018	(126,177)	(188)	(164)	(352)
2019	(120,094)	(176)	(152)	(302)
Total	$ (498,625)	(740)	(644)	(1,358)

Actuarial Assumptions - The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assupmtions:

	County and Special District Miscellaneous	Safety
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Level percent of payroll (3.50% payroll growth assumed)	Level percent of payroll (3.50% payroll growth assumed)
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	3.25%	3.25%
Real across-the-board salary increase	0.25%	0.25%
Projected Salary Increase*	4.50% to 8>50%	5.25% to 11.50%
Assumed post-retirement benefit increase	0% to 3.25%	2% to 3.25%
Post-Retirment Mortality		
a) Service	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set back one year for males and set forward two years for females
b) Disability	RP-2000 Disabled Retiree Mortality Table projected with Scale BB to 2022 with no age adjustment for males and set forward three years fo females	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set forward two years
c) Employee Contribution Rate	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 weighted 40% male and 60% female	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set back one year for males and set forward two years for females weighted 70% male and 30% female
Pre-Retirement Mortality	Based upon the actuarial experience study for the period July 1, 2010 through June 30, 2013, which can be found on SCERS' website	Based upon the actuarial experience study for the period July 1, 2010 through June 30, 2013, which can be found on SCERS' website
Other Assumptions	See analysis of actuarial experience study for the period July 1, 2010 through June 30, 2013	See analysis of actuarial experience study for the period July 1, 2010 through June 30, 2013

*Includes inflation at 3.25% plus real across-the-board salary increase of 0.25% plus merit and longevity increases.

Discount Rate - The discount rate used to measure the total pension liability was 7.50% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made based on the current contribution rate and that employer contributions will be made at the end of each pay period based on the actuarially determined contribution rates. For this purpose, only the employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments for current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2014, are summarized in the table below:

Asset Class	Target Allocation	Real Rate of Return	Long-Term Expected Rate of Return
Domestic Equities	22.50 %	6.83 %	5.98 %
International Equities	22.50 %	8.38 %	7.23 %
Fixed Income	20.00 %	1.24 %	1.25 %
Hedge Funds	10.00 %	3.20 %	3.20 %
Private Equity	10.00 %	12.82 %	12.82 %
Real Assets	15.00 %	6.17 %	5.64 %
Opportunities	0.00 %	0.00 %	0.00 %
Total Portfolio	**100.00 %**	**6.19 %**	**5.67 %**
Inflation			**3.25 %**
Expense adjustment			**(0.40)%**
Risk adjustment			**1.02 %**
Total Long-Term Expected Rate of Return			**7.50 %**

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County, Carmichael, Mission Oaks, and Sunrise's proportionate share of the net pension liability, calculated using the discount rate for each, as well as what proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Net Pension Liability	County	Carmichael	Mission Oaks	Sunrise
1% Decrease (6.50%)	$1,727,219	1,959	1,594	2,726
Current Discount Rate (7.50%)	692,793	787	643	1,092
1% increase (8.50%)	(160,322)	(182)	(148)	(253)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued SCERS financial reports available on their website http://www.SCERS.org.

NOTE 15 - POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: The plan is a single-employer plan and it does not issue a publicly available report. In September 2012 and December 2014, the Board of Supervisors approved the Retiree Medical and Dental Insurance Program Administrative Policy for calendar years 2014 and 2015, respectively. The County provides access to group medical insurance and dental insurance, and medical and dental offset payments to a specific group of eligible retirees as a result of a settlement.

All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, or (2) they were enrolled in the annual plan previously approved by the County (continuous coverage), or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year.

The County pays a medical and/or dental subsidy/offset to eligible annuitants who retired on or after May 31, 2007 from bargaining unit 003-Law Enforcement, Non-Supervisory, as a result of a settlement The amount the medical and/or dental subsidy/offset payments made available to this group of eligible annuitants is calculated based upon the annuitant's Sacramento County Employees Retirement System (SCERS) service credit. Neither SCERS nor the County guarantees that a subsidy/offset payment will be made available to annuitants for the purchase of County-sponsored medical and/or dental insurance beyond the current term of the contract between the County and Bargaining Unit 003-Law Enforcement, Non-Supervisory which expires June 30, 2018. Subsidy/offset payments are not a vested benefit of County employment or SCERS membership and will remain in place until eliminated through the bargaining process. The amount of the subsidy/offset payment, if any, payable on account of enrollment in a County sponsored retiree medical and/or dental insurance plan will also remain in place until modified or eliminated through the bargaining process. Annuitants from bargaining unit 003-Law Enforcement, Non-Supervisory are eligible for a medical premium subsidy according to the schedule on the following schedule

Service at Retirement	Amount of Subsidy/Offset for Bargaining Unit 003 - Law Enforcement, Non-Supervisory
Less than 10 years	$122
10-14 years	152
15-19 years	182
20-24 years	212
25 or more years	244
*Dental if eligible for medical subsidy	$25

*The actual premium rate for the retiree dental plan is approved by the Board of Supervisors in conjunction with the approval of all the retiree health plans on an annual basis.

Approximately two hundred forty-eight annuitants from bargaining unit 003-Law Enforcement, Non-Supervisory, met the eligibility requirement and receive medical and/or dental subsidy/offset as of June 30, 2015.

Funding Policy

The County currently pays for post-employment health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount, if any, actually contributed to the plan, and changes in the County's net OPEB obligation..

Annual required contribution	$ 13,447
Interest on net pension obligation	1,147
Adjustment to the annual required contribution	(1,402)
Annual OPEB cost	13,192
Annual contributions made	(4,787)
Increase in OPEB obligation	8,405
Net OPEB obligation, beginning of year	28,671
Net OPEB obligation, end of year	$ 37,076
Covered payroll (active plan members)	$ 803,586
UAAL as a percentage of covered payroll	14.4 %

Trend Information

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/13	$ 10,367	6,937	67 %	20,988
6/30/14	12,509	4,827	39 %	28,671
6/30/15	13,192	4,787	36 %	37,076

Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date the plan was 0 percent funded. The actuarial accrued liability was $115,690 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $115,690. The covered payroll (annual employees covered by the plan) for Fiscal Year 2014-15 was $803,586, and the ratio of the UAAL to covered payroll was 14.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, examples include assumptions made about future employment, mortality and the healthcare cost trend. Amounts are determined regarding the funded status of the plan, and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as required supplementary information following the notes to the financial statements, present multi-year trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the actuarial cost method used for valuation is entry age normal cost method which determines normal cost as a level percent of payroll, and the amortization period is a 23-year fixed (closed) period for FY 2014-15. The actuarial assumptions utilized a 4.0 percent discount rate, an inflation rate of 3 percent, and premiums based on calendar year 2013 medical plans, for FY 2012-13 thru 2014-15, and a medical trend of 7.5 percent beginning in 2016, reduced by decrements of 0.5 percent each year to an ultimate rate of 5 percent. The UAAL is being amortized as a level percentage of pay. The remaining amortization period at June 30, 2015, was 23 years.

NOTE 16 - SELF-INSURANCE

The County self-insures for property damage, general liability, workers' compensation, and unemployment insurance claims. Self-insurance programs are accounted for in internal service funds, and interfund premium charges are treated as interfund services. Interfund premiums are based primarily upon the insured funds' claims experience and are adjusted for any excess or deficit net position within the self-insurance funds. At June 30, 2015, governmental and proprietary funds owed premium charges to the Liability/Property, Workers' Compensation, and Unemployment Insurance funds. It is the County's policy to fund the governmental funds' liability for premium charges by making provisions in budgets of succeeding years. The self-insurance internal service funds recognize revenue and the owing funds expense/expenditure when the owing funds are charged by the self-insurance internal service funds.

The Liability/Property and the Workers' Compensation Self-Insurance funds' estimated claim liabilities are actuarially based and include claims incurred but not reported. The estimated liabilities include provisions for allocated claims adjustment expenses, including administrative, attorney, and other associated expenses. Proceeds received for salvage and subrogation are recognized as revenue in the year of receipt, and therefore are not included in the estimated liabilities.

During the past three fiscal years, no instances or settlements exceeded insurance coverage.

Reconciliation of Claims Liabilities

	Liability/Property		Worker's Compensation		Unemployment		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Unpaid claims and claim adjustment expenses at beginning of the fiscal year								
Current portion	$ 10,973	9,006	21,692	25,836	239	229	32,904	35,071
Noncurrent	24,483	21,726	147,740	141,607			172,223	163,333
Total beginning balance, July 1	35,456	30,732	169,432	167,443	239	229	205,127	198,404
Incurred claims and claim adjustment expenses:								
Provision for insured events for current year	7,643	6,778	21,711	20,577	1,182	1,198	30,536	28,553
Increase (decrease) in provision for insured events of prior fiscal years	8,010	16,212	8,144	3,594			16,154	19,806
Total incurred claims and claim adjustment expenses	$ 15,653	22,990	29,855	24,171	1,182	1,198	46,690	48,359
Payments:								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	$ 647	344	2,546	2,380	970	959	4,163	3,683
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	16,910	17,922	20,030	19,802	239	229	37,179	37,953
Total payments	17,557	18,266	22,576	22,182	1,209	1,188	41,342	41,636
Total unpaid claims and claim adjustment expenses at end of the fiscal year, June 30	$ 33,552	35,456	176,711	169,432	212	239	210,475	205,127
Current portion of unpaid claims and claim adjustments	$ 10,294	10,973	22,624	21,692	212	239	33,130	32,904
Non current portion of unpaid claims and claim adjustments	23,258	24,483	154,087	147,740			177,345	172,223
Total current and non current unpaid and claim adjustment expenses at end of the fiscal year	$ 33,552	35,456	176,711	169,432	212	239	210,475	205,127

Coverage for specific perils required under the terms of certain debt issues and County policies obtained from outside carriers is as follows:

Coverage	Amount		Deductible Provision	
Airport Liability & Hangerkeepers	$ 500,000	*	$ 10	Each occurrence
Property Program:				
Property Insurance (All Risk)	1,888,000	*	50	Each occurrence
Flood	1,390,000	*	5 percent / 100 minimum	Per building / Each occurrence
Earthquake (EQ)	25,000	*	5 percent / 100 minimum	Per building / Each occurrence
Sheriff Vehicle Physical Damage	21,046	*	20	Each occurrence
Boiler/Machinery	100,000		5 (25 at Water Treatment Plant locations)	Each occurrence
Crime:				
Faithful Performance	15,000		25	Each occurrence
Employee Dishonesty	15,000		25	Each occurrence
Forgery/Money/Computer Fraud	15,000		25	Each occurrence
Sheriff's Helicopters/Airplanes				
Liability	25,000		None	Not applicable
Hull (Physical Damage)	8,669		Various	Helicopters - 1 percent of Aircraft Value/Min. 7.5 Airplanes - Nil Deductible
Fiduciary Retirement Liability	10,000		50	Each claim
General Liability (Excess)	25,000		2,000	Self-insured retention
Pollution Liability	10,000		250	Each occurrence
Workers' Compensation (Excess)	Statutory	*	3,000	Self-insured retention
Employers' Liability	5,000	*	3,000	Self-insured retention

*Airport Liability and Hangerkeepers: Effective June 30, 2015, War Risk is included at $100 million and Terrorism is included at $500 million. Both are per occurrence and annual aggregate. Property – County property is covered for Terrorism Coverage subject to a $200 million occurrence and annual aggregate limit. Effective March 31, 2008, EQ is capped at $25 million. Effective March 31, 2015, All Risk total is at $1.880 billion (total of Towers I, II, IV and V primary and excess on an actual at risk and tower-capped basis). Effective March 31, 2015, Flood total is at $1.390 billion (total of Towers I, II, IV and V primary and excess on an actual at risk and tower-capped basis). Effective July 1, 2008, Workers' Compensation (Excess) limit is statutory rather than a dollar limit. Effective July 1, 2008, Employers' Liability (Excess) limit is at $5 million.

NOTE 17 - RESTRICTED NET POSITION

Restricted net position is net position subject to constraints either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provision or enabling legislation. Restricted net position as of June 30, 2015, are as follows:

	Governmental Activities	Business-type Activities	Total
Bond reserves	$	50,523	50,523
Landfill closure		9,155	9,155
Kiefer Wetlands Preserve		927	927
Debt service	36,459	42,509	78,968
Capital projects	30,033		30,033
Passenger facility charges		9,244	9,244
Future Construction		2,103	2,103
Fire Protection	171		171
Health programs	54,465		54,465
Transportation	53,277	923	54,200
Lighting and landscape maintenance	2,809		2,809
Community facilities	2,414		2,414
Endowments:			
Expendable		59	59
Nonexpendable		2,029	2,029
Total	$ 179,628	117,472	297,100

Net position restricted by enabling legislation are comprised of $9,244 (FAA approved passenger facility charges), $2,809 (lighting and landscape maintenance) and $2,414 (community facilities) in the Statement of Net Position at June 30, 2015.

Restricted Net Position include:

- *Landfill closure* – resources necessary to finance closure care costs in the future.
- *Kiefer Wetlands Preserves* – funding for the preservation of vernal pools at the Kiefer landfill.
- *Debt service* – finance payment of interest and principal on bonds or other long-term borrowing in accordance with bond indentures.
- *Capital projects* – financial resources used in the acquisition or construction of major capital facilities in accordance with bond indentures.
- *Passenger facilities charges* – fees collected from airline passengers which are required to be used to finance Airport projects.
- *Endowments* – to be used to support the Airport public art in perpetuity.

- *Health programs* – health programs are comprised of the following:

  - *Water Agencies* – drainage fees and assessments used to protect the community from flood hazards.
  - *Stormwater Utilities* – Stormwater Utility fees, ad valorum tax proceeds, interest income and other various revenues to provide storm drainage, flood control, flood preparation and stormwater quality management services.
  - *Tobacco* – Proceeds from the tobacco litigation settlement to be used for the operation of health, youth, and tobacco prevention programs.
  - *Tobacco Securitization Authority* – reports the activities related to the County securitizing its portion of the nation-wide Tobacco Settlement Agreement.
  - *In-Home Support Services* – state funding for services to aged, blind and disabled persons who are unable to remain in their homes without assistance.

- *Transportation* – funds received from developer fees and transportation sales tax used to finance construction, improvements and maintenance of the County road system.

- *Lighting and landscape maintenance* – funds received from special assessments used to maintain landscaped corridors, medians and natural open space.

- *Community facilities* – service charges collected from direct levies on property tax bills for various community facilities districts.

- *Fish and game* – fines collected for violations of the fish and game code and deposited to the Fish and Game Propagation Program to support activities related to fish and game, including education.

- *Future construction* – funds that are restricted for future construction projects related to the County Transit and Water Agency.

- *Bond Reserves* – funds that are restricted due to being held to meet bond reserve requirements for the Airport and Water Agency.

NOTE 18 - FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, and unassigned. (see Note 1 for a description of these categories). A deficit unassigned fund balance in the General Fund ($13 million) is due to reclassification of amounts to nonspendable and restricted. A detailed schedule of fund balances as of June 30, 2015, is as follows:

	Major	Non Major Governmental Funds			
	General Fund	Special Revenue	Debt Service	Capital Project	Total
Nonspendable:					
Inventory	$ 772				772
Long-term receivables/advances	405	902			1,307
Prepaid items	21,495				21,495
Teeter Plan delinquencies	1,979				1,979
Teeter Plan tax loss	6,186				6,186
Total nonspendable:	30,837	902			31,739
Restricted for:					
Public protection:					
Probation	6,206				6,206
Police Protection	11,582				11,582
Clerk Recorder	22,593				22,593
Dispute Resolution	1,041				1,041
Community Development	2,414				2,414
Protection and Inspection		6,369			6,369
Fire Protection		171			171
Health and sanitation:					
Mental Health Services	154,189				154,189
Alcohol and Drug Programs	1,323				1,323
VLF Realignment	1,929				1,929
Solid Waste Authority		433			433
Tobacco Securitization Authority		417			417
Water Agencies		52,740			52,740
In-Home Support Services		875			875
Public ways and facilities		46,486		6,791	53,277
Recreation and culture	3,250	8,172			11,422
Education		320			320
Capital outlay	27,928	8		37,416	65,352
Economic development		40,433			40,433
Lighting and landscape		2,809			2,809
Stormwater utility		23,132			23,132
Tobacco settlement		1,238			1,238
Environmental Management		15,141			15,141
Debt service			101,784		101,784
Total restricted	232,455	198,744	101,784	44,207	577,190
Unassigned:	(13,462)				(13,462)
Total	$ 249,830	199,646	101,784	44,207	595,467

NOTE 19 - CONTINGENCIES

The County is a defendant in various lawsuits related to self-insurance programs and for other claims, including construction, property tax assessments, and claims arising from audits of federal and state-funded programs. Anticipated costs related to such claims and litigation are accrued in the Self-Insurance funds where appropriate. Although the final outcome of these matters cannot be predicted, the County believes that these accruals are adequate to provide for its estimated future obligations in these matters, and that any amounts in excess of such accruals will not be significant to the County.

Financial Stress

The local economy now appears to be improving. Gross Assessed Valuations are expected to increase in Fiscal Year (FY) 2015-16 by approximately 4.6 percent, following a 6.5 percent increase in FY 2014-15. These increases follow four consecutive years of declines. The Sacramento Metropolitan Statistical Area (including Sacramento, Yolo, El Dorado and Placer counties) unemployment rate (not seasonally adjusted) decreased to 5.7 percent in September 2015 from 6.6 percent in September 2014.

California counties are closely linked to the financial condition of the State of California (the "State"), and are responsible for delivering health and welfare services on behalf of the State. The State had been experiencing its own fiscal stress, but it has seen improvements in revenue growth over the last three years, in part due to the improving economy and in part due to a temporary tax increase. In addition to dealing with its local issues, the County must deal with the impact of adverse State and federal budget actions, as State and federal revenues make up approximately 68 percent of the County's General Fund budgeted revenues. However, when State or federal funding has been cut back, the County generally has reduced programs in proportion to the funding received and not utilized County General Fund revenues to backfill the reductions in State or federal funding. With limited exceptions, the County plans to continue to reduce programs if there are additional State or federal funding reductions.

In prior years the General Fund received advances from internal service funds and non-major governmental funds in the amounts of $55,184 and $22,469, respectively, for operations. The County has begun the process of repaying interfund advances as resources are available. Between FY 2010-11 and FY 2014-15, the General Fund repaid a total of $11.2 million and the FY 2015-16 Adopted Budget includes a $6 million repayment. At the end of FY 2015-16 the outstanding balance owed will stand at approximately $44 million.

Regents of the University of California v. Hunt, et al.

On November 19, 2009, the Regents of the University of California (Regents) filed an action against the County on behalf of its University of California, Davis Health System (UCD), for breach of contract and for a Peremptory Writ of Mandate.

The Petition's causes of action for breach of contract are brought under the following two theories: (1) that UCD had an implied contract with the County – UCD claims that the alleged contract with UCD was manifested by the conduct of the County in its execution of the County's contract with Benefit and Risk Management Services (BRMS); and (2) that UCD is a "third party beneficiary" of the County's contract with BRMS. Pursuant to these theories, UCD alleges the County must pay for hospital care rendered to County Medically Indigent Program (CMISP) patients that were referred to UCD hospital. The Petition seeks damages, including attorneys' fees, in excess of $125,000.

NOTE 20 - FUTURE GASB PRONOUNCEMENTS

In February 2015, the GASB issued Statement 72*, Fair Value Measurement and Application,* effective for financial statements for reporting periods beginning after June 15, 2015. 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. The County has not determined the effect, if any, on the financial statements.

In June 2015, the GASB issued Statement 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 provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. 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 County has not determined the effect, if any, on the financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The County has not determined the effect, if any, on the financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. 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 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The County has not determined the effect, if any, on the financial statements.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. 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 non-authoritative 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, *The 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. The County has not determined the effect, if any, on the financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, effective for financial statements for reporting periods beginning after December 15, 2015. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial

statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The County has not determined the effect, if any, on the financial statements.

In December 2015, the GASB issued Statement No. 78, *Pension Provided Through Certain Multiple-Employer Defined Benefit Pension Plans,* effective for reporting periods beginning after December 15, 2015. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan, that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The County has not determined the effect, if any, on the financial statements.

NOTE 21 - RESTATEMENT

A prior period adjustment of $37,027 was made to decrease governmental activities beginning net position to correct a prior year overstated infrastructure balance for County roadways. A prior period adjustment due to implementing GASB 68, reduced governmental activities by $1,979,445 and business-type activities by $55,682. The County did not do a full restatement for GASB 68 as it was deemed not practicable.

The effects of these restatements are summarized as follows:

Restatement to the Government-Wide:

	Governmental Activities	Business-Type Activities	Component Unit First 5 Commission
Beginning net position, as previously reported	$ 1,467,174	1,267,895	66,947
Prior Period Adjustments - Pension	(1,979,445)	(55,682)	(1,328)
Prior Period Adjustments - Infrastructure	(37,027)		
Beginning net position, as restated	$ (549,298)	1,212,213	65,619

Restatement to Fund Financials:

	Airports	Solid Waste	Water Agency	Non-Major Enterprise	Internal Service Funds
Net position, as previously reported	$ 577,765	151,298	498,371	9,805	(14,943)
Prior period Adjustments - Pension	(24,473)	(14,901)	(8,457)	(308)	(67,951)
Beginning Net position as restated	$ 553,292	136,397	489,914	9,497	(82,894)

Pro Forma Basis Restatement to the Government-Wide Financial Statements

The following is the pro-forma effect of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB No. 68*:

Government-Wide Financial Statements

Governmental Activities	2014 Previously Presented	Restatement	2014 Restated
Statement of Net Position:			
Net Pension Liability	$	$(1,185,537)	$(1,185,537)
Prepaid Pension Asset	965,772	(965,772)	
Deferred outflows of resources		171,864	171,864
Net Position end of year	1,467,174	$(1,979,445)	(512,271)

Business-type Activities	2014 Previously Presented	Restatement	2014 Restated
Statement of Net Position:			
Net Pension Liability	$	$ (65,908)	$ (65,908)
Deferred outflows of resources		10,226	10,226
Net Position end of year	1,267,895	$ (55,682)	1,212,213

Component Unit	2014 Previously Presented	Restatement	2014 Restated
First Five Commission			
Statement of Net Position:			
Net Pension Liability	$	$ (1,578)	$ (1,578)
Deferred outflows of resources		250	250
Net Position end of year	66,947	$ (1,328)	$ 65,619

Pro Forma Basis Restatement to the Fund Financial Statements

Proprietary Funds Financial Statements

Airports	2014 Previously Presented	Restatement	2014 Restated
Statement of Net Position:			
Net Pension Liability	$	$ (28,825)	$ (28,825)
Deferred outflows of resources		4,352	4,352
Net position end of year	577,765	$ (24,473)	553,292

Solid Waste	2014 Previously Presented	Restatement	2014 Restated
Statement of Net Position:			
Net Pension Liability	$	$ (17,706)	$ (17,706)
Deferred outflows of resources		2,805	2,805
Net position end of year	151,298	$ (14,901)	136,397

Water Agency	2014 Previously Presented	Restatement	2014 Restated
Statement of Net Position:			
Net Pension Liability	$	$ (10,048)	$ (10,048)
Deferred outflows of resources		1,591	1,591
Net position end of year	498,371	$ (8,457)	489,914

Nonmajor Enterprise - Parking	2014 Previously Presented	Restated	2014 Restated
Statement of Net Position:			
Net Pension Liability	$	$ (365)	$ (365)
Deferred outflows of resources		57	57
Net position end of year	9,805	$ (308)	9,497

Internal Service Funds	2014 Previously Presented	Restated	2014 Restated
Statement of Net Position:			
Net Pension Liability	$	$ (80,739)	$ (80,739)
Deferred outflows of resources		12,788	12,788
Net position end of year	(14,943)	$ (67,951)	(82,894)

During the fiscal year ended June 30, 2015, the County determined that the liability recorded to the Redevelopment Obligation Retirement Private Purpose Trust Fund – Successor Agency, was understated by $1,178, as of June 30, 2014. As a result of this error, the County increased the unearned revenues, increased the Accounts Receivable, increased the intergovernmental payables, and decreased beginning net position of the Redevelopment Obligation Retirement Private Purpose Trust Fund - Successor Agency.

Redevelopment Obligation Retirement Fund - Successor Agency		
Net position held in trust, as previously reported June 30, 2014	$	(43,650)
Adjustment increase Unearned Revenue		(1,227)
Adjustment increase Accounts Receivable		178
Adjustment increase intergovernmental payable		(129)
Net position held in trust, as restated June 30, 2014	$	(44,828)

NOTE 22 - SUBSEQUENT EVENTS

Teeter Plan

On October 27, 2015, the County issued its 2015 Teeter Note and purchased under the Teeter Plan the delinquent secured property tax receivables at June 30, 2015, in the amount of $19,522 from the local taxing entities and selected special assessment districts in Sacramento County. The financing of this purchase was accomplished by a five-year legal, secured medium-term note obligation of the County that was purchased by the Treasurer's Pool. The terms of the note include the pooled investment fund rate of interest commencing August 1, 2016. Such payments may be made more frequently, but not more often than quarterly. The note matures August 1, 2020. Note 1 (Property Taxes) and Note 8 further describe the Teeter issues.

Dry Period Financing

Article 16, Section 6, of the State Constitution, permits dry period financing. It states that the County Treasurer (Director of Finance) may make temporary transfers of funds as necessary to meet the obligation incurred by district and political subdivisions whose funds are "….in custody and are paid out solely through the treasurer's office."

In 1980, the Board of Supervisors adopted a resolution (80-1434) to permit entities that collected the 1 percent ad valorem tax to obtain temporary cash transfers. Later, constitutional changes and associated County resolutions expanded this to include "all anticipated revenues". In accordance with the State Constitution, borrowing is permitted until the last Monday in April of each fiscal year in amounts that do not exceed 85 percent of all anticipated revenues.

As such, in Fiscal Year 2014-15 the County General Fund may utilize up to 85 percent of its anticipated (estimated) revenues during the 'dry period' to meet any obligation incurred. The money is essentially loaned by the Treasurer's County Investment Pool (Treasury Pool), and accordingly, any funds loaned and interest costs incurred must be repaid by the General Fund. Dry period financing in the months of July through September was based on the General Fund's $2.160 billion in estimated revenues approved in the County's Fiscal Year 2014-15 Preliminary Budget. The County's final Fiscal Year 2014-15 Budget was approved in September 2014 and the dry period financing amount was adjusted to reflect the final General Fund estimated revenues of $2.201 billion. In addition, on a monthly basis, as revenue is received the dry period financing amount is decreased accordingly.

NOTE 23 - SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

In accordance with Assembly Bill (AB) 1X 26 and AB 1434, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012. The County of Sacramento elected to be appointed as Redevelopment Agency Successor Agency (RASA) for the redevelopment project areas for the purpose of winding down the affairs of the Agency. The RASA was created to serve, in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Redevelopment Agency (RDA). The RASA operates under the auspices of a legislatively formed oversight board who has authority over its financial affairs and supervises its operations and timely dissolution. The assets are held in trust for the benefit of the taxing entities within the former RDA boundaries and as such are not available for County use. The RASA is responsible for preparing and submitting to the State Department of Finance the recognized obligation payment schedule (ROPS) for the enforceable obligations due, and remitting payments for the approved enforceable obligations of the former Redevelopment Agency's redevelopment project areas. Once the ROPS is approved by State Department of Finance, and provided sufficient tax revenues are available, the County Auditor-Controller's Office distributes property taxes to the RASAs from the County's Redevelopment Property Tax Trust Fund (RPTTF) to the RASA for payment of enforceable obligations. It is reasonably possible that the State Department of Finance could invalidate any of the obligations reported on the Successor Agency's Recognized Obligations Payment Schedule.

In July 2013, the County received notification of "Finding of Completion" from the State Department of Finance, which allows for: 1) loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was made for legitimate redevelopment purposes per HSC section 34191.4 (b) (1); and 2) utilizing derived proceeds from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC 34191.5 (b), within six months from the date of the letter. The County Redevelopment Successor Agency Long Range Property Management Plan was approved by the oversight board October 21, 2013.

During the fiscal year ended June 30, 2015 the County became aware that the RASA has a joint ownership position for a property located at 801 12th Street, Sacramento, California. The County's percentage of ownership and value of the property is yet to be determined. The County is working with the other owners of the property to determine the values of ownership for each entity.

COUNTY OF SACRAMENTO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN YEARS
(amounts expressed in thousands)

Retirement Plan - Schedule of Proportionate Share of the Net Pension Liability

Measurement Date - June 30, 2014

County	**2015***
Proportion of the net pension liability	89.865 %
Proportionate share of the net pension liability	692,793
Covered-employee payroll **	731,874
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	94.66 %
Plan fiduciary net position as a percentage of the total pension liability	91.02 %
Carmichael	
Proportion of the net pension liability	0.102 %
Proportionate share of the net pension liability	787
Covered-employee payroll **	1,040
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.70 %
Plan fiduciary net position as a percentage of the total pension liability	91.02 %
Mission Oaks	
Proportion of the net pension liability	0.083 %
Proportionate share of the net pension liability	643
Covered-employee payroll **	826
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.89 %
Plan fiduciary net position as a percentage of the total pension liability	91.02 %
Sunrise	
Proportion of the net pension liability	0.142 %
Proportionate share of the net pension liability	1,092
Covered-employee payroll **	1,046
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.68 %
Plan fiduciary net position as a percentage of the total pension liability	91.02 %

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

** Covered employee payroll incurred for the reporting period from July 1, 2013 through June 30, 2014. Covered employee payroll represents compensation earnable and pensionable compensation.

Benefit changes: All members with membership dates on or after January 1, 2013, enter the new tiers created by the California Public Employees' Pension Reform Act of 2013 (PEPRA).

COUNTY OF SACRAMENTO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN YEARS
(amounts expressed in thousands)

Retirement Plan - Schedule of Contributions

County	**2015***
Actuarially determined contribution	$ 191,907
Contributions in relation to the actuarially determined contribution	(191,907)
Contribution deficiency (excess)	$ 0
Covered-employee payroll**	$ 745,978
Contributions as a percentage of covered- employee payroll	25.73 %

Carmichael	
Actuarially determined contribution	$ 325
Contributions in relation to the actuarially determined contribution	(325)
Contribution deficiency (excess)	$ 0
Covered-employee payroll**	$ 1,096
Contributions as a percentage of covered- employee payroll	29.65 %

Mission Oaks	
Actuarially determined contribution	$ 258
Contributions in relation to the actuarially determined contribution	(258)
Contribution deficiency (excess)	$ 0
Covered-employee payroll**	$ 1,083
Contributions as a percentage of covered- employee payroll	23.82 %

Sunrise	
Actuarially determined contribution	$ 459
Contributions in relation to the actuarially determined contribution	(459)
Contribution deficiency (excess)	$ 0
Covered-employee payroll**	$ 1,521
Contributions as a percentage of covered- employee payroll	30.24 %

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

** Covered employee payroll incurred for the reporting period from July 1, 2014 through June 30, 2015. Covered employee payroll represents compensation earnable and pensionable compensation.

COUNTY OF SACRAMENTO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN YEARS
(amounts expressed in thousands)

Other Post Employment Benefits (OPEB) - Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/09	$ 0	$ 144,804	$ 144,804	0.0%	$ 869,898	16.6%
6/30/11	0	100,416	100,416	0.0%	789,347	12.7%
6/30/13	0	115,690	115,690	0.0%	758,142	15.3%

Source: Segal Group, Inc. - "County of Sacramento Actuarial Valuation and Review of Other Post Employment Benefits (OPEB) as of June 30, 2009." Bartel Associates, LLC - "Sacramento County Retiree Healthcare Plan, June 30, 2011, GASB 45 Actuarial Valuation Final Results" and "Sacramento County Retiree Healthcare Plan, June 30, 2013, GASB 45 Actuarial Valuation Final Results." The June 30, 2013, Actuarial Valuation was completed September 26, 2014, and the next valuation is scheduled to be completed in calendar year 2016.

Notes to the Required Supplementary Information:

1. This information is intended to help users assess the SCERS funding status ongoing basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.
2. The information presented relates solely to the County and not to SCERS as a whole.
3. June 30, 2013, is the most current actuarial valuation. In the future, information from the three most recent valuations will be presented, as it becomes available.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(amounts expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Total
Assets:				
Cash and investments	$ 215,762	72,993	51,347	340,102
Receivables:				
Billed	5,799		396	6,195
Interest	482	137	88	707
Intergovernmental	4,660			4,660
Due from other funds	175			175
Long-term advances to other funds	9,207			9,207
Loan receivable from Successor Agency		71,085		71,085
Long-term receivables	429	35,761	667	36,857
Total assets	$ 236,514	179,976	52,498	468,988
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Warrants payable	$ 2,214		560	2,774
Accrued liabilities	9,655	1,078	1,810	12,543
Intergovernmental payable	7,787		4,871	12,658
Due to other funds	2,797		1	2,798
Unearned revenue	1,680		667	2,347
Other long-term liabilities	1,629			1,629
Total liabilities	25,762	1,078	7,909	34,749
Deferred inflows of resources:				
Unavailable Revenue	11,106	77,114	382	88,602
Fund balances:				
Nonspendable	902			902
Restricted	198,744	101,784	44,207	344,735
Total fund balances	199,646	101,784	44,207	345,637
Total Liabilities, Deferred Inflows of Resources and Fund Balances:	$ 236,514	179,976	52,498	468,988

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Taxes	$ 40,454			40,454
Use of money and property	6,000	504	59	6,563
Licenses and permits	45,632			45,632
Intergovernmental	61,752	17,455	747	79,954
Charges for sales and services	107,237		2,947	110,184
Fines, forfeitures and penalties	49	11,134	3,232	14,415
Pledged tobacco settlement proceeds	12,368			12,368
Miscellaneous	14,732		26,399	41,131
Total revenues	288,224	29,093	33,384	350,701
Expenditures:				
Current:				
General government	53,727			53,727
Public protection	16,672			16,672
Health and sanitation	29,381			29,381
Public ways and facilities	137,046		678	137,724
Recreation and culture	19,357			19,357
Education	1,286			1,286
Capital outlay	10,972		24,782	35,754
Debt service:				
Principal		69,165	77	69,242
Interest and fiscal charges		137,656		137,656
Total expenditures	268,441	206,821	25,537	500,799
Excess (deficiency) of revenues over (under) expenditures	19,783	(177,728)	7,847	(150,098)
Other financing sources (uses):				
Transfers in	5,811	164,798	750	171,359
Transfers out	(28,158)	(11,926)	(8,486)	(48,570)
Issuance of debt		20,996		20,996
Total other financing sources (uses)	(22,347)	173,868	(7,736)	143,785
Net change in fund balances	(2,564)	(3,860)	111	(6,313)
Fund balances - beginning	202,210	105,644	44,096	351,950
Fund balances - ending	$ 199,646	101,784	44,207	345,637

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

Road - Accounts for Sacramento County road activities in the unincorporated area, including design, construction, and maintenance of roads, traffic signals, other right-of-way, safety-related road improvement projects, and the Radar/Speed Control Program funded from federal, state, and local taxes, fees and assessments.

Sacramento Regional Solid Waste Authority (SWA) - The SWA is an autonomous governmental organization or Joint Powers Authority (JPA) formed in December 1992, funded by franchise fees and governed by a Board of Directors consisting of elected officials from the County and the member cities. SWA regulates commercial solid waste collection by franchised haulers through ordinances.

Sacramento Public Library Authority - Accounts for County's share of revenue and operating funds to sixteen library branches providing all library services and to the Library JPA for funding construction and maintenance of the county facilities primarily from property taxes.

Transportation Sales Tax - Accounts for the public road improvements in the unincorporated area of the County that are funded from the Measure A Transportation Sales Tax.

Building Inspection - Accounts for building inspection and code enforcement services to the unincorporated area of the County and is subject to Proposition 218 requirements. Proposition 218 prohibits property related fees from exceeding costs of services provided and the fees from the revenues shall not be used for any purpose other than that for which the fee was imposed.

Public Facilities Fixed Asset Financing Program - Provides funds for payment of debt service to the 1990 COP which establish the Fixed Asset Financing Program and other costs of the program in accordance with the requirements of the financing documents.

Lighting and Landscape Maintenance Districts - As blended component units of the County was formed to provide all street and highway safety lighting services in the unincorporated area of the County (lighting) and to account for revenues and expenditures for the maintenance of the landscaped corridors in medians and natural open spaces in the unincorporated areas funded by service charges through direct levy subject to Proposition 218 requirements.

Park Districts and Park Service Areas - As a blended component unit of the County accounts for the operation of three Board of Supervisors-governed park districts, and for administrative and program assistance provided by the Department of Parks and Recreation to County service area four.

Water Agencies - As a blended component unit of the County consists of various zones created to provide specialized services within specific geographic areas and is subject to Proposition 218 requirements. Proposition 218 prohibits property-related fees from exceeding costs of service provided.

Stormwater Utility - Accounts for revenues and expenditures relating to collection and discharge of stormwater runoff in the region subject to Proposition 218 requirements. Proposition 218 prohibits property-related fees from exceeding cost of service provided and revenues from the fee shall not be used for any purpose other than that for which the fee was imposed.

Tobacco - Accounts for revenues and expenditures associated with the tobacco litigation settlement to be used for the operation of health, youth, and tobacco prevention programs.

SPECIAL REVENUE FUNDS

Economic Development - Primary programs revolve around the reuse programs and the Business Environmental Resource Center (BERC) program. The Mather field and McClellan Park reuse programs are self funded with state/federal grants and proceeds generated from sale or lease of former military base assets. The department also engages in more general economic development and job creation programs.

Roadway Fee District - Provides financing for public road improvements within several geographical districts in response to land use decisions, population growth and anticipated future development. Development fees provide the funding for the improvements and are charged when commercial and residential building permits are approved.

Tobacco Securitization Authority - As a blended component unit of the County reports the activities related to the County securitizing its portion of the nationwide Tobacco Settlement Agreement.

Environmental Management - Accounts for revenues and expenditures for public health and environmental regulatory services of water, food, and hazardous materials funded through permits, license, registration, fees and penalties.

Other - Accounts for miscellaneous Special Revenue Funds of the County.

Fish and Game Fund - Used to account for fines and forfeitures received under Section 13003 of the State of California Fish and Game Code and for other revenues and expenditures for the propagation and conservation of fish and game. The Recreation and Park Commission makes annual recommendations to the Board of Supervisors regarding expenditures within this fund.

In Home Support Services Authority - Established via Sacramento County Code 2.97 in accord with the state mandate established in WIC 12301.6 which requires assistance to recipients in finding in-home supportive services personnel through the establishment of a registry, investigation of potential personnel, establishes a referral system, provides training for providers and recipients and performs any other functions related to the delivery of in-home supportive services, funded by State Realignment and Federal reimbursements.

Mather Landscape Maintenance CFD - Provides landscape maintenance services for public landscape corridors within the district, funded by direct levy service charges.

Mather PFFP - Used to provide portions of the major public infrastructure roadway facilities for the Mather area, funded by development impact fees.

Gold River Landscape CFD - Provides landscape maintenance services for public landscape corridors within the district, funded by direct levy service charges.

Natomas Fire District - Funds the provision of fire protection services in the Natomas area from property taxes.

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COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(amounts expressed in thousands)

	Road	Solid Waste Authority	Library	Transportation Sales Tax	Building Inspection	Public Facilities Fixed Asset Financing Program
Assets:						
Cash and investments	$ 42,717	1,227	355	5,274	6,343	8
Receivables, net of allowance for uncollectibles:						
Billed	2,446	1		473	97	
Interest	86	4	1	9	17	
Intergovernmental	326			1,449		
Due from other funds	175					
Long-term advances to other funds						8,305
Long-term receivables						
Total assets	$ 45,750	1,232	356	7,205	6,457	8,313
Liabilities, Deferred Inflows of Resources and Fund Balances:						
Liabilities:						
Warrants payable	$ 298	8	4	111	34	
Accrued liabilities	2,954	485		1,227		
Intergovernmental payable	12	306		3,900	132	
Due to other funds	2,039		32			
Unearned revenue	1,251					
Other long-term liabilities						
Total liabilities	6,554	799	36	5,238	166	
Deferred inflows of resources:						
Unavailable Revenue	2,328			473		8,305
Fund balances:						
Nonspendable						
Restricted	36,868	433	320	1,494	6,291	8
Total fund balances	36,868	433	320	1,494	6,291	8
Total liabilities, deferred inflows of resources, and fund balances	$ 45,750	1,232	356	7,205	6,457	8,313

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(amounts expressed in thousands)

	Lighting and Landscape Maintenance Districts	Park Districts and Park Service Areas	Water Agencies	Stormwater Utility	Tobacco
Assets:					
Cash and investments	$ 2,559	9,573	52,697	24,854	1,247
Receivables, net of allowance for uncollectibles:					
Billed		296		2,262	
Interest	5	16	124	56	3
Intergovernmental					
Due from other funds					
Long-term advances to other funds					
Long-term receivables					
Total assets	$ 2,564	9,885	52,821	27,172	1,250
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Warrants payable	$ 26	267	18	223	
Accrued liabilities	178	312	41	773	
Intergovernmental payable		1,164	22	935	12
Due to other funds				480	
Unearned revenue					
Other long-term liabilities				1,629	
Total liabilities	204	1,743	81	4,040	12
Deferred inflows of resources:					
Unavailable Revenue					
Fund balances:					
Nonspendable					
Restricted	2,360	8,142	52,740	23,132	1,238
Total fund balances	2,360	8,142	52,740	23,132	1,238
Total liabilities, deferred inflows of resources, and fund balances	$ 2,564	9,885	52,821	27,172	1,250

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(amounts expressed in thousands)

	Economic Development	Roadway Fee District	Tobacco Securitization Authority	Environmental Management	Other	Total
Assets:						
Cash and investments	$ 43,368	7,161	493	13,844	4,042	215,762
Receivables, net of allowance for uncollectibles:						
Billed	203	9			12	5,799
Interest	106	19		26	10	482
Intergovernmental		320		2,565		4,660
Due from other funds						175
Long-term advances to other funds	902					9,207
Long-term receivables		429				429
Total assets	$ 44,579	7,938	493	16,435	4,064	236,514
Liabilities, Deferred Inflows of Resources and Fund Balances:						
Liabilities:						
Warrants payable	$ 16	23		408	778	2,214
Accrued liabilities	2,582		76	660	367	9,655
Intergovernmental payable	625			1	678	7,787
Due to other funds	21			225		2,797
Unearned revenue		429				1,680
Other long-term liabilities						1,629
Total liabilities	3,244	452	76	1,294	1,823	25,762
Deferred inflows of resources:						
Unavailable Revenue						11,106
Fund balances:						
Nonspendable	902					902
Restricted	40,433	7,486	417	15,141	2,241	198,744
Total fund balances	41,335	7,486	417	15,141	2,241	199,646
Total liabilities, deferred inflows of resources, and fund balances	$ 44,579	7,938	493	16,435	4,064	236,514

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Road	Solid Waste Authority	Library	Transportation Sales Tax	Building Inspection	Public Facilities Fixed Asset Financing Program
Revenues:						
Taxes	$ 432			23,734		
Use of money and property	182	2			16	
Licenses and permits	1,102	4,688			13,824	
Intergovernmental	44,698			6,454	9	
Charges for sales and services	51,333				208	19,012
Fines, forfeitures and penalties	5	8			10	
Pledged tobacco settlement proceeds						
Miscellaneous	4,302	3	924	124	20	
Total revenues	102,054	4,701	924	30,312	14,087	19,012
Expenditures:						
Current:						
General government						
Public protection					13,679	
Health and sanitation		4,643				
Public ways and facilities	102,861			31,235		
Recreation and culture						
Education			1,286			
Capital outlay						10,972
Total expenditures	102,861	4,643	1,286	31,235	13,679	10,972
Excess (deficiency) of revenues over (under) expenditures	(807)	58	(362)	(923)	408	8,040
Other financing sources (uses):						
Transfers in	2,086			3,066		
Transfers out	(2,042)			(837)		(8,032)
Total other financing sources (uses)	44			2,229		(8,032)
Net change in fund balances	(763)	58	(362)	1,306	408	8
Fund balances - beginning	37,631	375	682	188	5,883	
Fund balances - ending	$ 36,868	433	320	1,494	6,291	8

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Lighting and Landscape Maintenance Districts	Park Districts and Park Service Areas	Water Agencies	Stormwater Utility	Tobacco
Revenues:					
Taxes	$ 347	7,899		5,938	
Use of money and property		1,813	159	46	
Licenses and permits			4,152		
Intergovernmental	5	2,510		91	
Charges for sales and services	2,544	5,295	4,742	22,192	
Fines, forfeitures and penalties			1		
Pledged tobacco settlement proceeds					
Miscellaneous	276	1,180	78	1,185	
Total revenues	3,172	18,697	9,132	29,452	
Expenditures:					
Current:					
General government	3,400			36,200	395
Public protection					
Health and sanitation			5,643		
Public ways and facilities					
Recreation and culture		19,331			
Education					
Capital outlay					
Total expenditures	3,400	19,331	5,643	36,200	395
Excess (deficiency) of revenues over (under) expenditures	(228)	(634)	3,489	(6,748)	(395)
Other financing sources (uses):					
Transfers in		40			
Transfers out				(1,135)	
Total other financing sources (uses)		40		(1,135)	
Net change in fund balances	(228)	(594)	3,489	(7,883)	(395)
Fund balances - beginning	2,588	8,736	49,251	31,015	1,633
Fund balances - ending	$ 2,360	8,142	52,740	23,132	1,238

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Economic Development	Roadway Fee District	Tobacco Securitization Authority	Environmental Management	Other	Total
Revenues:						
Taxes	$				2,104	40,454
Use of money and property	3,683		1	20	78	6,000
Licenses and permits	39	4,933		15,856	1,038	45,632
Intergovernmental	6,062	426		27	1,470	61,752
Charges for sales and services	922			729	260	107,237
Fines, forfeitures and penalties					25	49
Pledged tobacco settlement proceeds			12,368			12,368
Miscellaneous	4,306	118		2,186	30	14,732
Total revenues	15,012	5,477	12,369	18,818	5,005	288,224
Expenditures:						
Current:						
General government	13,282				450	53,727
Public protection					2,993	16,672
Health and sanitation			155	17,443	1,497	29,381
Public ways and facilities		2,077			873	137,046
Recreation and culture					26	19,357
Education						1,286
Capital outlay						10,972
Total expenditures	13,282	2,077	155	17,443	5,839	268,441
Excess (deficiency) of revenues over (under) expenditures	1,730	3,400	12,214	1,375	(834)	19,783
Other financing sources (uses):						
Transfers in		619				5,811
Transfers out	(134)	(2,706)	(12,368)	(904)		(28,158)
Total other financing sources (uses)	(134)	(2,087)	(12,368)	(904)		(22,347)
Net change in fund balances	1,596	1,313	(154)	471	(834)	(2,564)
Fund balances - beginning	39,739	6,173	571	14,670	3,075	202,210
Fund balances - ending	$ 41,335	7,486	417	15,141	2,241	199,646

COUNTY OF SACRAMENTO
ROAD SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	$ 753	753	432	(321)
Use of money and property	378	308	182	(126)
Licenses and permits	1,206	1,206	1,102	(104)
Intergovernmental	53,779	55,454	44,698	(10,756)
Charges for sales and services	52,897	52,313	51,333	(980)
Fines, forfeitures and penalties	3	3	5	2
Miscellaneous	1,704	3,410	4,302	892
Total revenues	110,720	113,447	102,054	(11,393)
Expenditures:				
Current:				
Public ways and facilities	122,175	132,434	102,861	29,573
Excess (deficiency) of revenues over (under) expenditures	(11,455)	(18,987)	(807)	18,180
Other financing sources (uses):				
Transfers in	2,086	2,086	2,086	
Transfers out	(2,042)	(2,042)	(2,042)	
Total financing sources (uses)	44	44	44	
Net change in fund balances	$ (11,411)	(18,943)	(763)	18,180

COUNTY OF SACRAMENTO
SOLID WASTE AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 8	8	2	(6)
Licenses and permits	4,250	4,250	4,688	438
Fines, forfeitures and penalties	5	5	8	3
Miscellaneous			3	3
Total revenues	4,263	4,263	4,701	438
Expenditures:				
Current:				
Health and sanitation	4,263	4,689	4,643	46
Excess (deficiency) of revenues under expenditures		(426)	58	484
Net change in fund balances	$	(426)	58	484

COUNTY OF SACRAMENTO
LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 1	1		(1)
Miscellaneous	924	924	924	
Total revenues	925	925	924	(1)
Expenditures:				
Current:				
Education	1,446	1,606	1,286	320
Deficiency of revenues under expenditures	(521)	(681)	(362)	319
Net change in fund balances	$ (521)	(681)	(362)	319

COUNTY OF SACRAMENTO
TRANSPORTATION SALES TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 20,378	24,881	23,734	(1,147)
Use of money and property	15	5		(5)
Intergovernmental	13,581	22,965	6,454	(16,511)
Miscellaneous			124	124
Total revenues	33,974	47,851	30,312	(17,539)
Expenditures:				
Current:				
Public ways and facilities	36,318	49,799	31,235	18,564
Excess (deficiency) of revenues over (under) expenditures	(2,344)	(1,948)	(923)	1,025
Other financing uses:				
Transfers in	(3,066)	(3,066)	3,066	6,132
Transfers out	(837)	(837)	(837)	
Total other financing uses:	(3,903)	(3,903)	2,229	6,132
Net change in fund balances	$ (6,247)	(5,851)	1,306	7,157

COUNTY OF SACRAMENTO
BUILDING INSPECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 12	12	16	4
Licenses and permits	12,714	12,314	13,824	1,510
Intergovernmental	10	10	9	(1)
Charges for sales and services	101	101	208	107
Fines, forfeitures and penalties			10	10
Miscellaneous	2	2	20	18
Total revenues	12,839	12,439	14,087	1,648
Expenditures:				
Current:				
Public protection:				
Protection and inspection	14,918	15,695	13,679	2,016
Excess (deficiency) of revenues over (under) expenditures	(2,079)	(3,256)	408	3,664
Other financing sources:				
Net change in fund balances	$ (2,079)	(3,256)	408	3,664

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FIXED ASSET FINANCING PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Charges for sales and services	$ 19,013	19,013	19,012	(1)
Miscellaneous	27,838	27,838		(27,838)
Total revenues	46,851	46,851	19,012	(27,839)
Expenditures:				
Capital outlay	38,818	38,718	10,972	27,746
Excess of revenues over expenditures	8,033	8,133	8,040	(93)
Other financing uses:				
Transfers out	(8,032)	(8,032)	(8,032)	
Net change in fund balances	$ (7,335)	442	8	(93)

COUNTY OF SACRAMENTO
LIGHTING AND LANDSCAPE MAINTENANCE DISTRICTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	$ 285	285	347	62
Use of money and property	14	3		(3)
Intergovernmental	4	4	5	1
Charges for sales and services	2,629	2,530	2,544	14
Miscellaneous	883	827	276	(551)
Total revenues	3,815	3,649	3,172	(477)
Expenditures:				
General government	4,022	4,043	3,400	643
Excess (deficiency) of revenues over (under) expenditures	(207)	(394)	(228)	166
Net change in fund balances	$ (207)	(394)	(228)	166

COUNTY OF SACRAMENTO
PARK DISTRICTS AND PARK SERVICE AREAS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	$ 7,300	7,552	7,899	347
Use of money and property	1,818	1,815	1,813	(2)
Intergovernmental	3,707	2,804	2,510	(294)
Charges for sales and services	5,525	5,022	5,295	273
Miscellaneous	1,127	1,804	1,180	(624)
Total revenues	19,477	18,997	18,697	(300)
Expenditures:				
Current:				
Recreation and culture	21,108	24,201	19,331	4,870
Excess (deficiency) of revenues over (under) expenditures	(1,631)	(5,204)	(634)	4,570
Other financing sources (uses):				
Transfers in	40	40	40	
Total other financing sources(uses)	40	40	40	
Net change in fund balances	$ (1,591)	(5,164)	(594)	4,570

COUNTY OF SACRAMENTO
WATER AGENCIES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 123	123	159	36
Licenses and permits	2,081	2,081	4,152	2,071
Charges for sales and services	9,210	9,210	4,742	(4,468)
Fines, forfeitures and penalties			1	1
Miscellaneous	359	359	78	(281)
Total revenues	11,773	11,773	9,132	(2,641)
Expenditures:				
Current:				
Health and sanitation	25,658	21,045	5,643	15,402
Excess (deficiency) of revenues over (under) expenditures	(13,885)	(9,272)	3,489	12,761
Other financing sources (uses):				
Net change in fund balances	$ (13,885)	(9,272)	3,489	12,761

COUNTY OF SACRAMENTO
STORMWATER UTILITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	$ 5,294	5,294	5,938	644
Use of money and property	40	40	46	6
Intergovernmental	627	627	91	(536)
Charges for sales and services	23,238	22,710	22,192	(518)
Miscellaneous	2,062	2,062	1,185	(877)
Total revenues	31,261	30,733	29,452	(1,281)
Expenditures:				
Current:				
General government	36,690	45,088	36,200	8,888
Deficiency of revenues under expenditures	(5,429)	(14,355)	(6,748)	7,607
Other financing sources (uses):				
Transfers out	(1,135)	(1,135)	(1,135)	
Total other financing sources (uses)	(1,135)	(1,135)	(1,135)	
Net change in fund balances	$ (6,564)	(15,490)	(7,883)	7,607

COUNTY OF SACRAMENTO
TOBACCO SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Expenditures:				
Current:				
General government				
Finance	$ 1,583	1,632	395	1,237
Deficiency of revenues under expenditures	(1,583)	(1,632)	(395)	1,237
Net change in fund balances	$ (1,583)	(1,632)	(395)	1,237

COUNTY OF SACRAMENTO
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 3,512	3,512	3,683	171
Licenses and permits	39	39	39	
Intergovernmental	11,148	22,340	6,062	(16,278)
Charges for sales and services	1,513	1,513	922	(591)
Miscellaneous	11,614	12,872	4,306	(8,566)
Total revenues	27,826	40,276	15,012	(25,264)
Expenditures:				
Current:				
General government	37,595	51,107	13,282	37,825
Excess (deficiency) of revenues over (under) expenditures	(9,769)	(10,831)	1,730	(12,561)
Other financing uses:				
Transfers out	(134)	(134)	(134)	
Total other financing uses	(134)	(134)	(134)	
Net change in fund balances	$ (9,903)	(10,965)	1,596	12,561

COUNTY OF SACRAMENTO
ROADWAY FEE DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 9	7		(7)
Licenses and permits	1,785	2,045	4,933	2,888
Intergovernmental	4,340	4,527	426	(4,101)
Miscellaneous	78	78	118	40
Total revenues	6,212	6,657	5,477	(1,180)
Expenditures:				
Current:				
Public ways and facilities	8,699	9,008	2,077	6,931
Excess (deficiency) of revenues over (under) expenditures	(2,487)	(2,351)	3,400	5,751
Other financing sources:				
Transfers in	619	619	619	
Transfers out	2,706	2,706	(2,706)	(5,412)
Total other financing sources	3,325	3,325	(2,087)	(5,412)
Net change in fund balances	$ 838	974	1,313	339

COUNTY OF SACRAMENTO
TOBACCO SECURITIZATION AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		1	1
Pledged tobacco settlement proceeds	12,368	12,368	12,368	
Total revenues	12,368	12,368	12,369	1
Expenditures:				
Current:				
Health and sanitation	155	155	155	
Excess of revenues over expenditures	12,213	12,213	12,214	1
Other financing uses:				
Transfers out	(12,368)	(12,368)	(12,368)	
Net change in fund balances	$ (155)	(155)	(154)	1

COUNTY OF SACRAMENTO
ENVIRONMENTAL MANAGEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		20	20
Licenses and permits	14,331	14,331	15,856	1,525
Intergovernmental	2,166	2,166	27	(2,139)
Charges for sales and services	601	601	729	128
Miscellaneous	1,950	1,950	2,186	236
Total revenues	19,048	19,048	18,818	(230)
Expenditures:				
Current:				
Health and sanitation	19,272	19,272	17,443	1,829
Excess of revenues over expenditures	(224)	(224)	1,375	1,599
Other financing uses:				
Transfers out	(904)	(904)	(904)	
Net change in fund balances	$ (1,128)	(1,128)	471	1,599

COUNTY OF SACRAMENTO
OTHER SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	$ 1,930	1,930	2,104	174
Use of money and property	101	101	78	(23)
Licenses and permits	3,763	3,763	1,038	(2,725)
Intergovernmental	1,576	1,576	1,470	(106)
Charges for sales and services	758	754	260	(494)
Fines, forfeitures and penalties	25	23	25	2
Miscellaneous			30	30
Total revenues	8,153	8,147	5,005	(3,142)
Expenditures:				
Current:				
General government	326	703	450	253
Public protection	5,724	5,801	2,993	2,808
Health and sanitation	1,690	1,690	1,497	193
Public ways and facilities	1,538	1,942	873	1,069
Recreation and culture	29	29	26	3
Total expenditures	9,307	10,165	5,839	4,326
Deficiency of reveneues under expenditures	(1,154)	(2,018)	(834)	1,184
Net change in fund balances	$ (1,154)	(2,018)	(834)	1,184

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

DEBT SERVICE FUNDS

COUNTY OF SACRAMENTO
DEBT SERVICE FUNDS

Public Facilities Financing Program - Services the debt associated with the Public Facilities Financing Corporation's Juvenile Courthouse, 1997, 2003, 2006, 2007 and 2010 Public Facilities Financing funds.

Pension Obligation Bonds - Services the debt related to Pension Obligation Bonds issued to pay off the unfunded pension liability the County owed the Sacramento County Employees' Retirement System.

Teeter Plan - Services the debt associated with the County purchases of delinquent recurrent property taxes receivables under the Alternative Method of Tax Apportionment, the "Teeter Plan."

Tobacco Securitization Authority - Established in FY 2001-02 to service debt associated with the securitization of tobacco settlement agreement payments.

Sacramento County Public Financing Authority - Established in FY 2003-04 to service debt associated with housing and redevelopment projects throughout Sacramento County.

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(amounts expressed in thousands)

	Public Facilities Financing Corporation						
	Juvenile Courthouse	1997 Public Facilities Refunding	1997 Public Facilities	2003 Public Facilities	2006 Public Facilities	2007 Public Facilities	2010 COP Refunding
Assets:							
Cash and investments	$ 2,286	7,291	3,134	1,059	3,801	3,353	11,643
Interest	6	7	6	3	3	5	18
Loan receivable from Successor Agency							
Long-term receivables							
Total assets	$ 2,292	7,298	3,140	1,062	3,804	3,358	11,661
Liabilities, Deferred Inflow of Resources, and Fund Balances:							
Liabilities:							
Accrued liabilities	$						
Total liabilities							
Deferred inflow of resources:							
Unavailable Revenue							
Total deferred inflow of resources							
Fund balances:							
Restricted	2,292	7,298	3,140	1,062	3,804	3,358	11,661
Total fund balances	2,292	7,298	3,140	1,062	3,804	3,358	11,661
Total liabilities, deferred inflow of resources, and fund balances	$ 2,292	7,298	3,140	1,062	3,804	3,358	11,661

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(amounts expressed in thousands)

	Pension Obligation Bonds	Teeter Plan	Tobacco Securitization Authority	Sacramento County Public Financing Authority	Total
Assets:					
Cash and investments	$ 3,209	4,843	21,528	10,846	72,993
Interest	88	1			137
Loan receivable from Successor Agency				71,085	71,085
Long-term receivables		29,732		6,029	35,761
Total assets	$ 3,297	34,576	21,528	87,960	179,976
Liabilities, Deferred Inflow of Resources, and Fund Balances:					
Liabilities:					
Accrued liabilities	$ 1,078				1,078
Total liabilities	1,078				1,078
Deferred inflow of resources:					
Unavailable Revenue				77,114	77,114
Total deferred inflow of resources				77,114	77,114
Fund balances:					
Restricted	2,219	34,576	21,528	10,846	101,784
Total fund balances	2,219	34,576	21,528	10,846	101,784
Total liabilities, deferred inflow of resources, and fund balances	$ 3,297	34,576	21,528	87,960	179,976

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Public-Facilities Financing Corporations						
	Juvenile Courthouse	1997 Public Facilities Refunding	1997 Public Facilities	2003 Public Facilities	2006 Public Facilities	2007 Public Facilities	2010 COP Refunding
Revenues:							
Use of money and property	$ 6	370	6	3	5	3	27
Intergovernmental		15					
Fines, forfeitures and penalties							
Total revenues	6	385	6	3	5	3	27
Expenditures:							
Debt service:							
Principal	865	3,330	2,870	385	6,350	950	9,595
Interest and fiscal charges	1,361	3,002	174	600	1,626	2,065	4,988
Total expenditures	2,226	6,332	3,044	985	7,976	3,015	14,583
Deficiency of revenues under expenditures	(2,220)	(5,947)	(3,038)	(982)	(7,971)	(3,012)	(14,556)
Other financing sources (uses):							
Transfers in	2,240	6,330	3,049	987	8,541	3,028	14,381
Transfers out		(375)	(200)				
Issuance of debt							
Total other financing sources (uses)	2,240	5,955	2,849	987	8,541	3,028	14,381
Net change in fund balances	20	8	(189)	5	570	16	(175)
Fund balances - beginning	2,272	7,290	3,329	1,057	3,234	3,342	11,836
Fund balances - ending	$ 2,292	7,298	3,140	1,062	3,804	3,358	11,661

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Pension Obligation Bonds	Teeter Plan	Tobacco Securitization Authority	Sacramento County Public Financing Authority	Total
Revenues:					
Use of money and property	$ 82	1	1		504
Intergovernmental	11,102			6,338	17,455
Fines, forfeitures and penalties		11,134			11,134
Total revenues	11,184	11,135	1	6,338	29,093
Expenditures:					
Debt service:					
Principal	16,374	25,696	800	1,950	69,165
Interest and fiscal charges	107,699	125	11,590	4,426	137,656
Total expenditures	124,073	25,821	12,390	6,376	206,821
Deficiency of revenues under expenditures	(112,889)	(14,686)	(12,389)	(38)	(177,728)
Other financing sources (uses):					
Transfers in	113,874		12,368		164,798
Transfers out		(11,351)			(11,926)
Issuance of debt		20,996			20,996
Total other financing sources (uses)	113,874	9,645	12,368		173,868
Net change in fund balances	985	(5,041)	(21)	(38)	(3,860)
Fund balances - beginning	1,234	39,617	21,549	10,884	105,644
Fund balances - ending	$ 2,219	34,576	21,528	10,846	101,784

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
JUVENILE COURTHOUSE DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		6	6
Expenditures:				
Debt service:				
Principal	865	865	865	
Interest and fiscal charges	1,412	1,429	1,361	68
Total expenditures	2,277	2,294	2,226	68
Deficiency of revenues under expenditures	(2,277)	(2,294)	(2,220)	74
Other financing sources:				
Transfers in	2,240	2,240	2,240	
Net change in fund balances	$ (37)	(54)	20	74

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
1997 PUBLIC FACILITIES REFUNDING DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		370	370
Intergovernmental	15	15	15	
Total revenues	15	15	385	370
Expenditures:				
Debt service:				
Principal	3,330	3,330	3,330	
Interest and fiscal charges	3,052	3,060	3,002	58
Total expenditures	6,382	6,390	6,332	58
Deficiency of revenues under expenditures	(6,367)	(6,375)	(5,947)	428
Other financing sources:				
Transfers in	6,330	6,330	6,330	
Transfers out	(375)	(375)	(375)	
Total other financing sources:	5,955	5,955	5,955	
Net change in fund balances	$ (412)	(420)	8	428

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
1997 PUBLIC FACILITIES DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 14	14	6	(8)
Expenditures:				
Debt service:				
Principal	2,870	2,870	2,870	
Interest and fiscal charges	228	292	174	118
Total expenditures	3,098	3,162	3,044	118
Deficiency of revenues under expenditures	(3,084)	(3,148)	(3,038)	110
Other financing sources:				
Transfers in	3,049	3,049	3,049	
Transfers out	(200)	(200)	(200)	
Total other financing sources:	2,849	2,849	2,849	
Net change in fund balances	$ (235)	(299)	(189)	110

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
2003 PUBLIC FACILITIES DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		3	3
Expenditures:				
Debt service:				
Principal	385	385	385	
Interest and fiscal charges	678	692	600	92
Total expenditures	1,063	1,077	985	92
Deficiency of revenues under expenditures	(1,063)	(1,077)	(982)	95
Other financing sources:				
Transfers in	987	987	987	
Net change in fund balances	$ (76)	(90)	5	95

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
2006 PUBLIC FACILITIES DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		5	5
Expenditures:				
Debt service:				
Principal	6,825	6,825	6,350	475
Interest and fiscal charges	2,074	2,091	1,626	465
Total expenditures	8,899	8,916	7,976	940
Deficiency of revenues under expenditures	(8,899)	(8,916)	(7,971)	945
Other financing sources:				
Transfers in	8,541	8,541	8,541	
Net change in fund balances	$ (358)	(375)	570	945

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
2007 PUBLIC FACILITIES DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		3	3
Expenditures:				
Debt service:				
Principal	950	950	950	
Interest and fiscal charges	2,404	2,415	2,065	350
Total expenditures	3,354	3,365	3,015	350
Deficiency of revenues under expenditures	(3,354)	(3,365)	(3,012)	353
Other financing sources:				
Transfers in	3,028	3,028	3,028	
Net change in fund balances	$ (326)	(337)	16	353

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
2010 COP REFUNDING
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		27	27
Total revenues			27	27
Expenditures:				
Principal	9,595	9,595	9,595	
Interest and fiscal charges	5,092	5,305	4,988	317
Total expenditures	14,687	14,900	14,583	317
Deficiency of revenues under expenditures	(14,687)	(14,900)	(14,556)	344
Other financing sources:				
Transfers in	14,381	14,381	14,381	
Net change in fund balances	$ (306)	(519)	(175)	344

COUNTY OF SACRAMENTO
PENSION OBLIGATION BONDS DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		82	82
Intergovernmental	11,102	11,102	11,102	
Total revenues	11,102	11,102	11,184	82
Expenditures:				
Debt service:				
Principal	16,374	16,374	16,374	
Interest and fiscal charges	110,062	110,953	107,699	3,254
Total expenditures	126,436	127,327	124,073	3,254
Deficiency of revenues under expenditures	(115,334)	(116,225)	(112,889)	3,336
Other financing sources (uses):				
Transfers in	113,874	113,874	113,874	
Total other financing sources (uses)	113,874	113,874	113,874	
Net change in fund balances	$ (1,460)	(2,351)	985	3,336

COUNTY OF SACRAMENTO
TEETER PLAN DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		1	1
Fines, forfeitures and penalties	11,134	11,134	11,134	
Miscellaneous	12,841	6,893		(6,893)
Total revenues	23,975	18,027	11,135	(6,892)
Expenditures:				
Debt service:				
Principal	35,948	30,830	25,696	5,134
Interest and fiscal charges	(2,327)	2,027	125	1,902
Total expenditures	33,621	32,857	25,821	7,036
Deficiency of revenues under expenditures	(9,646)	(14,830)	(14,686)	144
Other financing sources (uses):				
Transfers out	(11,351)	(11,351)	(11,351)	
Issuance of debt	20,996	20,996	20,996	
Total other financing sources (uses)	9,645	9,645	9,645	
Net change in fund balances	$ (1)	(5,185)	(5,041)	144

COUNTY OF SACRAMENTO
TOBACCO SECURITIZATION AUTHORITY DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 2	2	1	(1)
Expenditures:				
Debt service:				
Principal	800	800	800	
Interest and fiscal charges	11,590	11,590	11,590	
Total expenditures	12,390	12,390	12,390	
Deficiency of revenues under expenditures	(12,388)	(12,388)	(12,389)	(1)
Other financing sources:				
Transfers in	12,368	12,368	12,368	
Net change in fund balances	$ (20)	(20)	(21)	(1)

COUNTY OF SACRAMENTO
SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Intergovernmental	$ 6,338	6,338	6,338	
Total revenues	6,338	6,338	6,338	
Expenditures:				
Debt service:				
Principal	1,950	1,950	1,950	
Interest and fiscal charges	4,426	4,426	4,426	
Total expenditures	6,376	6,376	6,376	
Excess of revenues over expenditures	(38)	(38)	(38)	
Net change in fund balances	$ (38)	(38)	(38)	

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS

Improvement Bond Act of 1911 - Accounts for construction activity in various special assessment districts where monies have been received under the 1911 Improvement Bond Act from special assessment district property owners.

Improvement Bond Act of 1915 - Accounts for construction activity in various special assessment districts where monies have been received from special assessment district property owners under the 1915 Improvement Bond Act.

Metro Air Park Community Facilities District - Accounts for construction activity in the Metro Air Park Community Facilities District.

Laguna Stonelake Community Facilities District - Accounts for construction activity in the Laguna Stonelake Community Facilities District.

Park Meadows Community Facilities District - Accounts for construction activity in the Park Meadows Community Facilities District.

Laguna Community Facilities District - Accounts for construction activity in the Laguna Community Facilities District.

Laguna Creek Ranch/Elliott Ranch Community Facilities District Number One and Two - Accounts for construction activity in the Laguna Creek Ranch/Elliott Ranch Community Facilities District.

Accumulated Capital Outlay - Accounts for general capital outlay expenditures of the County.

Community Fee Districts - Established by property owners to account for construction of public projects financed by various developer fees and other miscellaneous revenues.

1997 Public Facilities - Accounts for construction of an additional dormitory-style jail at the Rio Cosumnes Correctional Center, and acquisition of the Bank of America building in downtown Sacramento.

2007 Public Facilities - Accounts for construction of the Animal Care Facility and Youth Detention Facility expansion.

Tobacco Litigation Settlement - Accounts for construction projects from the Tobacco Litigation Settlement Securitization proceeds including the Juvenile Court Facility and the Primary Care Clinic.

McClellan Community Facilities District - Accounts for infrastructure construction activity in the McClellan Community Facilities District.

CAPITAL PROJECT FUNDS

Sacramento County Landscape Maintenance Community Facilities District - Accounts for landscape maintenance activity of the Sacramento County Landscape Maintenance Community Facilities District.

Metro Air Park Service Tax - Accounts for landscape maintenance activity within the Metro Air Park Community Facilities District.

North Vineyard SSP CFD - Accounts for public road improvements in the North Vineyard area of the County that are funded by development impact fees.

County Parks CFD - No. 2006-1 - Accounts for construction and maintenance of parks, trails, and open space in the Southeast County area.

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(amounts expressed in thousands)

	Assessment Districts		Mello-Roos Community Facilities Act of 1982				
	Improvement Bond Act of 1911	Improvement Bond Act of 1915	Metro Air Park CFD	Laguna Stonelake CFD	Park Meadows CFD	Laguna Community Facilities District	Laguna Creek Ranch/Elliott Ranch Community Facilities District No. One and Two
Assets:							
Cash and investments	$ 239	3,554	5,801	191	64	1,146	6,015
Receivables, net of allowance for uncollectibles:							
Billed							
Interest	1	9	(1)		1	3	1
Long-term receivables							
Total assets	$ 240	3,563	5,800	191	65	1,149	6,016
Liabilities and fund balances:							
Liabilities:							
Warrants payable	$					372	
Accrued liabilities							
Intergovernmental payable	54	3,396				1	1
Due to other funds							
Unearned revenue							
Total liabilities	54	3,396				373	1
Deferred inflow of resources:							
Unavailable Revenue							
Fund balances:							
Reserved for:							
Restricted	186	167	5,800	191	65	776	6,015
Total fund balances	186	167	5,800	191	65	776	6,015
Total liabilities and fund balances	$ 240	3,563	5,800	191	65	1,149	6,016

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(amounts expressed in thousands)

	Public Facilities Financing					
	Accumulated Capital Outlay	Community Fee Districts	1997 Public Facilities	2007 Public Facilities	Tobacco Litigation Settlement	McClellan CFD
Assets:						
Cash and investments	$ 11,347	16,468	382	24	2,695	257
Receivables, net of allowance for uncollectibles:						
Billed		396				
Interest	28	38	2			1
Long-term receivables		667				
Total assets	$ 11,375	17,569	384	24	2,695	258
Liabilities and fund balances:						
Liabilities:						
Warrants payable	$ 187					
Accrued liabilities	1,667	143				
Intergovernmental payable	100	1,180				
Due to other funds	1					
Unearned revenue		667				
Total liabilities	1,955	1,990				
Deferred inflow of resources:						
Unavailable Revenue		382				
Fund balances:						
Reserved for:						
Restricted	9,420	15,197	384	24	2,695	258
Total fund balances	9,420	15,197	384	24	2,695	258
Total liabilities and fund balances	$ 11,375	17,569	384	24	2,695	258

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(amounts expressed in thousands)

	Public Facilities Financing				
	Sacramento County Landscape Maintenance CFD	Metro Air Park Service Tax	North Vineyard SSP CFD	County Parks CFD - No. 2006-1	Total
Assets:					
Cash and investments	$ 711	636	1,676	141	51,347
Receivables, net of allowance for uncollectibles:					
Billed					396
Interest	2	2	1		88
Long-term receivables					667
Total assets	$ 713	638	1,677	141	52,498
Liabilities and fund balances:					
Liabilities:					
Warrants payable	$ 1				560
Accrued liabilities					1,810
Intergovernmental payable				139	4,871
Due to other funds					1
Unearned revenue					667
Total liabilities	1			139	7,909
Deferred inflow of resources:					
Unavailable Revenue					382
Fund balances:					
Reserved for:					
Restricted	712	638	1,677	2	44,207
Total fund balances	712	638	1,677	2	44,207
Total liabilities and fund balances	$ 713	638	1,677	141	52,498

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Assessment Districts		Mello-Roos Community Facilities Act of 1982				
	Improvement Bond Act of 1911	Improvement Bond Act of 1915	Metro Air Park CFD	Laguna Stonelake CFD	Park Meadows CFD	Laguna Community Facilities District	Laguna Creek Ranch/Elliott Ranch Community Facilities District No. One and Two
Revenues:							
Use of money and property	$		3				1
Intergovernmental							
Charges for sales and services							
Fines, forfeitures and penalties							
Miscellaneous	67			124	60		469
Total revenues	67		3	124	60		470
Expenditures:							
Public ways and facilities						400	278
Capital outlay	67	157	335	107	57		
Debt Service:							
Principal							
Total expenditures	67	157	335	107	57	400	278
Excess (deficiency) of revenues over (under) expenditures		(157)	(332)	17	3	(400)	192
Other financing sources (uses):							
Transfers in							
Transfers out							
Total other financing sources (uses)							
Net change in fund balances		(157)	(332)	17	3	(400)	192
Fund balances - beginning	186	324	6,132	174	62	1,176	5,823
Fund balances - ending	$ 186	167	5,800	191	65	776	6,015

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Public Facilities Financing					
	Accumulated Capital Outlay	Community Fee Districts	1997 Public Facilities	2007 Public Facilities	Tobacco Litigation Settlement	McClellan CFD
Revenues:						
Use of money and property	$ 27	20	1	3	3	
Intergovernmental	281	466				
Charges for sales and services	13	2,714				
Fines, forfeitures and penalties	3,232					
Miscellaneous	24,388	1,050				74
Total revenues	27,941	4,250	1	3	3	74
Expenditures:						
Public ways and facilities						
Capital outlay	19,804	2,000	160		1,713	121
Debt Service:						
Principal	77					
Total expenditures	19,881	2,000	160		1,713	121
Excess (deficiency) of revenues over (under) expenditures	8,060	2,250	(159)	3	(1,710)	(47)
Other financing sources (uses):						
Transfers in	750					
Transfers out	(8,486)					
Total other financing sources (uses)	(7,736)					
Net change in fund balances	324	2,250	(159)	3	(1,710)	(47)
Fund balances - beginning	9,096	12,947	543	21	4,405	305
Fund balances - ending	$ 9,420	15,197	384	24	2,695	258

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Public Facilities Financing				
	Sacramento County Landscape Maintenance CFD	Metro Air Park Service Tax	North Vineyard SSP CFD	County Parks CFD - No. 2006-1	Total
Revenues:					
Use of money and property	$		1		59
Intergovernmental					747
Charges for sales and services	110	110			2,947
Fines, forfeitures and penalties					3,232
Miscellaneous			167		26,399
Total revenues	110	110	168		33,384
Expenditures:					
Public ways and facilities					678
Capital outlay	84	112	64	1	24,782
Debt Service:					
Principal					77
Total expenditures	84	112	64	1	25,537
Excess (deficiency) of revenues over (under) expenditures	26	(2)	104	(1)	7,847
Other financing sources (uses):					
Transfers in					750
Transfers out					(8,486)
Total other financing sources (uses)					(7,736)
Net change in fund balances	26	(2)	104	(1)	111
Fund balances - beginning	686	640	1,573	3	44,096
Fund balances - ending	$ 712	638	1,677	2	44,207

COUNTY OF SACRAMENTO
ASSESSMENT DISTRICTS - IMPROVEMENT
BOND ACT OF 1911 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(AMOUNTS EXPRESSED IN THOUSANDS)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Miscellaneous	$ 100	221	67	(154)
Total revenues	100	221	67	(154)
Expenditures:				
Capital outlay	100	221	67	154
Net change in fund balances	$			

COUNTY OF SACRAMENTO
ASSESSMENT DISTRICTS - IMPROVEMENT
BOND ACT OF 1915 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 20			
Miscellaneous	382	618		(618)
Total revenues	402	618		(618)
Expenditures:				
Capital outlay	918	902	157	745
Net change in fund balances	$ (516)	(284)	(157)	127

COUNTY OF SACRAMENTO
MELLO-ROOS COMMUNITY FACILITIES ACT 1982
METRO AIR PARK COMMUNITY FACILITIES DISTRICT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 3	3	3	
Miscellaneous	395	350		(350)
Total revenues	398	353	3	(350)
Expenditures:				
Capital outlay	6,900	6,895	335	6,560
Net change in fund balances	$ (6,502)	(6,542)	(332)	6,210

COUNTY OF SACRAMENTO
MELLO-ROOS COMMUNITY FACILITIES ACT 1982
LAGUNA STONELAKE COMMUNITY FACILITIES DISTRICT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 1	1		(1)
Miscellaneous	125	125	124	(1)
Total revenues	126	126	124	(2)
Expenditures:				
Capital outlay	295	300	107	193
Net change in fund balances	$ (169)	(174)	17	191

COUNTY OF SACRAMENTO
MELLO-ROOS COMMUNITY FACILITIES ACT 1982
PARK MEADOWS COMMUNITY FACILITIES DISTRICT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 1	1		(1)
Miscellaneous	60	64	60	(4)
Total revenues	61	65	60	(5)
Expenditures:				
Capital outlay	114	127	57	70
Net change in fund balances	$ (53)	(62)	3	65

COUNTY OF SACRAMENTO
MELLO-ROOS COMMUNITY FACILITIES ACT 1982
LAGUNA COMMUNITY FACILITIES DISTRICT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Expenditures:				
Public ways and facilities	$ 1,174	$ 1,176	$ 400	$ 776
Net change in fund balances	$ (1,174)	(1,176)	(400)	776

COUNTY OF SACRAMENTO
MELLO-ROOS COMMUNITY FACILITIES ACT 1982
LAGUNA CREEK RANCH/ELLIOTT RANCH COMMUNITY FACILITIES
DISTRICT NUMBER ONE AND TWO CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 2	2	1	(1)
Miscellaneous	460	460	469	9
Total revenues	462	462	470	8
Expenditures:				
Public ways and facilities	3,199	3,220	278	2,942
Net change in fund balances	$ (2,737)	(2,758)	192	2,950

COUNTY OF SACRAMENTO
ACCUMULATED CAPITAL OUTLAY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 3	3	27	24
Intergovernmental	892	1,763	281	(1,482)
Charges for sales and services			13	13
Fines, forfeitures and penalties	3,300	3,300	3,232	(68)
Miscellaneous	27,577	30,176	24,388	(5,788)
Total revenues	31,772	35,242	27,941	(7,301)
Expenditures:				
Capital outlay	28,611	36,181	19,804	16,377
Debt Service:				
Principal	77	77	77	
Excess of revenues over expenditures	3,084	(1,016)	8,060	9,076
Other financing sources (uses):				
Transfers in	750	750	750	
Transfers out	(8,486)	(8,486)	(8,486)	
Total other financing sources (uses)	(7,736)	(7,736)	(7,736)	
Net change in fund balances	$ (4,652)	(8,752)	324	9,076

COUNTY OF SACRAMENTO
COMMUNITY FEE DISTRICTS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 13	13	20	7
Intergovernmental			466	466
Charges for sales and services	1,815	1,840	2,714	874
Miscellaneous			1,050	1,050
Total revenues	1,828	1,853	4,250	2,397
Expenditures:				
Capital outlay	11,359	13,634	2,000	11,634
Net change in fund balances	$ (9,531)	(11,781)	2,250	14,031

COUNTY OF SACRAMENTO
1997 PUBLIC FACILITIES FINANCING CORPORATION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$		1	1
Total revenues			1	1
Expenditures:				
Capital outlay	242	543	160	383
Net change in fund balances	$ (242)	(543)	(159)	384

COUNTY OF SACRAMENTO
2007 PUBLIC FACILITIES FINANCING COPRORATION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$		3	3
Total revenues			3	3
Expenditures:				
Capital outlay	19	21		21
Deficiency of revenues under expenditures	(19)	(21)	3	24
Net change in fund balances	$ (19)	(21)	3	24

COUNTY OF SACRAMENTO
TOBACCO LITIGATION SETTLEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$		3	3
Expenditures:				
Capital outlay	3,326	4,405	1,713	2,692
Net change in fund balances	$ (3,326)	(4,405)	(1,710)	2,695

COUNTY OF SACRAMENTO
MCCLELLAN CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 1	1		(1)
Miscellaneous	170	90	74	(16)
Total revenues	171	91	74	(17)
Expenditures:				
Capital outlay	478	396	121	275
Net change in fund balances	$ (307)	(305)	(47)	258

COUNTY OF SACRAMENTO
SACRAMENTO COUNTY LANDSCAPE MAINTENANCE CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 1	1	1	
Charges for sales and services	128	128	109	(19)
Total revenues	129	129	110	(19)
Expenditures:				
Capital outlay	147	187	84	103
Net change in fund balances	$ (18)	(58)	26	84

COUNTY OF SACRAMENTO
METRO AIR PARK SERVICE TAX CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$		1	1
Charges for sales and services	110	110	109	(1)
Total revenues	110	110	110	
Expenditures:				
Capital outlay	749	750	112	638
Other financing uses:				
Net change in fund balances	$ (639)	(640)	(2)	638

COUNTY OF SACRAMENTO
NORTH VINEYARD SSP CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Use of money and property	$ 1	1	1	
Miscellaneous	82	168	167	(1)
Total revenues	83	169	168	(1)
Expenditures:				
Capital outlay	1,731	1,741	64	1,677
Net change in fund balances	$ (1,648)	(1,572)	104	1,676

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR ENTERPRISE FUNDS SECTION

NON-MAJOR ENTERPRISE FUNDS

Parking Enterprise - Accounts for all downtown parking facilities that generate revenues from user fees from both the public and County employees.

County Transit - Accounts for the operations of the South County Transit program.

COUNTY OF SACRAMENTO
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
Assets:			
Current assets:			
Cash and investments	$ 4,911	47	4,958
Recivables, net of allowance for uncollectibles:			
Intergovernmental		1,594	1,594
Interest	11	2	13
Total current assets	4,922	1,643	6,565
Noncurrent assets:			
Capital assets:			
Land and other nondepreciable assets	1,299		1,299
Buildings & improvements, infrastructure, equipment and intangibles, net	1,383	986	2,369
Total capital assets	2,682	986	3,668
Total noncurrent assets	2,682	986	3,668
Total assets	7,604	2,629	10,233
Deferred outflows of resources:			
Deferred outflow amount related to pension	46		46
Total assets and deferred outflows of resources	7,650	2,629	10,279
Liabilities:			
Current liabilities:			
Warrants payable	5		5
Accrued liabilities	32	119	151
Intergovernmental payable	11		11
Due to other funds	4	175	179
Current portion of long-term debt obligations	4		4
Total current liabilities	56	294	350
Noncurrent liabities:			
Long-term debt obligations	47		47
Net pension liability	160		160
Total noncurrent liabilities	207		207
Total liabilities	263	294	557

COUNTY OF SACRAMENTO
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
Deferred inflows of resources:			
Deferred inflow amount related to pension	172		172
Total liabilities and deferred inflows	435	294	729
Net position:			
Net investment in capital assets	2,682	986	3,668
Restricted for:			
Transportation		923	923
Unrestricted	4,533	426	4,959
Total net position	$ 7,215	$ 2,335	$ 9,550

COUNTY OF SACRAMENTO
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
Operating revenues:			
Charges for sales and services	$ 2,914	228	3,142
Other	88		88
Total operating revenues	3,002	228	3,230
Operating expenses:			
Salaries and benefits	359		359
Services and supplies	1,753	342	2,095
Depreciation and amortization	303	204	507
Other	48	1,658	1,706
Total operating expenses	2,463	2,204	4,667
Operating income (loss)	539	(1,976)	(1,437)
Nonoperating revenues (expenses):			
Intergovernmental		836	836
Sales / use tax		687	687
Total nonoperating revenues		1,523	1,523
Income before transfers	539	(453)	86
Transfers out	(33)		(33)
Change in net position	506	(453)	53
Net position, beginning of year, as restated	6,709	2,788	9,497
Net position, end of year	$ 7,215	2,335	9,550

COUNTY OF SACRAMENTO
NON-MAJOR ENTERPRISE
COMBINING STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 2,914	228	3,142
Payments to suppliers	(1,739)	(1,909)	(3,648)
Payments to employees	(375)		(375)
Payments for interfund services used	(2)		(2)
Payments for other operating activities	39		39
Net cash provided by (used for) operating activities	837	(1,681)	(844)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue		993	993
Transfers from other funds	(33)		(33)
Net cash provided by (used for) noncapital financing activities	(33)	993	960
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets		(564)	(564)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received / (paid) on cash and investments	(8)	(2)	(10)
Net cash provided by investing activities	(8)	(2)	(10)
Net increase in cash and cash equivalents	796	(1,254)	(458)
Cash and cash equivalents, beginning of year	4,115	1,301	5,416
Cash and cash equivalents, end of year	$ 4,911	47	4,958

COUNTY OF SACRAMENTO
NON-MAJOR ENTERPRISE
COMBINING STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	$ 539	(1,976)	(1,437)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and Amortization	303	204	507
Non cash reduction in salaries and benefits GASB 68	(21)		(21)
Changes in assets and liabilities:			
Receivables:			
Warrants payable	1	(87)	(86)
Accrued liabilities	13	178	191
Due to other funds	(2)		(2)
Compensated absences	(1)		(1)
Other post employment benefits	5		5
Total adjustments	298	295	593
Net cash provided by (used for) operating activities	$ 837	(1,681)	(844)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

General Services - Created to centralize many of the activities providing services to County departments. These activities include Automobile Fleet Operations, Purchasing, Printing, Mail, Central Stores, Surplus Property Disposal, Building Maintenance & Operations, Real Estate, and Construction Equipment.

Liability/Property Self-insurance - Accounts for the County's program of self-insurance for liability/property perils.

Workers' Compensation Self-insurance - Accounts for the County's self-insurance of all workers' compensation claims.

Other Self-Insurance - Accounts for the County's self-insurance of all dental and unemployment claims.

Regional Communications - Accounts for the operations of the County's emergency communications function.

Department of Technology - Accounts for central telecommunication and data processing support to County departments.

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	General Services	Self Insurance: Liability/ Property	Self Insurance: Worker's Compensation	Self Insurance: Other	Regional Communications	Department of Technology	Total
Assets:							
Current assets:							
Cash and investments	$ 80,321	2,646	19,040	218	6,416	11,942	120,583
Receivables, net of allowance for uncollectibles:							
Billed	161						161
Interest					16		16
Intergovernmental		1,506	1,333	72			2,911
Due from other funds	1	14,181	25,619	1,766			41,567
Prepaid items		98				222	320
Inventories	1,825						1,825
Total current assets	82,308	18,431	45,992	2,056	6,432	12,164	167,383
Noncurrent assets:							
Long-term advances to other funds			41,752				41,752
Long-term receivables			87				87
Capital assets:							
Buildings & improvements, infrastructure, equipment and intangibles, net	23,938		3		12,507	6,206	42,654
Total capital assets	23,938		3		12,507	6,206	42,654
Total noncurrent assets	23,938		41,842		12,507	6,206	84,493
Total assets	106,246	18,431	87,834	2,056	18,939	18,370	251,876
Deferred outflows of resources:							
Deferred outflow related to pension	7,080				160	6,115	13,355
Total assets and deferred outflows of resources	113,326	18,431	87,834	2,056	19,099	24,485	265,231

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	General Services	Self Insurance: Liability/ Property	Self Insurance: Worker's Compensation	Self Insurance: Other	Regional Communications	Department of Technology	Total
Liabilities and fund balances:							
Current liabilities:							
Warrants payable	3,590	716	384		7	447	5,144
Accrued liabilities	9,343	981	30	10	157	2,996	13,517
Intergovernmental payable	547					10	557
Due to other funds	2,525				23	379	2,927
Current portion of insurance claims payable		10,294	22,624	212			33,130
Current portion of long-term debt obligations	267					391	658
Unearned revenue			87		4,690	528	5,305
Total current liabilities	16,272	11,991	23,125	222	4,877	4,751	61,238
Noncurrent liabilities:							
Insurance claims payable		23,258	154,087				177,345
Long-term debt obligations	6,819				109	6,812	13,740
Long-term advances from other funds	8,305						8,305
Net pension liability	18,533				430	16,487	35,450
Total noncurrent liabilities	33,657	23,258	154,087		539	23,299	234,840
Total liabilities	49,929	35,249	177,212	222	5,416	28,050	296,078
Deferred inflows of resources:							
Deferred inflow related to pension	19,878				461	17,684	38,023
Total liabilities and deferred inflows of resources	69,807	35,249	177,212	222	5,877	45,734	334,101
Net position:							
Net investment in capital assets	23,938		3		12,507	6,206	42,654
Unrestricted	19,581	(16,818)	(89,381)	1,834	715	(27,455)	(111,524)
Total net position	$ 43,519	$ (16,818)	$ (89,378)	$ 1,834	$ 13,222	$ (21,249)	$ (68,870)

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

		Self Insurance					
	General Services	Liability/ Property	Worker's Compensation	Other	Regional Communications	Department of Technology	Total
Operating revenues:							
Charges for sales and services	$ 149,752	16,275	27,245	1,838	3,725	73,527	272,362
Other	622	1,433	293		915	76	3,339
Total operating revenues	150,374	17,708	27,538	1,838	4,640	73,603	275,701
Operating expenses:							
Salaries and benefits	49,062				1,121	39,688	89,871
Services and supplies	77,840			165	1,144	19,892	99,041
Cost of sales and services	3,111						3,111
Depreciation and amortization	6,857		2		1,699	1,924	10,482
Self-insurance		15,653	29,855	1,008			46,516
Other	724	27	153	9			913
Total operating expenses	137,594	15,680	30,010	1,182	3,964	61,504	249,934
Operating income (loss)	12,780	2,028	(2,472)	656	676	12,099	25,767
Nonoperating revenues (expenses):							
Use of money and property					16		16
Interest expense	(675)	(5)	(40)		(147)	(25)	(892)
Other	1,698				(407)	(208)	1,083
Total nonoperating revenues (expenses)	1,023	(5)	(40)		(538)	(233)	207
Income before transfers	13,803	2,023	(2,512)	656	138	11,866	25,974
Transfers out	(4,756)				(78)	(7,116)	(11,950)
Change in net position	9,047	2,023	(2,512)	656	60	4,750	14,024
Net position, beginning of year	34,472	(18,841)	(86,866)	1,178	13,162	(25,999)	(82,894)
Net position, end of year	$ 43,519	(16,818)	(89,378)	1,834	13,222	(21,249)	(68,870)

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

		Self Insurance					
	General Services	Liability/Property	Worker's Compensation	Other	Regional Communications	Department of Technology	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and users	$ 575	1,433			5,038	73,797	80,843
Receipts from interfund services provided	171,714	16,581	29,522	1,417			219,234
Payments to suppliers	(79,242)	(15,950)	(18,959)	(1,037)	(370)	(15,670)	(131,228)
Payments to employees	(52,750)	(1,350)	(3,236)	(126)	(1,190)	(42,564)	(101,216)
Payments / (refunds) for other operating activities	(724)					74	(650)
Payments for interfund services used	(21,833)	(89)	(515)	(36)	(827)	(4,717)	(28,017)
Net cash flows provided by (used for) operating activities	17,740	625	6,812	218	2,651	10,920	38,966
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Receipt on advance from other funds	3,349				7		3,356
Payment on advance from other funds	(3,707)				(407)		(4,114)
Transfers to other funds	(4,756)				(78)	(7,116)	(11,950)
'Interest paid on advances from other funds	(675)					(233)	(908)
Non-operating expense		(5)					(5)
Net cash provided by (used for) noncapital financing activities	(5,789)	(5)			(478)	(7,349)	(13,621)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(8,605)				(323)	(3,096)	(12,024)
Interest paid on capital debt			(40)		(147)		(187)
'Proceeds from the sale of capital assets	2,385					71	2,456
Net cash used for capital and related financing activities	(6,220)		(40)		(470)	(3,025)	(9,755)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received / (paid) on cash and investments	58						58
Net increase (decrease) in cash and cash equivalents	5,789	620	6,772	218	1,703	546	15,648
Cash and cash equivalents, beginning of year	74,532	2,026	12,268		4,713	11,396	104,935
Cash and cash equivalents, end of year	$ 80,321	2,646	19,040	218	6,416	11,942	120,583

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

		Self Insurance					
	General Services	Liability/Property	Worker's Compensation	Other	Regional Communications	Department of Technology	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating income (loss)	$ 12,780	2,028	(2,472)	656	676	12,099	25,767
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:							
Depreciation and amortization	6,857		2		1,699	1,924	10,482
Non cash reduction in salaries and benefits GASB 68	(4,193)				(93)	(3,546)	(7,832)
Changes in assets and liabilities:							
Billed	(46)		2,130				2,084
Due from other funds	(1)	1,921	(48)	10			1,882
Prepaid expenses		73				74	147
Inventories	781						781
Warrants payable	(902)	329	(8)		(32)	176	(437)
Accrued liabilities	1,828	(206)	27	10	(19)	(1,137)	503
Intergovernmental payable	2	(1,506)					(1,504)
Due to other funds	129	13		(431)		75	(214)
Deferred revenues		(123)	(98)		397	195	371
Compensated absences	141				17	787	945
Other post employment benefits	364				6	273	643
Insurance claims payable		(1,904)	7,279	(27)			5,348
Total adjustments	4,960	(1,403)	9,284	(438)	1,975	(1,179)	13,199
Net cash provided by (used for) operating activities	$ 17,740	625	6,812	218	2,651	10,920	38,966

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AGENCY FUNDS

AGENCY FUNDS

Law Enforcement - Accounts for law enforcement revenues collected pending disbursement, reimbursement, or apportionment to the appropriate County law enforcement department or other local police agency.

Unapportioned Tax Collection - Accounts for property taxes received but not yet apportioned by the County.

Other - Accounts for other agency funds where the County holds money in a custodial capacity.

COUNTY OF SACRAMENTO
AGENCY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(amounts expressed in thousands)

	Law Enforcement	Unapportioned Tax Collection	Other	Total
Assets:				
Cash and investments	$ 81,783	15,976	98,493	196,252
Receivables, net of allowance for uncollectibles:				
Billed	785		8,186	8,971
Interest	221	497	4,809	5,527
Total assets	$ 82,789	16,473	111,488	210,750
Liabilities:				
Warrants payable	$ 2,942	6,385	4,798	14,125
Accrued liabilities	486		3,260	3,746
Intergovernmental payable	79,361	10,088	103,430	192,879
Total liabilities	$ 82,789	16,473	111,488	210,750

COUNTY OF SACRAMENTO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Law Enforcement				
Assets:				
Cash and investments	$ 76,670	5,113		81,783
Receivables, net of allowance for uncollectibles:				
Billed		785		785
Interest	9	212		221
Due from other funds	892		892	0
Total assets	$ 77,571	6,110	892	82,789
Liabilities:				
Warrants payable	$ 306	2,636		2,942
Accrued liabilities	8,910		8,424	486
Intergovernmental payable	68,355	11,006		79,361
Total liabilities	$ 77,571	13,642	266	82,789

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Unapportioned Tax Collection				
Assets:				
Cash and investments	$ 20,475		4,499	15,976
Receivables, net of allowance for uncollectibles:				
Interest	228	269		497
Total assets	$ 20,703	269	4,499	16,473
Liabilities:				
Warrants payable	$ 6,296	89		6,385
Intergovernmental payable	14,407		4,319	10,088
Total liabilities	$ 20,703	89	4,319	16,473

COUNTY OF SACRAMENTO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Other Agency				
Assets:				
Cash and investments	$ 86,204	12,289		98,493
Receivables, net of allowance for uncollectibles:				
Billed	765	7,421		8,186
Interest	651	4,158		4,809
Intergovernmental	400		400	0
Due from other funds	720		720	0
Total assets	$ 88,740	23,868	1,120	111,488
Liabilities:				
Warrants payable	$ 3,885	913		4,798
Accrued liabilities	3,076	184		3,260
Intergovernmental payable	81,107	22,323		103,430
Due to other funds	672		672	0
Total liabilities	$ 88,740	23,420	672	111,488

COUNTY OF SACRAMENTO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Totals				
Assets:				
Cash and investments	$ 183,349	17,402	4,499	196,252
Receivables, net of allowance for uncollectibles:				
Billed	765	8,206		8,971
Interest	888	4,639		5,527
Intergovernmental	400		400	
Due from other funds	1,612		1,612	
Total assets	$ 187,014	30,247	6,511	210,750
Liabilities:				
Warrants payable	$ 10,487	3,638		14,125
Accrued liabilities	11,986	184	8,424	3,746
Intergovernmental payable	163,869	33,329	4,319	192,879
Due to other funds	672		672	
Total liabilities	$ 187,014	37,151	13,415	210,750

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

TRUST FUNDS

TRUST FUNDS

INVESTMENT

Treasurer's Pool - Accounts for assets held for external investment pool participants.

Non-Pooled Investments - Accounts for separate investment pools and maintains accounts for assets of various long-term obligations.

PRIVATE PURPOSE

Redevelopment Obligation Trust Fund (RORF) – Accounts for the assets, liabilities, and activities of the County of Sacramento Redevelopment Successor Agency (Successor Agency).

COUNTY OF SACRAMENTO
TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	Investment Trust			Private Purpose Trust Fund
	Treasurer's Pool	Non-Pooled Investments	Total	Redevelopment Obligation Retirement Fund - Successor Agency
Assets:				
Cash and investments	$ 2,011,525	373,730	2,385,255	27,547
Billed				180
Intergovernmental				3,026
Interest				102
Prepaid items				7,922
Total assets	2,011,525	373,730	2,385,255	38,777
Liabilities:				
Unearned revenue				2,613
Accrued liabilities				581
Intergovernmental payable				1,406
Loan due to County Public Financing Authority				72,035
Other long-term liabilities				6,852
Total liabilities				83,487
Net position (deficit) held in trust	$ 2,011,525	373,730	2,385,255	(44,710)

COUNTY OF SACRAMENTO
TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Investment Trust			Private Purpose Trust Fund
	Treasurer's Pool	Non-Pooled Investments	Total	Redevelopment Obligation Retirement Fund - Successor Agency
Additions:				
Property taxes	$			6,085
Contributions on pooled investments	6,218,171	2,282,715	8,500,886	
Use of money and property	30,507	13,626	44,133	10
Miscellaneous				16
Total additions	6,248,678	2,296,341	8,545,019	6,111
Deductions:				
Distributions from pooled investments	6,010,134	2,143,481	8,153,615	
Services and supplies				1,712
Interest expense				4,281
Total deductions	6,010,134	2,143,481	8,153,615	5,993
Changes in net position	238,544	152,860	391,404	118
Net position held in trust, beginning of year	1,772,981	220,870	1,993,851	(44,828)
Net position held in trust, end of year	$ 2,011,525	373,728	2,385,255	(44,710)

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Sacramento County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends - These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity - These schedules contain information to help the reader assess the County's most significant local revenue source, property and sales tax.

Debt Capacity - These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the county's ability to issue additional debt in the future.

Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

Operating Information - These schedules contain information about the County's operation and resources to help the reader understand how the county's financial information relates to the services the County provides and the activities it performs.

Sources - Unless otherwise noted; the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF SACRAMENTO
NET POSITION BY COMPONENT
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands)

	Fiscal Year									
	2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Governmental activities										
Net investment in capital assets	1,304,641	1,335,121	1,296,783	1,428,639	1,374,306	1,378,390	1,407,750	1,373,547	1,389,288	1,362,707
Restricted	408,290	425,187	507,138	478,468	437,559	390,498	429,831	305,772	284,613	179,628
Unrestricted	13,152	(44,775)	(105,778)	(387,629)	(316,689)	*(363,502)	(301,596)	(222,334)	(206,727)	(1,945,922)
Total governmental activites net position	1,726,083	1,715,533	1,698,143	1,519,478	1,495,176	1,405,386	1,535,985	1,456,985	1,467,174	(403,587)
Business-type activities										
Net investment in capital assets	461,723	512,575	514,042	577,905	719,665	790,799	873,060	924,632	902,340	893,262
Restricted	115,208	138,764	214,334	218,839	216,266	182,288	140,552	119,827	113,277	117,472
Unrestricted	258,055	264,560	274,165	239,805	156,994	*183,320	215,094	241,164	252,278	223,719
Total business-type activities net position	834,986	915,899	1,002,541	1,036,549	1,092,925	1,156,407	1,228,706	1,285,623	1,267,895	1,234,453
Primary government										
Net investment in capital assets	1,766,364	1,847,696	1,810,825	2,006,544	2,093,971	2,169,189	2,280,810	2,298,179	2,291,628	2,255,969
Restricted	523,498	563,951	721,472	697,307	653,825	572,786	570,383	425,599	397,890	297,100
Unrestricted	271,207	219,785	168,387	(147,824)	(159,695)	*(180,182)	(86,502)	18,830	45,551	(1,722,203)
Total primary government net position	2,561,069	2,631,432	2,700,684	2,556,027	2,588,101	2,561,793	2,764,691	2,742,608	2,735,069	830,866

* Restated 2009-10

Note: 1) Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets, restricted and unrestricted. Net position is considered restricted when a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

COUNTY OF SACRAMENTO
CHANGE IN NET POSITION
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands)

	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Expenses										
Governmental activities:										
General government	$ 208,862	217,194	201,712	185,963	177,963	191,427	171,667	183,480	165,556	169,604
Public assistance	731,099	736,120	681,682	704,416	668,368	674,543	611,073	608,245	629,196	639,831
Public protection	617,770	727,876	705,953	744,072	650,198	673,751	630,142	711,957	760,358	725,108
Health and sanitation	467,682	537,677	671,812	724,666	595,816	528,449	555,490	566,548	574,814	502,535
Public ways and facilities	160,495	139,424	199,748	123,999	115,073	122,752	111,965	104,898	152,956	152,186
Recreation and culture	32,678	37,522	42,246	41,194	37,139	35,990	88,913	37,871	37,150	34,771
Education	13,156	14,806	22,621	24,161	21,053	3,578	1,858	2,548	1,353	1,820
Interest and fiscal charges	96,182	108,249	151,148	138,824	141,529	140,419	124,537	116,565	122,597	125,603
Total governmental activities	2,327,924	2,518,868	2,676,922	2,687,295	2,407,139	2,370,909	2,295,645	2,332,112	2,443,980	2,351,458
Business-type activities:										
Airport	104,486	113,018	125,793	131,888	130,724	128,941	167,303	204,930	199,264	188,132
Solid Waste	62,395	61,106	60,149	66,991	62,567	59,433	63,131	62,178	59,117	59,774
Water Agency	37,313	40,200	45,992	29,277	24,575	28,174	47,799	55,632	55,586	55,923
Parking Enterprise	2,606	2,630	2,904	12,459	3,247	1,914	2,037	1,819	1,725	2,463
County Transit	1,888	2,179	1,954	1,955	1,677	1,597	2,040	1,408	1,696	2,204
Total business-type activities	208,688	219,133	236,792	242,570	222,790	220,059	282,310	325,967	317,388	308,496
Total primary government	$ 2,536,612	2,738,001	2,913,714	2,929,865	2,629,929	2,590,968	2,577,955	2,658,079	2,761,368	2,659,954
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	$ 142,140	134,274	90,743	89,134	100,877	112,818	116,246	130,972	118,633	169,287
Public assistance	4,705	10,621	11,340	9,156	8,464	8,858	11,744	9,862	6,541	
Public protection	140,842	145,372	126,058	122,229	110,244	122,315	118,963	114,114	124,049	106,089
Health and sanitation	25,471	41,289	43,888	51,561	38,692	28,783	40,380	44,123	36,151	35,503
Public ways and facilities	81,903	82,266	76,590	53,711	31,912	31,660	27,227	15,441	79,336	57,397
Recreation and culture	13,373	14,694	15,065	17,312	12,735	14,435	13,181	13,249	12,915	12,808
Education	72	256	273	298	177	448	875	536	146	
Operating grants and contributions	1,096,348	1,104,969	1,223,424	1,177,843	1,128,887	1,168,916	1,153,418	1,162,723	1,225,662	1,223,283
Capital grants and contributions	31,523	41,993	95,231	34,808	38,434	24,658	22,257	38,570	40,793	18,210
Total governmental activities	$ 1,536,377	1,575,734	1,682,612	1,556,052	1,470,422	1,512,891	1,504,291	1,529,590	1,644,226	1,622,577

COUNTY OF SACRAMENTO
CHANGE IN NET POSITION
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands)

	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Business-type activities:										
Charges for services:										
Airport	$ 104,566	107,997	115,050	123,192	132,727	121,516	146,328	162,222	160,647	177,244
Solid Waste	66,877	64,676	65,302	67,018	65,907	67,970	71,101	72,148	70,469	69,636
Water Agency	60,283	54,894	47,800	43,954	46,847	54,999	57,989	64,844	65,460	63,649
Parking Enterprise	2,921	3,047	3,265	4,989	3,185	3,195	3,143	2,995	2,995	3,001
County Transit	257	556	204	183	158	164	178	252	220	227
Operating grants and contributions	26,246	29,451	29,540	25,031	22,943	21,764	25,855	23,694	20,001	878
Capital grants and contributions	16,272	21,895	28,635	12,290	10,211	16,133	15,872	56,887	11,891	19,119
Total business-type activities	277,422	282,516	289,796	276,657	281,978	285,741	320,466	383,042	331,683	333,754
Total primary government	$ 1,813,799	1,858,250	1,972,408	1,832,709	1,752,400	1,798,632	1,824,757	1,912,632	1,975,909	1,956,331
Net (expense)/revenue										
Governmental activities	$ (791,547)	(943,134)	(994,310)	(1,131,243)	(936,717)	(858,018)	(791,354)	(802,522)	(799,754)	(728,881)
Business-type activities	68,734	63,383	53,004	34,087	59,188	65,682	38,156	57,075	14,295	25,258
Total primary government net expense	$ (722,813)	(879,751)	(941,306)	(1,097,156)	(877,529)	(792,336)	(753,198)	(745,447)	(785,459)	(703,623)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property	$ 415,320	447,032	474,947	475,629	437,634	383,651	379,289	370,925	398,364	425,477
Sales/Use	79,862	80,267	82,472	69,225	58,357	59,614	63,774	70,857	73,686	74,171
Transient occupancy	6,623	6,823	6,964	5,311	4,467	3,483	3,383	3,878	3,860	4,534
Unrestricted investment earnings	67,522	75,053	72,706	49,804	15,016	1,250	(648)	13,199	13,348	13,857
Grants and contrib. not restricted to specific programs	224,467	199,811	230,103	215,915	197,855	230,748	237,046	239,894	234,422	287,041
Pledged tobacco settlement proceeds	12,082	12,795	6,716	14,862	12,393	12,365	12,609	19,004	12,493	12,368
Miscellaneous	85,701	109,194	92,127	105,545	105,003	120,593	90,168	80,293	78,304	51,966
Transfers	(638)	1,609	1,988	7,514	8,502	4,972	(6)	4,848	4,981	5,178
Extraordinary item - AB 99 obligation						(48,448)	48,448			
Total general revenues and transfers	$ 890,939	932,584	968,023	943,805	839,227	768,228	834,063	802,898	819,458	874,592

COUNTY OF SACRAMENTO
CHANGE IN NET POSITION
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands)

	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Business-type activities:										
Sales/Use tax	$ 614	951	573	483	573	554	356	927	581	687
Unrestricted investment earnings	13,215	18,188	31,890	6,778	2,617	1,018	2,701			
Grants and contrib. not restricted to specific programs								3,878	1,973	1,473
Transfers	638	(1,609)	(1,988)	(7,514)	(6,002)	(4,972)	6	(4,848)	(4,981)	(5,178)
Special item - Abatement of reulatory fees						1,200	350	(417)		
Extraordinary - Litigation Settlements							30,730			
Total general revenues and transfers	14,467	17,530	30,475	(253)	(2,812)	(2,200)	34,143	(460)	(2,427)	(3,018)
Total primary government	$ 905,406	950,114	998,498	943,552	836,415	766,028	868,206	802,438	817,031	871,574
Change in Net Position										
Governmental activities	$ 99,392	(10,550)	(26,287)	(187,438)	(97,490)	(89,790)	42,709	376	19,704	145,711
Business-type activities	83,201	80,913	83,479	33,834	56,376	63,482	72,299	56,615	11,868	22,240
Total primary government	$ 182,593	70,363	57,192	(153,604)	(41,114)	(26,308)	115,008	56,991	31,572	167,951

COUNTY OF SACRAMENTO
FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands)

	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General fund										
Reserved	$ 47,478	48,850	59,322	60,921	135,835 *					
Unreserved	205,520	149,845	97,711	(41,533)	(49,289) *					
Nonspendable						15,435	14,967	14,618	32,640	30,837
Restricted						151,287	193,620	201,876	205,789	232,455
Assigned								1,212		
Unassigned						(30,835)	(3,382)	(1)	(38,992)	(13,462)
Total general fund	$ 252,998	198,695	157,033	19,388	86,546	135,887	205,205	217,705	199,437	249,830
All other governmental funds										
Reserved	$ 308,644	330,439	379,897	352,822	277,547 *					
Unreserved, reported in:										
Special revenue funds	277,814	250,264	265,854	219,591	259,518 *					
Capital project funds	(2,507)	4,104	3,428	(5,627)	767					
Special revenue funds										
Nonspendable						1,836	16,069	15,703	10,467	902
Restricted						239,441	271,784	172,741	191,743	198,744
Debt Service funds										
Nonspendable										
Restricted						126,878	121,162	111,917	105,644	101,784
Capital projects funds										
Nonspendable						4,292	4,292	4,292		
Restricted						71,069	49,484	41,414	44,096	44,207
Unassigned						(1,974)	(2,013)	(2,066)		
Total all other governmental funds	$ 583,951	584,807	649,179	566,786	537,832	441,542	460,778	344,001	351,950	345,637

* 2009-10 Restated due to prior period adjustment and reclassification in governmental funds.

Note: In fiscal year 2010-11, the County implemented GASB 54; accordingly, fund balance in now categorized as above, and the change was implemented prospectively.

COUNTY OF SACRAMENTO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands)

	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Revenues										
Taxes	$ 501,805	534,122	564,383	550,165	503,091	452,478	446,446	445,659	475,910	504,182
Use of money and property	66,851	74,172	72,908	49,108	14,753	12,057	13,033	13,135	13,347	13,843
Licenses and permits	50,125	46,035	49,259	41,762	37,285	40,187	39,183	46,254	50,032	56,766
Intergovernmental	1,370,473	1,374,776	1,431,493	1,419,783	1,366,831	1,432,358	1,408,860	1,444,711	1,524,291	1,546,630
Charges for services	181,786	181,628	179,710	197,378	182,714	184,038	177,714	174,666	249,034	244,887
Fines, forfeitures, and penalties	41,014	46,177	52,853	33,427	34,716	49,756	43,551	39,054	43,723	43,041
Contributions and donations			62,050							
Pledged tobacco settlement proceeds	12,138	12,705	13,525	14,862	12,393	12,365	12,609	19,004	12,493	12,368
Miscellaneous	85,701	109,194	101,025	105,545	105,003	120,593	90,168	80,294	77,392	86,346
Total revenues	2,309,893	2,378,809	2,527,206	2,412,030	2,256,786	2,303,832	2,231,564	2,262,777	2,446,222	2,508,063
Expenditures										
General government	177,477	177,952	175,593	171,945	143,739	151,978	133,720	141,867	142,581	151,271
Public assistance	730,185	731,883	673,098	689,891	653,640	666,033	597,066	597,598	621,588	656,873
Public protection	627,594	687,371	666,706	683,099	597,467	633,933	633,761	660,322	718,386	753,721
Health and sanitation	417,330	501,490	644,595	681,774	559,019	513,468	535,088	553,781	564,824	522,894
Public ways and facilities	96,068	102,617	108,974	102,254	115,672	102,705	85,118	108,663	151,269	137,724
Recreation and culture	36,133	41,972	49,871	42,185	34,693	33,896	33,881	34,553	34,650	35,368
Education	17,051	20,082	22,416	23,013	20,229	2,988	1,179	1,040	1,025	1,604
Capital outlay	110,519	100,052	128,542	109,098	77,061	47,840	53,059	32,316	40,629	35,754
Debt service:										
Principal	41,053	53,880	83,964	129,232	81,356	85,295	70,736	79,956	72,695	69,242
Bond issuance cost	4,043		9,949	335	1,217		4,579		867	
Advanced refunding escrow	15,659									
Interest and fiscal charges	51,336	72,229	87,098	89,150	109,087	125,166	114,172	123,615	125,196	137,656
Total expenditures	2,324,448	2,489,528	2,650,806	2,721,976	2,393,180	2,363,302	2,262,359	2,333,711	2,473,710	2,502,107
Deficiency of revenue under expenditures	$ (14,555)	(110,719)	(123,600)	(309,946)	(136,394)	(59,470)	(30,795)	(70,934)	(27,488)	5,956

COUNTY OF SACRAMENTO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands)

	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Other financing sources (uses)										
Transfers in	$ 194,272	116,773	184,870	174,740	180,332	173,174	206,201	193,346	187,577	184,765
Transfers out	(188,214)	(103,130)	(171,783)	(156,475)	(155,924)	(158,246)	(171,550)	(175,433)	(156,053)	(167,637)
Capital leases obligations	837	4,105	8,413			29				
Issuance of debt	47,500	39,524	160,241	80,006	64,470	46,012	295,026	28,374	135,060	20,996
Payments to participating governments			(43,855)							
Tobacco settlement proceeds										
Refunding of debt issued	270,036		359,165	49,760	123,950					
Discount on debt issued	338		1,440		1,770					
Discount on debt issued	(4,680)		(2,144)				(467)		(2,180)	
Purchase of delinquent property tax										
Swap, termination payment				(23,019)	(10,180)		(76,549)			
Swap, premium short term				2,950						
Swap, premium long term				20,069						
Payments to refunded bond escrowage	(182,672)		(350,037)	(49,225)	(103,008)		(181,760)		(108,850)	
Total other financing sources (uses)	137,417	57,272	146,310	98,806	101,410	60,969	70,901	46,287	55,554	38,124
Extraordinary Item										
AB 99 obligation						(48,448)	48,448			
Net change in fund balances	$ 122,862	(53,447)	22,710	(211,140)	(34,984)	(46,949)	88,554	(24,647)	28,066	44,080
Debt service as a percentage of noncapital expenditures	4.24 %	5.39 %	6.86 %	8.45 %	8.38 %	9.22 %	8.44 %	9.07 %	9.38 %	9.16 %

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COUNTY OF SACRAMENTO
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
FISCAL YEARS 2005-06 THROUGH 2014-15
(full accrual basis)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales/Use Tax	Transient Tax	Total
2005-06	$ 415,320	79,862	6,623	501,805
2006-07	447,032	80,267	6,823	534,122
2007-08	474,947	82,472	6,964	564,383
2008-09	475,629	69,225	5,311	550,165
2009-10	437,634	58,357	4,467	500,458
2010-11	383,651	59,614	3,483	446,748
2011-12	379,289	63,774	3,383	446,446
2012-13	370,925	70,856	3,878	445,659
2013-14	398,364	73,686	3,860	475,910
2014-15	425,477	74,171	4,534	504,182

COUNTY OF SACRAMENTO
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands)

Fiscal Year	Secured (1)	Unsecured (2)	Unitary (3)	Exemptions - Welfare-Other (4)	Total Taxable Assessed Value	Total Direct Tax Rate (5)
2005-06	$ 105,593,291	4,479,276	1,542,700	(3,313,984)	108,301,283	1.000
2006-07	121,280,525	4,805,476	1,538,907	(3,498,437)	124,126,471	1.000
2007-08	132,394,422	5,297,882	1,658,758	(4,009,995)	135,341,067	1.000
2008-09	135,778,966	5,892,766	1,608,908	(4,593,170)	138,687,470	1.000
2009-10	126,690,744	5,920,172	1,530,903	(5,202,526)	128,939,293	1.000
2010-11	124,053,914	5,553,385	1,465,920	(5,056,921)	126,016,298	1.000
2011-12	120,462,252	5,496,501	1,458,358	(5,495,233)	121,921,878	1.000
2012-13	117,056,785	5,519,515	1,413,297	(5,425,738)	118,563,859	1.000
2013-14	122,121,295	5,902,161	1,419,015	(5,518,271)	123,924,200	1.000
2014-15	129,769,815	6,429,967	1,444,609	(5,925,469)	131,718,922	1.000

(1) Secured property is generally real property which includes land, improvements, structures, crops, vines, and mobile homes.
(2) Unsecured property is generally personal property which includes boats, aircrafts, fixtures, equipments, leasehold improvements, and possessory interests.
(3) Unitary properties are railroads, utilities properties which are assessed by the State Board of Equalization.
(4) Exemptions as provided by the State Constitution provides property tax relieves to Welfare, Church, and Non-Profit Organizations.
(5) Proposition 13 limits the General Direct Property tax rate to 1% of the net assessed values.

Source: Equalized Rolls Valuation reports

COUNTY OF SACRAMENTO
AVERAGE PROPERTY TAX RATES - ALL
DIRECT AND OVERLAPPING GOVERNMENTS
FISCAL YEARS 2005-06 THROUGH 2014-15
(rate per $100 of assessed value)

Fiscal Year	Basic Tax Rate	Overlapping General Obligation Bonds Rates			
	Countywide (A)	Cities (B)	Special District (C)	Schools (D)	Total County Average Tax Rate
2005-06	1.000	0.0048	0.0055	0.0411	1.0514
2006-07	1.000	0.0046	N/A	0.0447	1.0493
2007-08	1.000	0.0041	N/A	0.0322	1.0363
2008-09	1.000	0.0043	N/A	0.0380	1.0423
2009-10	1.000	0.0042	N/A	0.0390	1.0432
2010-11	1.000	0.0041	N/A	0.0374	1.0415
2011-12	1.000	0.0047	N/A	0.0471	1.0518
2012-13	1.000	0.0049	N/A	0.0479	1.0528
2013-14	1.000	0.0035	N/A	0.0559	1.0594
2014-15	1.000	0.0019	N/A	0.0497	1.0516

(A) In June 1978 California voter approved Proposition 13, which restricted property taxes to a County-wide rate of 1% per $100 of assessed value plus voter approved indebtedness. The distribution of County-wide basic tax rate of 1% is based on the County's AB 8 Apportionment factors.
(B) Rate represents a weighted average of six incorporated cities (after inclusion of the City of Elk Grove which incorporated in 2000-2001) within the County for the fiscal years ending 2000-2001 through 2002-2003. Rate represents a weighted average of seven incorporated cities (after inclusion of the City of Rancho Cordova which incorporated in 2003-2004) within the County for the fiscal years ending 2003-2004 and thereafter.
(C) Rate represents a weighted average of the various special districts with general obligation bond rates.
(D) Rate represents a weighted average of the various school districts with general obligation bond rates.
FY 07-08: Average rate = Requirements / District's Valuation within the Bond Debt boundaries.

Source: County's internal financial documents

COUNTY OF SACRAMENTO
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2015 AND JUNE 30, 2006
(amounts expressed in thousands)

	JUNE 30, 2015			JUNE 30, 2006		
Taxpayer (a)	Tax Levy (b)	Rank	Percentage of Total Tax Levy	Tax Levy (b)	Rank	Percentage of Total Tax Levy
Pacific Gas & Electric Co.	$ 7,292	1	0.63 %	$ 3,413	3	0.38 %
AT&T Communications (a)	7,247	2	0.62			
Intel Corporation	6,005	3	0.52	5,648	1	0.63
Hines	5,837	4	0.50			
MP Holdings	5,395	5	0.47			
Cummings Trust	4,724	6	0.41			
Walmart	4,435	7	0.38			
Westcore Delta, LLC	4,371	8	0.38			
Donahue Schriber Realty Group	3,898	9	0.34			
Surewest	2,978	10	0.26	2,298	8	0.26
Elliot Homes, Inc.				3,348	4	0.37
Aerojet General Corporation				2,944	5	0.33
Oates Marvin, et al				2,160	10	0.24
SBC Pac Bell				4,174	2	0.46
Lennar Renaissance, Inc.				2,904	6	0.32
Cingular				2,576	7	0.29
Rosetta Resources, Inc.				2,157	9	0.24

Note: (a) SBC Communications merged with AT&T Communications in November of 2005.

(b) Note the change in column header from prior year's "taxable assessed value" to Tax Levy.

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Source: Sacramento County Department of Finance

COUNTY OF SACRAMENTO
COUNTY WIDE 1 PERCENT - SECURED AND UNITARY
PROPERTY TAX LEVIES AND COLLECTIONS
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands)

Fiscal Year	(1) Taxes Levied	(2) Collections Within the Fiscal Year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2005-06	$1,033,339	1,009,552	97.70	23,787	1,033,339	100
2006-07	1,191,030	1,146,704	96.28	44,326	1,191,030	100
2007-08	1,284,322	1,224,126	95.31	60,196	1,284,322	100
2008-09	1,294,025	1,245,112	96.22	48,913	1,294,025	100
2009-10	1,190,013	1,156,791	97.21	33,222	1,190,013	100
2010-11	1,165,904	1,139,699	97.75	26,205	1,165,904	100
2011-12	1,127,451	1,108,086	98.28	19,365	1,127,451	100
2012-13	1,094,235	1,079,299	98.63	14,936	1,094,235	100
2013-14	1,160,120	1,146,609	98.84	13,511	1,160,120	100
2014-15	1,233,891	1,224,411	98.99	12,480	1,233,891	100

(1) County wide 1 percent - Secured and Unitary Tax Rolls - Adjusted levy amount as of June 30

Levied Amounts for the County General Fund, School districts, Cities, and Special districts.

(2) Collection amounts for the fiscal year as of June 30 for the County wide 1 percent portion of the Secured and Unitary Taxes.

Source: County's internal financial documents

COUNTY OF SACRAMENTO
RATIOS OF OUTSTANDING DEBT BY TYPE
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands, except per capita amount)

	Governmental Activities						Business-Type Activities						
Fiscal Year	Certificates of Participation	Teeter Notes	Pension Obligation Bonds	Revenue Bonds	Capital Leases	Other Debt	Revenue Bonds	PFC and Subordinate Revenue Bonds	Certificates of Participation	Other Debt	Total Primary Government	Percentage of Personal Income	Per Capita
2005-06	$ 322,605	20,647	954,722	307,690	3,122	3,875	260,370	50,645	30,510	1,995	1,956,181	3.87 %	1,428
2006-07	308,760	32,302	944,964	308,915	6,895	3,965	624,855	49,235	28,735	1,705	2,310,331	4.41 %	1,673
2007-08	340,480	51,335	960,926	356,428	13,933	3,615	914,925	89,430	26,900	653	2,758,625	5.09 %	1,979
2008-09	325,175	49,800	944,638	345,142	11,186	5,090	910,455	87,940	25,005	10,615	2,715,046	5.06 %	1,927
2009-10	340,285	56,419	931,453	342,722	9,972	7,178	1,097,430	363,330	23,205	10,316	3,182,310	5.82 %	2,238
2010-11	323,510	50,961	916,168	340,957	8,711	6,105	1,210,285	351,745	21,180	9,455	3,239,077	5.63 %	2,256
2011-12	306,535	50,897	1,266,834	353,572	7,824	2,435	1,194,285	339,880	19,085	9,458	3,550,805	5.85 %	2,451
2012-13	288,705	43,583	1,238,566	347,040	6,910	3,680	1,174,980	328,505	16,910	7,809	3,456,688	5.54 %	2,363
2013-14	273,746	34,432	1,201,018	342,686	4,891	3,559	1,165,846	314,516	15,401	6,269	3,362,364	5.16 %	2,269
2014-15	249,206	29,732	1,159,636	342,871	4,123	3,522	1,147,042	302,011	13,746	4,847	3,256,736	N/A	N/A

Note:

1) The County of Sacramento has not had any General Obligation Bonds since 2002

2) See the "Demographic and Economic Statistics" table for population figures.

N/A = Not available

COUNTY OF SACRAMENTO
LEGAL DEBT MARGIN INFORMATION
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands)

	Fiscal Year									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Assessed Value of Property	108,301,283	124,126,471	135,341,067	138,687,470	128,939,293	126,016,298	121,921,878	118,563,859	123,924,201	131,718,922
Debt Limit, 1.25% of Assessed Value (Statutory Limitation)	$ 1,353,766	1,551,581	1,691,763	1,733,593	1,611,741	1,575,204	1,524,023	1,482,048	1,549,053	1,646,487
Amount of Debt Applicable to Limit:										
General Obligations Bonds										
Less: Resources Restricted to Paying Principal										
Total net debt applicable to limit										
Legal debt margin	1,353,766	1,551,581	1,691,763	1,733,593	1,611,741	1,575,204	1,524,023	1,482,048	1,549,053	1,646,487
Total net debt applicable to the limit as a percentage of the limit	100	100	100	100	100	100	100	100	100	100

Note:

(1) Article XIII A of the California State Constitution and Senate Bill 1656, Statutes of 1978, provided for changing assessed value from 25 percent of full cash value to full cash value. Hence, the 5 percent limitation on general obligation bond indebtedness imposed by Section 29909 of the Government Code became 1.25 percent of assessed value.

(2) The legal debt margin is the County's available borrowing authority under State finance statues and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

Source: County's internal documents and financial statements

COUNTY OF SACRAMENTO
PLEDGED-REVENUE COVERAGE
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands)

	Airport Revenue Bond Coverage						Parking Authority Revenue Bond Coverage		
Fiscal Year	Gross Revenue (a)	Less: Operating Expenses (b)	Net Revenue	Debt Service Requirements (c) Principal	Interest	Coverage	Gross Revenue	Less: Operating Expenses (b)	Net Revenue
2005-2006	$ 111,467	72,669	38,798	5,365	9,356	2.64	2,630	2,021	609
2006-2007	116,610	78,637	37,973	3,125	9,333	3.05	2,864	2,085	779
2007-2008	118,940	87,770	31,170	6,765	8,742	2.01	3,041	2,331	710
2008-2009	134,667	84,890	49,777	7,850	8,122	3.12	2,990	9,753	(6,763)
2009-2010	132,007	83,385	48,622	8,155	9,052	2.83	3,062	2,604	458
2010-2011	128,180	83,884	44,296	8,395	8,892	2.56	3,148	1,444	1,704
2011-2012	146,057	95,730	50,327	11,395	24,586	1.40	3,051	1,867	1,184
2012-2013	162,935	94,118	68,817	11,940	40,187	1.32	2,948	1,739	1,209
2013-2014	160,589	88,122	72,467	9,720	39,708	1.47	2,954	1,381	1,573
2014-2015	158,928	82,412	76,516	14,220	39,345	1.43	3,001	2,180	821

	Water Agency (d)					
Fiscal Year	Gross Revenue	Less: Operating Expenses (b)	Net Revenue	Debt Service Requirements (c) Principal	Interest	Coverage
2005-2006	$ 45,037	15,881	29,156	925	2,166	9.43
2006-2007	39,661	17,457	22,204	945	1,195	10.38
2007-2008	42,778	17,451	25,327	965	3,263	5.99
2008-2009	41,836	18,142	23,694	990	9,434	2.27
2009-2010	45,435	16,505	28,930	6,975	17,393	1.19
2010-2011	53,789	17,436	36,353	7,290	17,133	1.49
2011-2012	56,491	19,415	37,076	7,605	16,801	1.52
2012-2013	63,664	22,425	41,239	7,910	16,620	1.68
2013-2014	63,743	22,201	41,542	8,240	15,365	1.76
2014-2015	63,798	23,090	40,708	8,650	15,803	1.66

Note: Solid Waste Enterprise Fund does not have Revenue bonds

(a) Per bond resolution, Revenues include all Airport revenues and exclude certain interest earnings and restricted revenues.

(b) Total operating expenses exclusive of depreciation and amortization.

(c) Includes principal and interest of Revenue bonds only. Does not include General obligation bonds or Certificates of participation.

(d) Water Agency Revenue bonds were issued June 12, 2003.

Source: County's internal financial documents

COUNTY OF SACRAMENTO
DEMOGRAPHIC AND ECONOMIC STATISTICS
FISCAL YEARS 2005-06 THROUGH 2014-15
(amounts expressed in thousands except per capita amount)

Fiscal Year	Population 1	Personal Income	Per Capita Personal Income 1	School Enrollment	Unemployment Rate
2005-06	1,361	$ 47,878,798	35,184	239	5.0 %
2006-07	1,370	50,550,671	36,910	238	4.8 %
2007-08	1,381	52,398,021	37,938	238	5.4 %
2008-09	1,394	54,201,689	38,870	238	7.2 %
2009-10	1,409	53,647,258	38,085	238	11.3 %
2010-11	1,422	54,673,384	38,453	238	12.7 %
2011-12	1,436	57,564,251	40,098	237	12.1 %
2012-13	1,449	60,721,694	41,913	238	* 10.5 %
2013-14	1,463	62,440,643	42,676	240	8.8 %
2014-15	1.482	65,126,187	43,944	241	7.3 %

1 Bureau of Economic Analysis revised population and per capita personal income to reflect Census Bureau midyear population estimates for 2010-2014 available as of March 2015.

* Unemployment rate reflects the March 2014 annual revision.

Source: U.S. Departmet of Commerce, Bureau of Economic Analysis; California Department of Education, K-12 Public School Enrollment for Sacramento County; and California State Employment Development Department.

COUNTY OF SACRAMENTO
PRIVATE SECTOR PRINCIPAL EMPLOYERS
JUNE 30, 2015 AND 2006

	June 30, 2015			June 30, 2006		
Employer	Employees (b)	Rank	Percentage of Total County Employment	Employees (c)	Rank	Percentage of Total County Employment
UC Davis Health System	9,905	1	1.57 %			
Sutter / California Health Services	7,352	2	1.16	11,284	2	1.79 %
Dignity / Mercy Healthcare	6,212	3	0.98			
Intel Corporation	6,000	4	0.95	6,500	5	1.03
Kaiser Permanente	5,421	5	0.86	11,729	1	1.86
Raley's Inc. / Bel Air	3,289	6	0.52	8,203	3	1.30
Apple Inc.	2,500	7	0.40			
VSP Global	2,382	8	0.38			
Health Net of California Inc.	2,299	9	0.36			
Wells Fargo & Co.	2,190	10	0.35			
University of California, Davis (UCD)				8,000	4	1.27
Hewlett - Packard				4,500	8	0.71
Wal-Mart				3,300	10	0.52
Target Corporation				3,693	9	0.58
SBC Communications (a)				5,753	6	0.91
CHW / Mercy Health Care				5,229	7	0.83
Total	47,550		7.53 %	68,191		10.80 %

Note:

(a) SBC Communications merged with AT&T Communication in November of 2005.

(b) Source: Sacramento Business Journal Annual Book of Lists Current Year

(c) Source: Prior year County CAFR.

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COUNTY OF SACRAMENTO
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
FISCAL YEARS 2005-06 THROUGH 2014-15

Function	Full-Time Equivalent Employees as of June 30th									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General Government	901	924	1,004	954	907	945	916	890	1,076	894
Public Assistance	3,059	3,115	2,648	2,487	2,339	2,210	2,156	2,132	2,165	2,179
Public Protection	5,011	5,161	4,543	4,292	3,683	3,548	3,574	3,571	3,591	3,806
Health & Sanitation	1,729	1,760	3,150	3,063	2,661	2,089	2,018	2,032	1,952	1,952
Recreation and Culture	212	214	212	181	162	129	120	106	137	138
Education	2	3	3	3	2	3	2	2	1	1
Public Ways and Facilities										271
Total	10,914	11,177	11,560	10,980	9,754	8,924	8,786	8,733	8,922	9,241

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
OPERATING INDICATORS BY FUNCTION
FISCAL YEARS 2005-06 THROUGH 2014-15

Function	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General Government										
Assessor:										
Number of Parcels Assessed	467,629	495,090	507,471	510,494	506,063	503,108	502,709	502,527	501,887	503,717
Gross Total of Secured Roll*****	105,593,291	120,869,403	132,409,139	134,737,596	125,707,295	123,216,166	119,315,245	115,975,517	120,409,431	128,067,747
Gross Total of Unsecured Roll*****	4,479,276	4,805,562	5,297,882	5,892,766	5,920,223	5,553,385	5,496,500	5,519,515	5,902,161	6,430,072
Clerk recorders:										
Number of recorded documents	607,272	488,272	402,951	395,528	377,728	385,599	396,098	433,820	326,097	355,598
Public Assistance										
Human assistance total caseload	100,585	117,576	122,804	135,044	156,811	158,439	177,402	189,591	216,504	293,840
Percent served of children in poverty	92	95	95	95	96	98	91	86	81	66
Senior nutrition, meals served	441,772	592,904	624,290	616,127	478,197	-	-	N/A	N/A	N/A
Housing Services provided	12,211	12,032	13,011	12,708	12,794	12,299	9,369	2,378	2,457	2,203
Employee Non-Exempt Recipients CalWORKs	50	33	29	31	30	29	21	41	36	47
Public Protection										
District Attorney:										
Filed Felonies	11,371	11,837	11,179	10,374	8,589	8,897	8,496	8,815	9,342	8,496
Filed misdemeanors	20,397	21,197	21,347	19,781	17,353	16,399	13,888	14,095	13,539	14,553
Filed Probation Violations					1,355	1,864	1,042	1,153	1,940	1,785
Probation:										
Cases supervised	12,379	12,755	12,101	14,826	15,988	14,810	24,989	24,776	28,402	27,939
Institutional care for minors (days)	191,884	194,939	180,399	165,451	114,764	82,004	65,194	68,597	69,399	69,696
Juvenile referrals processed	13,240	12,041	11,128	12,383	11,816	10,188	8,769	8,836	8,105	6,605
Prepared adult sentencing reports	9,052	9,420	9,110	8,955	9,658	6,308	7,249	6,380	6,209	-
Public Defender:										
Felony Unit Jury Trials	143	160	168	136	139	135	130	161	147	159
Sheriff:										
Emergency calls for service:										
Priority 0	60	58	48	149	66	-	0	0	0	0
Priority 1	44,996	34,177	30,841	7,851	3,698	3,535	3,891	3,985	3,785	4,095
Emergency response time (minutes):										
Priority 0	9	9	7	13	14	-	0	0	0	0
Priority 1	15	16	9	11	11	10	14	12	12	13
Processed and booked adult offenders	23,477	22,493	24,364	21,483	20,242	19,064	20,601	19,443	19,991	20,292
Physical arrests	26,029	20,745	26,209	23,181	23,237	21,903	25,414	23,143	23,856	23,733
Total miles patrolled by Sheriffs****	872	813	813	813	813	813	813	813	813	813

* Due to budget reductions, the Warren E. Thornton Youth Center (WETYC) and the Sacramento County Boys Ranch (SCBR) were closed as of July 1, 2009 and July 1, 2010, respectively.

** The implementation of Presentence Investigation Report Waivers likely accounts for the reduction in number of prepared Adult Court reports. ^ Revised

*** A new report was created that more accurately captures cases under Probation's Field jurisdiction. It includes the Post Release Community Supervision (PRCS) offender population that Probation is now responsible for under Assembly Bill 109 (Statutes of 2011).

****May 31, 2011, revised total miles patrolled for fiscal years 2006-07 forward due to loss of contracts with Citrus Heights and Elk Grove.

***** Amounts expressed in thousands

****** Due to restructuring, we now have capacity to report on data and critical workload that we have previously been unable to capture and quantify.

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
OPERATING INDICATORS BY FUNCTION
FISCAL YEARS 2005-06 THROUGH 2014-15

Function	Fiscal Year 2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Health and sanitation										
Patient Treatments at Public Health Clinics	153,297	153,407	163,847	145,203	96,184	76,004	80,568	61,015	48,229	20,751
Training:										
Programs in compliance (by inspection)	100	100	100	100	100	100		**	27%	95%
Public ways and facilities										
Number of Traffic Signs Resent and Replaced	10,690	10,230	13,321	14,433	14,146	16,147	16,751	12,728	12,952	14,909
Square Feet of Graffiti Removed or Abated	269,242	233,641	304,370	349,312	341,749	201,315	76,132	96,848	136,989	185,195
Recreation and culture										
Number of Visitors/Participants at Effie Yeaw Nature Center (EYNC)	78,822	88,449	85,882	87,440	84,449		***	***	***	***
Number of Individuals Who Use Parks Golf Services	190,317	190,827	196,470	188,357	181,550	174,000	170,076	162,937	164,579	163,722
Education										
Library:										
Total Circulation****						8,021,448	7,648,145	7,329,585	7,113,116	7,339,735
Print Materials Loaned	4,525,031	4,580,021	4,841,670	5,505,198	6,338,259		****	****	****	****
Audio Visual Media Loaned	670,296	777,078	1,036,647	1,861,290	1,391,325		****	****	****	****
Library cards issued	58,068	62,767	80,562	85,308	80,429	74,224	78,088	62,194	64,686	66,835
Total Library Cards in Use	485,411	465,187	506,440	561,070	637,160	635,895	651,370	710,008	665,840	656,423
Library Visits	2,761,395	2,907,427	3,049,098	2,866,175	4,362,116	4,391,093	4,053,689	4,062,724	4,144,307	4,183,751
Airport										
Number of Commercial Airlines	15	16	16	15	14	11	11	11	11	11
Number of Flights	61,685	67,525	63,875	56,543	56,766	49,379	49,316	47,826	46,734	46,621
Number of Enplaned Passengers	5,150,229	5,307,289	5,294,737	4,704,858	4,549,909	4,479,741	4,480,003	4,419,545	4,376,237	4,628,597
Solid Waste										
Percent of Diversion/Recycled Waste	58%	58%	62%	64%	70%	71%	71%	73%	73%	74%
Tons Disposed	706,134	678,776	667,899	559,865	471,488	513,649	558,752	607,075	596,972	623,824
Water Agency										
Water Supply:										
Number of Water Connections	45,261	*46,558	*47,760	*48,438	*49,069	*49,580	*50,138	*50,813	51,652	52,400
Water Delivered (acre feet)	34,422	41,764	39,867	40,605	39,428	38,781	42,594	43,178	41,045	35,112
Storm Water Utilities										
Drainage:										
Mainline and Lateral Pipes Cleaned (miles)	101.0	98.0	121.0	67.3	60.3	56.7	72.2	73.3	82.0	65.5
Parking Enterprise										
Daily Public Parking (count)	371,292	385,869	383,052	284,359	168,490	145,429	131,945	126,568	131,163	136,440
Monthly Parking Passes issued to County Employees (count)	16,440	16,740	17,491	20,484	18,456	17,736	17,280	17,304	17,580	17,652
Outside Agency Usage	9,923	7,496	7,509	9,398	11,251	12,350	11,775	11,703	10,021	8,995

*These numbers were revised after a program error was discovered by Consolidated Utility Billing and Service and a subsequent recount performed.
**Non-mandated inspections suspended due to budget/staff reductions. Program rebuilding measures underway.
***Beginning FY 2010-11, EYNC is no longer operated by the County, therefore this information is not available.
****Books loaned and audio visual media loaned statistics are combined in FY 2010-11.

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
CAPITAL ASSET STATISTICS BY FUNCTION
FISCAL YEARS 2005-06 THROUGH 2014-15

Function	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Public Protection										
Sheriff:										
Administrations buildings	1	1	1	1	1	1	1	1	1	1
Aircrafts										
Operational	3	4	5	4	5	4	5	5	5	5
Non-Operational	2	1		1		1		0	0	0
Fixed Wing										
Sheriff	2	2	2	2	1	1	1	1	1	0
CAL-MMET	2	2	2	2	2	2	2	2	2	2
Community service centers	14	10	10	10	10	5	5	5	5	6
Jail and detention facilities	2	2	2	2	2	2	2	2	2	2
Patrol Units	391	348	362	370	305	315	315	328	358	328
Stations	7	5	5	5	3	3	3	3	3	3
Health and Sanitation										
Clinics	3	3	3	3	3	1	1	1	1	1
Mental Health Treatment										
Clinics	1	1	1	1	1	1	1	1	1	1
Public ways and facilities										
Centerline miles of roads maintained	2,171	2,203	2,203	2,209	2,208	2,208	2,208	2,198	2,202	2,202
Traffic signals	415	422	432	450	450	449	451	451	459	461
Recreation and culture										
Number of Golf Courses	4	4	4	4	4	4	4	4	4	4
Number of Developed Parks	38	38	38	38	38	38	38	38	38	38
Developed Parks acreage	15,000	15,000	15,000	15,150	15,150	15,150	15,150	15,187	15,187	15,189
Education										
Number of Libraries	9	9	9	9	11	11	11	11	11	11

Note: 1) Building includes those that are capitalized but excludes real property that is leased.

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
CAPITAL ASSET STATISTICS BY FUNCTION
FISCAL YEARS 2005-06 THROUGH 2014-15

Function	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Airport										
Airports	4	4	4	4	4	4	4	4	4	4
Licensed Vehicles:										
Cars and Light Trucks	112	120	148	149	148	147	151	154	159	141
Busses	44	35	41	47	33	33	32	32	32	31
Solid Waste										
Number of Collection Trucks	179	148	130	152	149	139	100	105	109	108
Number of Landfills	3	3	3	3	3	3	3	3	3	3
Water Agency										
Water Supply:										
Water Mains (miles)	651	659	718	743	753	761	766	776	785	797
Storage Capacity (thousands of gallons)	31,400	34,400	39,400	39,400	39,400	39,400	39,400	61,900	61,900	61,900
Drainage:										
Drainage Inlets	44,631	47,281	47,335	47,717	44,131	44,356	44,555	39,439	37,669	38,841
Drainage Manholes	25,226	26,219	26,336	26,699	25,004	25,147	25,378	23,489	22,793	23,544
Drainage Pipes (miles)	1,379	1,421	1,446	1,443	1,338	1,342	1,345	1,333	1,276	1,359
Parking Enterprise										
Structures	2	2	2	2	2	2	2	2	2	2

Note: 1) Building includes those that are capitalized but excludes real property that is leased.

Source: County of Sacramento Department Records

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

BOND DISCLOSURES

COUNTY OF SACRAMENTO

DEPARTMENT OF AIRPORTS

SOLID WASTE ENTERPRISE FUND

WATER AGENCY ENTERPRISE FUND

COUNTY OF SACRAMENTO
ANNUAL CONTINUING DISCLOSURE

FOR THE YEAR ENDED JUNE 30, 2015

This is the County of Sacramento Annual Continuing Disclosure filing as of December 30, 2015, in compliance with the County's Continuing Disclosure Agreements. The information herein speaks only as of this date and is subject to change without notice, and shall not, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. The presentation of information 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.

This Section contains four separate Annual Continuing Disclosure filings for the following:

1. Certificates of Participation; Pension Obligation Bonds; River City Regional Stadium Financing Authority Lease Revenue Bonds; Sacramento Regional Arts Facilities Financing Authority Certificates of Participation

2. Airport Revenue Bonds

3. Solid Waste System Revenue Certificates of Participation

4. Water Financing Authority Revenue Bonds

COUNTY OF SACRAMENTO
ANNUAL CONTINUING DISCLOSURE FOR:
CERTIFICATES OF PARTICIPATION; PENSION OBLIGATION BONDS;
RIVER CITY REGIONAL STADIUM FINANCING AUTHORITY LEASE REVENUE BONDS; SACRAMENTO REGIONAL ARTS FACILITIES FINANCING AUTHORITY CERTIFICATES OF PARTICIPATION

REQUIRED TABLES

Sacramento County Investment Pool
(Quarter Ending on September 30, 2015)

Average Daily Balance	$2,598,528,055
Period-End Balance	$2,544,019,912
Yield	0.468%
Weighted Average Maturity	304 Days
Duration in Years	0.819 Years
Historical Cost	$2,535,980,614
Market Value	$2,541,076,358
Percent of Market to Cost	100.20%

COUNTY OF SACRAMENTO
ANNUAL CONTINUING DISCLOSURE FOR:
CERTIFICATES OF PARTICIPATION; PENSION OBLIGATION BONDS;
RIVER CITY REGIONAL STADIUM FINANCING AUTHORITY LEASE REVENUE BONDS; SACRAMENTO REGIONAL ARTS FACILITIES FINANCING AUTHORITY CERTIFICATES OF PARTICIPATION

REQUIRED TABLES

General Fund Adopted Budget[1]
(amounts expressed in thousands)

	FY 2012-13	FY 2013-14	FY 2014-15[2]	FY 2015-16
APPROPRIATIONS				
Reserve Increase/(Decrease)	$ 1,582		5,500	9,350
General Government	55,830	54,937	64,685	63,006
Public Protection	716,844	774,718	803,561	835,679
Public Ways and Facilities				
Health and Sanitation	591,033	618,851	627,343	675,754
Public Assistance	606,543	660,483	679,077	718,595
Education, Cultural and Recreation	15,173	23,818	18,716	20,702
Contingencies	1,531	4,013	2,712	2,000
TOTAL APPROPRIATIONS	$ 1,988,536	2,136,820	2,201,594	2,325,086
AVAILABLE FUNDS				
Beginning Appropriated Fund Balance/Carryover	$ 18,248	31,043	43,922	33,896
Interfund Transfers				
Equity Transfer In	2,478	986	609	459
Reserve Cancellation	1,356	4,517	695	6,675
Taxes	421,898	438,019	476,591	509,089
Licenses and Permits	9,773	10,865	11,273	11,598
Fines, Forfeitures and Penalties	29,212	34,179	31,477	27,035
Use of Money and Property	362	369	2,084	2,407
Aid from Other Government Agencies (state and federal)	1,345,112	1,431,326	1,457,578	1,552,395
Charges for Current Services	113,873	143,603	140,367	139,037
Other Revenues	46,224	41,913	36,998	42,495
TOTAL AVAILABLE FUNDS	$ 1,988,536	2,136,820	2,201,594	2,325,086

(1) Board of Supervisors adopted budget prior to any Appropriation Adjustment Requests (AAR).
(2) FY 2014-15 General Government and Education, Cultural and Recreation amounts have been corrected as appropriations for Education were included in General Government.

COUNTY OF SACRAMENTO
HISTORY OF GROSSED ASSESSED VALUATIONS

(amounts expressed in thousands)

Fiscal Year	Total Gross Assessed Valuation	Secured/Unsecured Roll Growth
2006-07	$ 125,674,965	14.95 %
2007-08	137,707,021	9.57
2008-09	140,630,362	2.12
2009-10	131,627,518	(6.40)
2010-11	128,769,551	(2.17)
2011-12	124,811,747	(3.07)
2012-13	121,495,032	(2.66)
2013-14	126,311,592	3.96
2014-15	134,497,818	6.48
2015-16	140,691,284	4.60

Countywide Secured Tax Levies, Delinquencies and Collections
(excludes levies for bond debt service and special assessments)
(amounts expressed in thousands)

Fiscal Year	Secured Tax Levies	Current Levy Delinquent June 30	Percent Current Levy Delinquent June 30	Total Collections June 30[1]	Total Collection Current Levy
2006-07	$ 1,173,704	$ 44,601	3.80 %	1,129,103	96.20 %
2007-08	1,266,825	60,194	4.75	1,206,631	95.25
2008-09	1,277,763	48,906	3.83	1,228,857	96.17
2009-10	1,174,519	33,222	2.83	1,141,297	97.17
2010-11	1,151,004	26,205	2.28	1,124,799	97.72
2011-12	1,112,482	19,365	1.74	1,093,117	98.26
2012-13	1,079,750	14,936	1.38	1,064,814	98.62
2013-14	1,145,549	13,511	1.18	1,132,038	98.82
2014-15	1,219,035	12,480	1.02	1,206,555	98.98

[1] Includes prior years' redemption, penalties and interest.

COUNTY OF SACRAMENTO
Largest Secured Taxpayers FY 2015-16
(includes levies for bond debt service and special assessments)

Taxpayer	Amount
Pacific Gas & Electric	$ 8,518,684
AT&T Communications	7,178,222
Intel Corporation	6,571,964
MP Holdings	6,161,808
WalMart	4,879,500
Cummings Trust	4,666,126
Hines	4,550,814
Westcore Delta LLC	4,476,250
Donahue Schriber Realty Group	4,034,482
Buzz Oates, et al	3,409,227
Total (represents 3.22% secured tax roll levy):	$ 54,447,077

COUNTY OF SACRAMENTO
Total General Fund Revenues, Expenditures and Changes in Fund Balance FY 2010-11 through FY 2014-15
(amounts expressed in thousands)

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Beginning Fund Balance (as restated beginning FY 2010-11 and FY 2012-13)	$ 86,546	135,887	205,205	179,315	199,437
Revenues					
Taxes	413,219	410,322	411,626	438,057	463,728
Licenses and permits	11,273	8,403	10,734	12,421	11,134
Fines, forfeitures and penalties	22,973	24,211	20,345	29,290	28,626
Use of money/property	4,447	4,914	5,650	6,814	7,280
Intergovernmental	1,309,517	1,312,373	1,301,943	1,421,669	1,466,676
Charges for sales and services	124,415	118,740	118,067	137,240	134,703
Miscellaneous	77,952	44,960	47,584	35,113	45,215
Total Revenues	1,963,796	1,923,923	1,915,949	2,080,604	2,157,362
Transfers in	29,756	39,380	29,588	16,012	13,406
Total Revenues and Transfers	1,993,552	1,963,303	1,945,537	2,096,616	2,170,768
Expenditures					
General government	85,674	81,044	84,423	91,145	97,544
Public protection	621,281	621,718	647,348	704,191	737,049
Health and sanitation	463,511	484,086	525,886	536,943	493,513
Public assistance	666,032	597,066	597,598	621,588	656,873
Public ways and facilities					
Education	325	298	306	275	318
Recreation and culture	18,167	17,637	17,174	18,500	16,011
Total Expenditures	1,854,990	1,801,849	1,872,735	1,972,642	2,001,308
Transfers out	89,221	92,136	98,692	103,852	119,067
Total Expenditures and Transfers	1,944,211	1,893,985	1,971,427	2,076,494	2,120,375
Net change in fund balance	49,341	69,318	(25,890)	20,122	50,393
Ending Fund Balance (as restated FY 2012-13)	$ 135,887	205,205	179,315	199,437	249,830

COUNTY OF SACRAMENTO
Lease Obligations

As of July 1, 2015

Series	Project(s)	Amount Issued	Principal Amount Outstanding	Final Maturity	County Liability
1997 Certificates of Participation; dated 01/01/97	Rio Cosumnes Correctional Center; Bank of America Building	$ 58,020,000	$ 0	2015	100%
1997 Refunding Certificates of Participation (1994 Public Facilities Project); dated 01/01/98	Coroner/Crime Lab and Data Center	88,360,000	61,285,000	2027	100%
2003 Certificates of Participation; dated 05/07/03	Boys Ranch; Mather Golf Course; Thornton Youth Center	15,230,000	11,670,000	2034	100%
2003 Certificates of Participation; dated 06/19/03	Juvenile Courthouse	36,150,000	28,560,000	2034	100%
2006 Certificates of Participation; dated 05/11/06	Fleet Maintenance Facility; Voters Registration Facility	40,860,000	22,600,000	2035	100%
2007 Certificates of Participation; dated 08/16/07	Animal Care Facility; Youth Detention Facility Expansion	46,260,000	41,155,000	2038	100%
1999 River City Regional Stadium Financing Authority, Taxable Lease Revenue Bonds	River Cats Stadium	39,990,000	30,625,000	2029	66% (if ticket receipts insufficient)
2002 Sacramento Regional Arts Facilities Financing Authority Certificates of Participation	Theatre Facilities	16,580,000	12,470,000	2032	50% (if ticket receipts insufficient)
2010 Refunding Certificates of Participation; dated 03/12/10	Main Detention Facility; Parking Garage; Cherry Island Golf Course	126,105,000	80,360,000	2030	100%

Earthquake Insurance

As of the date of this Annual Continuing Disclosure Report, earthquake insurance is in effect for the leased premises of the County of Sacramento 2010 Refunding Certificates of Participation.

COUNTY OF SACRAMENTO
Pension Obligation Bonds

As of July 1, 2015

(reflects redemption on July 10, 2014 of the Series 2004C-3 Bonds with proceeds of the Series 2013 Refunding Bonds)

Series	Purpose	Amount Issued	Principal Amount Outstanding	Final Maturity	Anticipated General Fund Payment Percent
County of Sacramento Taxable Pension Obligation Bonds, Series 1995A[1][2]	Fund Pension System	$ 404,060,208	$ 205,648,933	2022	75%
County of Sacramento Taxable Pension Obligation Bonds, Series 2003B[2]	Partially Refund Series 1995A	97,441,330	126,081,788	2024	75%
County of Sacramento Taxable Pension Funding Bonds, Refunding Series 2008	Refund Series 2004C-1	359,165,000	343,240,000	2030	75%
County of Sacramento Taxable Pension Bonds, Series 2011A	Refund Series 1995B,C	183,365,000	177,685,000	2023	75%
County of Sacramento Taxable Pension Bonds, Series 2011B	Refund Series 2009	73,875,000	73,875,000	2024	75%
County of Sacramento Taxable Pension Bonds, Series 2013	Refund Series 2004C-3	111,960,000	111,960,000	2025	75%

(1) Series 1995A amount outstanding reflects partial refund/defease of $128,430,000 with Series 2003.

(2) Series 1995A and 2003B amounts outstanding reflect fully accreted value of capital appreciation bonds. Full accretion date and conversion to current interest for the 1995A Series occurred August 15, 1998, and for the 2003B Series on February 15, 2009.

Other County General Fund Obligations

Outstanding loans between the County General Fund and the County Treasury Pool are detailed below. The Teeter Plan Loans are also loans between the County and the County's Pooled Investment Fund for a maximum of five years. The interest rate charged is variable and reset quarterly. There are no pre-payment penalties, thereby providing the County with the flexibility to opt-in at a later date into an alternative form of Teeter Plan financing.

As of June 30, 2015
(amounts expressed in thousands)

Description	Original Loan Amount	Principal Amount Outstanding	Final Maturity
Sacramento County (Teeter Plan)	$ 46,012	$ 2,504	08/01/2015
Sacramento County (Teeter Plan)	36,698	3,537	08/01/2016
Sacramento County (Teeter Plan)	28,374	4,956	08/01/2017
Sacramento County (Teeter Plan)	23,100	6,755	08/01/2018
Sacramento County (Teeter Plan)	20,996	11,981	08/01/2019

COUNTY OF SACRAMENTO
County of Sacramento Aggregate Debt Service
Current Outstanding Debt-Certificates of Participation Only
(includes principal and interest)
As of July 1, 2015

Period Ending June 30	Series 1997 Refunding COPs	Series 1997 COPs	Series 2003 Pub Fac Proj COPs	Series 2003 Juv Court COPs	Series 2006 Pub Fac Proj COPs	Series 2007 Animal Care/YDF 12 Bed Exp COPs	Series 2010 Refunding COPs	County's Portion of Series 1999 Lease Revenue Bonds[1]	County's Portion of Series 2002 Regional Arts COPs [2]	FY Total
2016	$ 6,318,150		956,895	2,216,375	2,408,713	2,999,288	12,912,825	2,368,184	525,724	30,706,154
2017	6,318,338		960,700	2,214,675	2,410,687	2,998,613	13,035,675	2,365,352	525,969	30,830,009
2018	6,320,213		958,270	2,216,475	2,405,975	3,001,113	13,186,075	2,364,062	525,554	30,977,737
2019	6,318,419		959,780	2,211,775	2,413,925	3,001,038	9,340,775	2,360,578	524,459	27,130,749
2020	6,317,600		959,980	2,215,075	1,585,075	3,002,788	9,157,675	2,357,828	525,108	26,121,129
2021	6,317,281		958,830	2,215,700	1,580,425	3,001,538	5,659,950	2,352,074	522,479	22,608,277
2022	6,316,988		966,780	2,213,575	1,584,425	2,997,288	5,257,625	2,349,444	523,916	22,210,041
2023	6,316,244		957,860	2,213,575	1,581,625	3,004,663	5,260,875	2,345,929	521,988	22,202,759
2024	6,319,456		958,250	2,215,450	1,582,250	2,998,538	5,258,125	2,340,991	521,500	22,194,560
2025	6,316,150		960,250	2,214,281	1,585,160	3,003,788	5,260,175	2,337,289	522,313	22,199,406
2026	6,315,850		960,750	2,215,419	1,581,000	3,000,163	5,257,825	2,334,014	522,250	22,187,271
2027	6,317,844		959,750	2,214,006	1,580,000	2,997,663	5,259,262	2,327,158	521,313	22,176,996
2028	6,316,538		957,250	2,214,938	1,582,750	3,000,913	5,262,475	2,322,579	519,500	22,176,943
2029			963,250	2,213,106	1,582,750	2,999,663	5,261,600	2,316,000	519,250	15,855,619
2030			957,250	2,212,000	1,580,000	2,998,788	5,261,063	2,309,811	518,000	15,836,912
2031			959,750	2,215,750	1,584,500	2,998,038			518,188	8,276,226
2032			955,250	2,215,000	1,580,750	3,002,038			517,250	8,270,288
2033			959,000	2,214,625	1,584,000	3,000,538			517,625	8,275,788
2034			955,500	2,214,375	1,583,750	3,003,288				7,756,913
2035				2,214,000	735,000	3,000,038				5,949,038
2036						3,005,413				3,005,413
2037						2,999,163				2,999,163
2038						3,004,706				3,004,706
Total	$ 82,129,071		18,225,345	44,290,175	34,112,760	69,019,067	110,632,000	35,151,293	9,392,386	402,952,097

[1] County required to pay only 66.667% of total lease payments, and only if ticket receipts insufficient. The County has never been required to make any debt service payments.

[2] County required to pay only 50.0% of total lease payments, and only if ticket receipts insufficient. The County has never been required to make any debt service payments.

COUNTY OF SACRAMENTO
County of Sacramento Aggregate Debt Service
Current Outstanding Debt-Pension Obligation Bonds and Certificates of Participation
(includes principal and interest)
As of July 1, 2015

Period Ending June 30	Series 1995A POBs	Series 2003B Refunding POBs	Series 2008 Refunding POBs[1]	Series 2011A Refunding POBs	Series 2011B Refunding POBs	Series 2013 Refunding POBs[2]	FY POBs Total	FY COPs Total	FY POBs & COPs Combined
2016	$ 64,637,312	7,644,393	27,192,422	10,754,257	4,894,219	8,117,100	123,239,703	30,706,154	153,945,857
2017	67,942,312	7,644,393	29,222,224	10,754,257	4,894,219	8,117,100	128,574,505	30,830,009	159,404,514
2018	71,397,312	7,644,393	31,188,695	10,754,257	4,894,219	8,117,100	133,995,976	30,977,737	164,973,713
2019	41,506,816	7,644,393	30,898,766	42,373,416	4,894,219	8,117,100	135,434,710	27,130,749	162,565,459
2020	47,356,920	7,644,393	33,312,489	38,210,396	4,894,219	8,117,100	139,535,517	26,121,129	165,656,646
2021	53,371,768	7,644,393	33,813,999	35,792,492	4,894,219	8,117,100	143,633,971	22,608,277	166,242,248
2022	59,573,008	7,644,393	35,700,648	31,803,530	4,894,219	8,117,100	147,732,898	22,210,041	169,942,939
2023		99,427,255	36,533,905	3,740,292	4,894,219	8,117,100	152,712,771	22,202,759	174,915,530
2024		40,035,058	38,281,039	60,130,146	4,894,219	8,117,100	151,457,562	22,194,560	173,652,122
2025			39,239,366		76,322,107	34,437,113	149,998,586	22,199,406	172,197,992
2026			41,211,936			87,718,562	128,930,498	22,187,271	151,117,769
2027			43,011,983				43,011,983	22,176,996	65,188,979
2028			44,238,161				44,238,161	22,176,943	66,415,104
2029			46,212,341				46,212,341	15,855,619	62,067,960
2030			47,915,587				47,915,587	15,836,912	63,752,499
2031			48,879,209				48,879,209	8,276,226	57,155,435
2032								8,270,288	8,270,288
2033								8,275,788	8,275,788
2034								7,756,913	7,756,913
2035								5,949,038	5,949,038
2036								3,005,413	3,005,413
2037								2,999,163	2,999,163
2038								3,004,706	3,004,706
Total	$ 405,785,448	192,973,064	606,852,770	244,313,043	120,370,078	195,209,575	1,765,503,978	402,952,097	2,168,456,075

[1] Assumed swap rate of 5.901% + 1.30% for the 2026 Term Bond; 5.901% + 1.45% for $166,950,000 of the 2030 Term Bond; 6.354% (20-year average of 1 month LIBOR + 3.00%) for $12,365,000 of the 2030 Term Bond.

[2] Issuance of the Series 2013 Refunding Bonds resulted in the redemption of the Series 2004C-3 Bonds on July 10, 2014.

COUNTY OF SACRAMENTO
Variable Rate Debt/Interest Rate Swap

Issue	2008 Refunding POBs (2004C-1)
Type of Underlying Obligation	Floating Rate Notes 1-mo LIBOR+130 BPS $161,525,000; 1-mo LIBOR+145 BPS $179,315,000
Bond Amount Outstanding as of July 1, 2015	$343,240,000
Insurer	FSA
Swap Counterparty	Merrill Lynch
Swap Notional $ as of November 12, 2015	$328,475,000
Payment Terms	County pays 5.901%; Counterparty pays 100% 1-mo LIBOR
Est. Valuation (11/12/15) (includes accrued interest)	Negative ($112,721,015)
County Credit Rating Risk (threshold for termination event for swap agreement)	County must maintain two of three minimum ratings set forth below with respect to at least one issue of POBs or COPS: rated at or above Baa2 (Moody's), BBB (S&P) or BBB (Fitch)

COUNTY OF SACRAMENTO

Department of Airports Annual Report (Airport Enterprise Fund)

In accordance with the requirements of the Continuing Disclosure Certificates for the County of Sacramento Airport System Senior Revenue Bonds, Series 2008, 2009 and 2010 and the County of Sacramento Airport System Subordinate and PFC/Grant Revenue Bonds, Series 2008 and 2009 (collectively, the "Certificate") the Sacramento County Department of Airports is including this section to meet the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5)(the Rule).

Beginning with the Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2007-2008, and each CAFR thereafter, the Bond Disclosure Section provides the required information consistent with Sections 4 of the Certificate. The CAFR is filed with each National and State Repository specified in the Rule, and with any other repository that shall be identified in the future.

ANNUAL REPORT

The following items are required by the Certificate to be included in the Annual Report:

(A) The audited financial statements of the Department of Airports for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. Refer to the Financial Section, pages 33 - 39 of this report.

(B) An annual updating, to reflect results of the most recently completed fiscal year, of the following tables:

1. Historical Enplaned Passengers – Exhibit 1
2. Historical Aircraft Landed Weight – Exhibit 2
3. Airlines' Market Shares of Enplaned Passengers – Exhibit 3
4. Statement of Revenues, Expenses and Changes in Net Position – Exhibit 4
5. Airline and Nonairline Revenues – Exhibit 5
6. Summary of Historical Revenues, Expenses and Debt Service Coverage – Exhibit 6

REPORTING OF SIGNIFICANT EVENTS

No significant events, as identified in Section 5 of the Certificate, have occurred for any of the outstanding bonds issued by the Department of Airports, and there is no knowledge on the part of the County of any impending significant events that would require disclosure under the provisions of the Certificate.

COUNTY OF SACRAMENTO
Historical Enplaned Passengers - Last 10 Years
Fiscal Year ended June 30
Exhibit 1

Enplanements	2006	2007	2008	2009	2010 [2]	2011 [2]	2012 [2]	2013 [2]	2014 [2]	2015
Major and other airlines [1]	4,897,981	5,075,849	4,741,650	4,468,169	4,319,759	4,223,908	4,203,561	4,117,949	4,061,686	4,306,807
Regional airlines	252,248	231,440	553,087	236,689	230,150	255,833	276,442	301,596	314,551	321,790
Total	5,150,229	5,307,289	5,294,737	4,704,858	4,549,909	4,479,741	4,480,003	4,419,545	4,376,237	4,628,597
Percent change from prior year	3.29 %	3.05 %	(0.24)%	(11.14)%	(3.29)%	(1.54)%	0.01 %	(1.35)%	(0.98)%	5.77 %

Source: Department of Airports statistics reports.

[1] Major airlines are defined for this analysis as scheduled airlines operating aircraft with 60 or more seats; other airlines are nonscheduled.

[2] Fiscal year 2010-2014 figures have been revised.

COUNTY OF SACRAMENTO
Historical Aircraft Landed Weight - Last 10 Years
Fiscal Year Ended June 30
Exhibit 2

(in 1,000 lb. units)

	2006	2007	2008	2009 [2]	2010 [2]	2011 [2]	2012 [2]	2013 [2]	2014	2015
Passenger airlines										
Major and other airlines [1]	6,185,453	6,489,593	6,293,924	5,743,444	5,449,118	5,077,482	5,047,200	4,799,438	4,693,297	4,782,686
Regional airlines	288,094	304,247	456,937	329,445	476,023	285,754	245,872	334,097	353,852	350,506
Subtotal	6,473,547	6,793,840	6,750,861	6,072,889	5,925,141	5,363,236	5,293,072	5,133,535	5,047,149	5,133,192
All cargo airlines	728,999	949,579	982,234	800,830	610,385	581,195	613,981	646,113	964,965	651,887
Total	7,202,546	7,743,419	7,733,095	6,873,719	6,535,526	5,944,431	5,907,053	5,779,648	6,012,114	5,785,079
Percent change from prior year	2.00 %	7.50 %	(0.10)%	(11.10)%	(4.90)%	(9.04)%	(0.63)%	(2.16)%	4.02 %	(3.78)%

Source: Department of Airports statistics reports.

[1] Major airlines are defined for this analysis as scheduled airlines operating aircraft with 60 or more seats; other airlines are nonscheduled.

[2] Fiscal year 2009-2013 figures have been revised.

COUNTY OF SACRAMENTO
Airlines' Market Shares of Enplaned Passengers - Last 5 Years
Fiscal Year Ended June 30
Exhibit 3

	2011[3]	2012 [3]	2013	2014	2015
Percentage of Total Enplanements					
Major Airlines [1]					
Southwest airlines	51.80 %	50.10 %	52.10 %	52.60 %	53.10 %
United Airlines	6.50	6.80	8.30	8.40	7.60
Delta Air Lines [2]	6.70	6.40	6.20	6.50	6.30
Alaska Airlines	5.40	5.70	5.30	5.30	6.20
US Airways	5.10	5.20	5.40	5.50	5.80
American Airlines	4.50	5.30	5.50	5.50	5.30
Jet Blue Airlines	2.50	3.50	3.20	3.00	2.90
Horizon Airlines	2.90	2.70	2.70	2.60	2.30
Hawaiian Airlines	1.90	2.00	2.00	1.90	1.80
Frontier Airlines	3.00	2.80	1.50		
Aeromexico		0.60	0.70	0.80	1.00
Volaris Airlines			0.30	0.60	0.80
Republic Airlines				0.10	
Continental Airlines	3.80	2.70			
Mexicana Airlines	0.10				
Regional Airlines					
Skywest	5.70	6.10	6.80	7.20	6.10
Mesa/Delta Connection	0.10				0.80
Express Jet		0.10			
Subtotal	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source: Department of Airports statistics reports.
[1] Defined for this analysis as scheduled airlines operating with 60 or more seats.
[2] Delta number includes Northwest beginning 2011.
[3] Fiscal year 2011-2012 figures have been revised.

COUNTY OF SACRAMENTO
Airlines' Market Shares of Enplaned Passengers - Last 5 Years
Fiscal Year Ended June 30
Exhibit 3

	2011[3]	2012 [3]	2013	2014	2015
Ranking					
Major Airlines [1]					
Southwest Airlines	1	1	1	1	1
United Airlines	3	2	2	2	2
Delta Air Lines [2]	2	3	4	4	3
Alaska Airlines	5	5	7	7	4
US Airways	6	7	6	6	6
American Airlines	7	6	5	5	7
Jet Blue Airlines	11	8	8	8	8
Horizon Airlines	10	10	9	9	9
Hawaiian Airlines	12	12	10	10	10
Frontier Airlines	9	9	11		
Aeromexico		13	12	11	11
Volaris Airlines			13	12	12
Seaport					13
Virgin America			14		
Republic Airlines			15		
Continental Airlines	8	11			
Mexicana Airlines	14				
Regional Airlines					
Skywest	4	4	3	3	5
Mesa/Delta Connection	13				12
Express Jet		14			

Source: Department of Airports statistics reports.
[1] Defined for this analysis as scheduled airlines operating with 60 or more seats.
[2] Delta number includes Northwest beginning 2011.
[3] Fiscal year 2011-2012 figures have been revised.

COUNTY OF SACRAMENTO
Statement of Revenues, Expenses and Changes in Net Position - Last 10 Years
Fiscal Year Ended June 30
Exhibit 4

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenue:										
Concessions	$ 60,367,151	64,892,106	66,416,283	68,600,549	63,442,108	63,341,578	66,002,772	68,752,509	69,451,723	73,880,574
Building rents	16,087,912	16,644,929	17,152,979	35,384,002	35,885,350	30,697,623	47,204,495	61,114,151	61,119,198	61,887,092
Airfield charges	17,779,295	15,680,196	22,352,752	10,710,482	26,044,373	20,931,781	23,395,617	21,849,813	25,299,370	19,102,672
Ground leases	4,403,407	4,723,344	3,641,980	2,314,441	2,749,183	1,987,622	1,874,055	1,900,740	1,927,849	1,910,052
Sale of fuel	1,339,214	652,942	808,229	580,904	532,032	653,673	755,877	809,600	854,030	664,423
Airport services	900,536	1,015,551	911,360	1,100,127	898,153	920,930	4,136,078	4,819,705	331,277	798,098
Other	102,681	39,528	101,491	299,511	165,604	85,366	379,768	146,116	13,902	196,451
Total operating revenue	100,980,196	103,648,596	111,385,074	118,990,016	129,716,803	118,618,573	143,748,662	159,392,634	158,997,349	158,439,362
Operating expense:										
Salaries and benefits	28,897,193	30,274,323	32,174,897	33,640,076	33,084,803	35,989,114	37,081,912	36,149,138	30,302,735	27,021,772
Services and supplies	41,462,233	46,452,761	54,266,378	49,870,807	48,995,957	46,369,353	58,008,301	57,088,926	54,044,934	51,885,789
Cost of goods sold	1,081,550	573,187	665,627	497,815	431,389	542,657	628,838	641,268	648,940	509,938
Depreciation	20,162,706	21,062,790	23,707,907	25,750,395	26,928,736	29,750,690	43,847,407	51,673,862	54,204,762	53,531,817
Other	670,162	769,760	837,710	881,876	872,816	983,348	10,630	238,992	413,110	229,703
Total operating expense	92,273,844	99,132,821	111,652,519	110,640,969	110,313,701	113,635,162	139,577,088	145,792,186	139,614,481	133,179,019
Operating income (loss):	8,706,352	4,515,775	(267,445)	8,349,047	19,403,102	4,983,411	4,171,574	13,600,448	19,382,868	25,260,343
Nonoperating revenue (expense):										
Interest income	6,623,389	7,915,789	7,519,233	6,155,861	1,886,860	411,537	915,635	1,836,288	813,327	(54,853)
Passenger facility charges revenue	24,511,950	27,182,405	26,653,518	21,489,873	19,618,136	18,348,304	18,022,076	17,604,328	17,160,771	18,514,213
Intergovernmental revenue	849,340	686,586	1,620,376	978,992	954,695	622,320	1,637,600	1,578,104	838,145	467,561
Gain (loss) on disposal of assets	993	84,711	(17,151)	64,262	(65,452)	10,020	(77,140)	44,886	(62,967)	141,167
Other nonoperating revenue (expense)	223,468	82,107	(40,754)	157,388	237,958	1,291,437	42,425	176,702	(32,690)	208,536
Amortization of bond issuance cost[1]	(175,358)	(271,965)	(257,068)	(563,240)	(700,471)	(744,688)	(750,981)	(703,026)	(405,146)	(405,146)
Interest expense	(10,536,254)	(12,057,704)	(12,651,944)	(18,203,544)	(17,105,647)	(15,473,662)	(26,906,214)	(59,286,319)	(58,323,780)	(57,381,887)
Net nonoperating revenue (expense)	$ 21,497,528	23,621,929	22,826,210	10,079,592	4,826,079	4,465,268	(7,116,599)	(38,749,037)	(40,012,340)	(38,510,409)

COUNTY OF SACRAMENTO
Statement of Revenues, Expenses and Changes in Net Position - Last 10 Years
Fiscal Year Ended June 30
Exhibit 4

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Income (loss) before capital contributions and transfers	30,203,880	28,137,704	22,558,765	18,428,639	24,229,181	9,448,679	(2,945,025)	(25,148,589)	(20,629,472)	(13,250,066)
Capital contributions	10,889,564	12,663,761	13,932,530	6,935,457	7,361,129	14,556,307	14,392,953	54,969,536	9,421,605	11,456,573
Transfer out[2]									(2,711,985)	(2,765,151)
Changes in net position	41,093,444	40,801,465	36,491,295	25,364,096	31,590,310	24,004,986	11,447,928	29,820,947	(13,919,852)	(4,558,644)
Total net position, beginning of year[3]	358,326,355	399,419,799	440,221,864	476,713,159	502,077,255	533,667,565	557,672,551	569,120,479	591,684,369	553,291,895
Total net position, end of year	$ 399,419,799	440,221,264	476,713,159	502,077,255	533,667,565	557,672,551	569,120,479	598,941,426	577,764,517	548,733,251

[1] Starting with FY 2014, the amortization of bond issuance cost includes only the amortized bond prepaid insurance.

[2] Transfer Out - Pension Obligation Bond allocated to the Department of Airports in FY 2014 and 2015.

[3] The beginning net position for FY 2015 has been restated to reflect the implementation of GASB Statement No. 68.

COUNTY OF SACRAMENTO
Airline and Nonairline Revenues - Last 5 Years
Fiscal Years Ended June 30
Exhibit 5

	2011	2012	2013	2014	2015
Airline Revenue					
Terminal building rents and fees	$ 21,244,966	$ 35,095,244	49,713,163	49,256,400	49,107,465
Aircraft parking fees	1,425,065	2,257,476	2,868,612	3,219,785	3,380,337
Loading bridge fees	2,722,022	3,965,014	2,300,004	2,330,794	2,600,865
Landing fees	20,811,439	23,248,445	21,723,306	25,144,577	18,921,694
Airport services		3,194,457	3,838,646	-	
Total Airline revenue	$ 46,203,492	$ 67,760,636	80,443,731	79,951,556	74,010,361
Less cargo revenues	$ 2,102,643	$ 2,514,665	2,597,221	2,976,264	2,282,552
Passenger airline operating revenues	$ 44,100,849	$ 65,245,971	77,846,510	76,975,292	71,727,809
Enplaned passengers	4,479,741	4,480,003	4,419,545	4,376,237	4,628,597
Cost per Enplaned Passenger (CPE)	$ 9.84	$ 14.56	17.61	17.59	15.50
Nonairline Revenue					
Airfield area					
Commercial fees	$ 14,191	$ 16,305	23,290	43,918	28,498
Other landing fees	16,047	36,569	9,071	20,586	20,420
Fuel sales	860,226	960,938	1,007,915	1,058,430	902,546
Subtotal	$ 890,464	$ 1,013,812	1,040,276	1,122,934	951,464
Terminal building					
Food/beverage	$ 2,945,087	$ 3,096,650	3,399,419	3,633,335	3,645,630
Merchandise	1,855,985	2,184,732	2,037,097	1,827,309	2,010,780
Advertising	649,874	674,849	795,077	885,923	861,913
Telephones	140,684	134,068	290,575	448,777	450,062
Vending	219,704	360,901	350,401	380,335	397,273
Other terminal rents	665,297	1,049,515	1,325,656	1,285,975	1,396,835
Subtotal	$ 6,476,631	$ 7,500,715	8,198,225	8,461,654	8,762,493
Parking	$ 44,966,016	$ 46,739,420	48,106,292	48,411,994	52,530,925

COUNTY OF SACRAMENTO
Airline and Nonairline Revenues - Last 5 Years
Fiscal Years Ended June 30
Exhibit 5

	2011	2012	2013	2014	2015
Other areas					
Autorentals	$ 8,932,954	$ 9,391,070	10,113,145	10,232,136	10,361,106
Autorental shuttle bus fees	3,069,151	2,854,311	3,081,002	2,969,309	2,913,934
Taxi/shuttle bus fees	555,707	559,758	565,921	647,788	693,316
Tiedown and hangars	692,817	702,383	715,789	720,101	718,237
FBO rentals	112,310	94,616	96,960	103,826	91,461
Aviation ground leases	1,781,069	1,668,994	1,702,425	1,723,450	1,671,929
Other rentals/miscellaneous	3,921,362	4,124,089	4,179,735	4,284,393	4,683,211
Subtotal	$ 19,065,370	$ 19,395,221	20,454,977	20,681,003	21,133,194
Other revenue					
Service fees	$ 920,930	$ 941,621	981,059	331,277	798,098
Miscellaneous revenue [1]	9,529,216	2,077,263	1,922,882	842,386	928,924
Subtotal	$ 10,450,146	$ 3,018,884	2,903,941	1,173,663	1,727,022
Total Non Airline Revenue	$ 81,848,627	$ 77,668,052	80,703,711	79,851,248	85,105,098
Interest income [2]	127,715	628,467	1,787,484	786,576	(187,198)
Total Non Airline Revenue	$ 81,976,342	$ 78,296,519	82,491,195	80,637,824	84,917,900

Source: Department of Airports audited financial statements;

[1]As permitted under the Bond Indenture, FY2011 amount includes transfer from the Capital Improvement Fund to offset settlement of FY 2010 airline rates and charges.
[2]As defined in the Bond Indenture.

COUNTY OF SACRAMENTO
Summary of Historical Revenue, Expenses and Debt Service Coverage - Last 7 Years
Fiscal Years Ended June 30
Exhibit 6

	2009	2010 [2]	2011 [2]	2012 [2]	2013 [2]	2014	2015
Rate Covenant - per Section 6.04 (b)(i)							
Revenues [1]	$ 134,667,273	$ 132,007,161	128,179,835	146,057,155	162,934,925	160,589,380	158,928,261
Operating expenses [2]	(84,890,322)	(83,384,965)	(83,884,472)	(95,729,680)	(94,118,325)	(88,121,704)	(82,412,353)
Net revenues	49,776,951	48,622,196	44,295,363	50,327,475	68,816,600	72,467,676	76,515,908
Transfer (limited to 25%)	3,992,960	4,301,661	4,321,838	8,995,140	13,031,769	12,357,018	13,391,226
Net revenues + Transfer	$ 53,769,911	$ 52,923,857	48,617,201	59,322,615	81,848,369	84,824,694	89,907,134
Accrued debt service on senior obligations [3]	$ 15,971,841	$ 17,206,645	17,287,350	35,980,560	52,127,074	49,428,071	53,564,902
Debt service coverage (>1.25)	3.37	3.08	2.81	1.65	1.57	1.72	1.68
Rate Covenant - per Section 6.04 (b)(ii)							
Net revenues	$ 49,776,951	$ 48,622,196	44,295,363	50,327,475	68,816,600	72,467,676	76,515,908
Transfer (limited to 10%)	1,597,184	1,720,665	1,728,735	3,598,056	5,212,707	4,942,807	5,356,490
	$ 51,374,135	$ 50,342,861	46,024,098	53,925,531	74,029,307	77,410,483	81,872,398
Accrued debt service on senior obligations	$ 15,971,841	$ 17,206,645	17,287,350	35,980,560	52,127,074	49,428,071	53,564,902
Debt service on subordinate obligations [4]	6,939,856	30,130,833	31,129,931	30,112,081	30,159,794	30,211,816	30,271,621
Less: Available PFC Revenues	(6,939,856)	(20,448,833)	(22,005,931)	(21,941,081)	(21,939,794)	(21,940,816)	(21,942,737)
Less: Available Grant Revenues		(9,682,000)	(9,124,000)	(8,171,000)	(8,220,000)	(8,271,000)	(8,328,884)
Accrued debt service on sr. & sub. obligations	$ 15,971,841	$ 17,206,645	17,287,350	35,980,560	52,127,074	49,428,071	53,564,902
Debt Service Coverage (>1.10)	3.22	2.93	2.66	1.50	1.42	1.57	1.53

Note: The information presented in the above table reflects the definitions, conventions and debt service coverage calculation methodology set forth in the Master Indenture of Trust, approved by the Board of Supervisors and dated May 1, 2008, and under the terms of supplemental indentures.

[1] Per Bond Indenture, Revenues include the Department's revenues excluding certain interest earnings and restricted revenues.

[2] Per Bond Indenture, Operating Expenses include the Department's operating expenses and other non-operating expenses. Operating Expenses exclude depreciation, amortization and debt service.

[3] The Accrued Debt Service includes the principal payment due on July 1, 2015, 2014, 2013, 2012, 2011, 2010, and 2009, respectively.

[4] Per the Fourth Supplemental Indenture, PFC and LOI Subordinate Revenue Bonds are payable from and secured by pledged Available PFC Revenues, Available Grant Revenues and Net Revenues, subordinate and junior to the lien on Senior Revenue Bonds.

COUNTY OF SACRAMENTO
Solid Waste Enterprise Fund
For the Year Ended June 30, 2015
Annual Report

INTRODUCTION

This section is provided in accordance with the requirements of the "Continuing Disclosure Certificates" for the "2005 Refunding Revenue Certificates of Participation (Solid Waste Facilities)," (the "Certificates"). The material provided under the Certificates is intended to meet the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The information provided herein applies to the 2005 Refunding Solid Waste Facilities Certificates of Participation.

This Comprehensive Annual Financial Report (CAFR) will provide the information required by the Certificate Reports. The CAFR, in turn, will be filed with each National Repository specified in the Rule, and with any other repository that shall be identified in the future.

The current ratings for the bonds are Moody's A2 and Standard and Poor's AA.

ANNUAL REPORT REQUIREMENTS

The following five (5) sections describe the information required by the Certificates in the Annual Report and the Fund's compliance therewith:

1. The audited financial statements for the prior fiscal year, prepared in accordance with accounting principles generally accepted in the U.S. as promulgated to apply to governmental entities by the Governmental Accounting Standards Board.

Compliance: The audited financial statements prepared in accordance with accounting principles generally accepted in the U.S. are included in the Financial Section of this report, pages 33 - 39.

2. Status:

Compliance: The following describes the status:

2005 Refunding Revenue Certificates of Participation (Solid Waste Systems)

On July 19, 2005, Sacramento County Department of Solid Waste issued the 2005 Refunding Revenue Certificates of Participation, with interest rates ranging from 3.0 percent to 5.0 percent. Proceeds from these were used to (i) establish irrevocable escrow funds to refund in full the $15,865,000 of the 1997 Public Facilities Project (Solid Waste Facilities); $8,800,000 of the 1998 Public Facilities Project (Gas to Energy Facilities); and $4,795,000 of the 2002 Public Facilities Project (Solid Waste Facilities); (ii) pay the costs of bond insurance premium; (iii) purchase a Reserve Fund Surety Bond in the amount of the reserve fund requirement.

As a result, the 1997 Public Facilities Project (Solid Waste Facilities), the 1998 Public Facilities Project (Gas to Energy Facilities) and the 2002 Public Facilities Project (Solid Waste Facilities) were considered to be defeased and the liability for those bonds was removed from the Sacramento County Department of Solid Waste financial statements and the County of Sacramento Comprehensive Annual Financial Report. The advance refunding resulted in reducing the annual debt service payments by $1,172,472 to obtain an economic gain (difference between the present value of the debt service payments on the refunded debt and refunding debt) of $77,011. At June 30, 2015, $2,420,000 of the 1997 bonds were legally defeased and remain outstanding.

3. The number of single family residences receiving Fund collection and disposal services and the current basic monthly service charge for such services.

Compliance:

Number of single family residences receiving County collection and disposal services		149,950
Current basic monthly service charge (since July 1, 2010)		
38 gallon can	$	19.95
60 gallon can		23.55
90 gallon can		30.76

4. The total tonnage of solid waste delivered to the County System (including the tonnage that was delivered by the County and the tonnage that was delivered by other entities) and the current tipping fees for the disposal of solid waste delivered to the County System and the remaining solid waste disposal capacity (in years) of the County System.

Compliance:

Total tonnage of solid waste delivered to the County System:		
Delivered by the County		285,987
Delivered by other entities		337,837
		623,824
Current tipping fees per ton: (since July 1, 2009)	$	30.00
Remaining disposal capacity (in years):		58 *

*Revised per the Kiefer Landfill Joint Technical Document; Table 3

COUNTY OF SACRAMENTO
Solid Waste Enterprise Fund
For the Year Ended June 30, 2015
Annual Report

5. Actual Operating Projected Results: A table showing the total operating revenues, total operating expenses and debt service coverage ratio for FY ending June 30, 2014 and FY ending June 30, 2015.

Compliance:

	Actual - FY Ended June 30, 2014	Actual - FY Ended June 30, 2015
Service charges	$ 43,075,250	43,267,596
Tipping fees	17,985,822	18,986,840
Sale of recyclables	2,153,369	1,861,065
Electricity resales	2,471,801	3,104,858
Contract hauler billings	1,657,600	1,695,081
Other	762,203	720,443
Total operating revenues	68,106,045	69,635,883
Salaries and benefits	23,123,701	22,298,677
Equipment maintenance	7,598,751	7,457,304
Services and supplies	6,415,697	7,577,501
Professional services	4,711,337	4,748,705
Fuel and lubricants	2,987,314	2,803,892
Public works services	1,232,699	1,355,869
Landfill partial final cover	596,972	500,073
Landfill closure and postclosure care	653,252	685,901
Contract hauler payments	1,520,797	1,384,823
Regulatory fees	1,227,795	1,414,367
Insurance/liability	1,002,438	853,508
Utilities	551,438	477,743
Land and buildings maintenance	510,600	827,360
Office expense	140,091	154,276
Total operating expenses *	52,272,882	52,539,999
Net operating revenue	15,833,163	17,095,884
Landfill closure and postclosure not held in trust	314,543	332,876
Unrestricted interest revenue	-	146,219
Deposits into rate stabilzation fund		
Operating income available for debt service	$ 16,147,706	17,574,979
Debt service - 2005 COPS	2,237,236	2,241,151
Aggregate debt service	2,237,236	2,241,151
Debt service coverage ratio	722 %	784 %
Available after debt service	$ 13,910,470	15,333,828

*Excludes depreciation and amortization expenses.

Annual Report for the Sacramento County
Water Agency Enterprise Fund
For the Fiscal Year Ended June 30, 2013 through 2015

On April 8, 2003, the Agency entered into a Joint Exercise of Powers Agreement with Sacramento County to form the Sacramento County Water Agency Financing Authority (the Authority) for the purpose of facilitating the financing of acquisition and/or construction of real and personal property in and for the Agency. The Board of Direcors of the Agency serves as the Authority's governing board. For financial reporting purposes, the Master Installment Purchase Contract between the Agency and the Authority has been eliminated.

The Authority is not a blended component unit of the Agency Enterprise Fund but it is a blended component unit of the Sacramento County Water Agency. However, all balances and transactions of the Authority are presented as part of the Agency Enterprise Fund's financial statements.

This section is provided in accordance with the requirements of the Continuing Disclosure Certificate (the Certificate) for the Sacramento County Water Financing Authority Revenue Bonds Series 2007A and Series 2007B. The material provided under the Certificate is intended to meet or exceed the requirements of Securities and Exchange Commission Rule 15c-12(b)(5) (the Rule). The data tales provided herein apply to both 2007 issues.

This Bond Disclosure Section included within the County of Sacramento's Comprehensive Annual Financial Report (CAFR) provides the information required by the Continuing Disclosure Certificate. The CAFR, in turn, will be filed with each National Repository specified in the Rule, and with any other repository that shall be indentified in the future.

ANNUAL REPORT

As required by the Certificate, this annual report is incorporated into the CAFR and thus, includes by reference, the audited financial statements of the Agency for the prior fiscal years. Refer to the Financial Section, pages 33 - 39 of this report.

The annual report also contains the following five (5) sections as required in the Certificate:

(1) Approximate number of connections to which the Agency delivered water
(2) Zone 40 Monthly Service Fee generally imposed on customers
(3) Zone 41 Monthly Service Fee generally imposed on customers
(4) Zone 40 Impact Fees
(5) Information contained in "Summary of Projected Operating Results" table on page 25 of the 2003 Bonds Official Statement

REPORTING OF SIGNIFICANT EVENTS

As of July 1, 2009, the original bond insurer for the Sacramento County Water Financing Authority Revenue Bonds Series 2007, Financial Guaranty Insurance Company (FGIC), had this transaction "reinsured" by MBIA Insurance Corporation, which is now National Public Finance Guarantee Corporation, and was rated "Baa1" by Moody's and "A" by Standard and Poor's. On December 19, 2011, Moody's downgraded National Public Finance Guarantee Corporation to "Baa2", and on May 21, 2013, Moody's upgraded the rating back to "Baa1". On March 18, 2014, Standard & Poor's upgraded National Public Finance Guarantee Corporation from "A" to "AA-". At the end of Fiscal Year 2013-14 these ratings had not changed. The Series 2007 Revenue Bonds now carry the Agency's underlying ratings of "Aa3" from Moody's and the bond insurer rating of "AA-" from Standard and Poor's.

The above insurer downgrades were discolsed as material events when the downgrades were announced. No additional significant events, as identified in Section 5 of the Certificates, have occurred during the fiscal year ended June 30, 2015.

As of June 30, 2015, there is no knowledge on the part of the Board of Directors, officers, or employees of Sacramento County Water Agency of any impending significant event that would require disclosure under the provisions of the Certificate.

ADDITIONAL INFORMATION

The Certificate requires that the following information be updated annually:

Section 4(b)(i) A table indicating the approximate number of connections to which the Agency delivered water.

Fiscal Year:	2010-11	2011-12	2012-13	2013-14	2014-15
Number of connections	$ 49,580	50,138	50,813	51,652	52,400
Annual Percent Increase	1.0 %	1.1 %	1.3 %	1.7 %	1.4 %

Section 4(b)(ii) Zone 40 Monthly Service Fee generally imposed on customers.

Fiscal Year:	2010-11	2011-12	2012-13	2013-14	2014-15
Monthly Rate:	$ 25.80	25.80	25.80	27.30	28.80

Section 4(b)(iii) Zone 41 Monthly Service Fee generally imposed on customers.

Fiscal Year:	2010-11	2011-12	2012-13	2013-14	2014-15
Monthly Rate:	$ 33.32	36.99	36.99	38.99	39.99

Section 4(b)(iv) Zone 40 Impact Fees

Effective Date (Month-Yr)	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Development Fee (per EDU) (Domestic, Commercial, Other Service)	$ 13,166	13,166	13,447	13,965	14,955
Annual increase	0 %	0 %	2 %	4 %	7 %
Commercial Service (per acre)	$ 8,033	8,033	8,205	8,521	8,521
Annual increase	0 %	0 %	2 %	4 %	0 %
Other Service (per acre)	$ 1,557	1,557	1,590	1,651	1,651
Annual increase	0 %	0 %	2 %	4 %	0 %

Annual Report for the Sacramento County
Water Agency Enterprise Fund
For the Fiscal Year Ended June 30, 2013 through 2015

ADDITIONAL INFORMATION (Continued)

Zone 50 Impact Fees (implemented December 2005)

Effective Date (Month-Yr)		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Development Fee (per EDU)	$	236	236	241	250	257
(Domestic, Commercial, Other Service)						
Annual increase		0 %	0 %	2 %	4 %	3 %
Commercial (per acre)	$	3,403	3,403	3,476	3,610	3,713
Annual increase		0 %	0 %	2 %	4 %	3 %
Other Service (per acre)	$	3,403	3,403	3,476	3,610	3,713
Annual increase		0 %	0 %	2 %	4 %	3 %

Annual Report for the Sacramento County
Water Agency Enterprise Fund
For the Fiscal Year Ended June 30, 2013 through 2015

Section 4(b)(v) Summary of Historical Operating Results

Revenues, Maintenance and Operations Costs, Net Revenue (as these three terms are defined in the Installment Purchase Contract) and Reserve Balances of the Agency
For the Fiscal Years Ended June 30
(amounts expressed in thousands)

	2012-13	2013-14	2014-15
Revenues:			
Operating revenues			
Water service charges	43,524	45,425	44,594
Charges for services	2,276	2,691	1,471
Development fees	16,171	13,571	15,141
Connection fees	396	318	338
Other	1,297	2,760	2,105
Total net operating revenues	63,664	64,765	63,649
Nonoperating revenues			
Total interest income (excludes fair market value adjustments)	1,591	1,263	1,339
Less: interest earnings on reserves	(1,191)	(1,198)	(1,201)
Net interest income	400	65	138
Total nonoperating revenues	400	65	138
Total revenues	64,064	64,830	63,787
Repayment to rate stabilization fund		(1,087)	-
Adjusted annual revenues (1)	64,064	63,743	63,787
Maintenance & operating expenses (excludes depreciation and includes non-bond related interest expense)	23,061	23,333	24,272
Net revenues	41,003	40,410	39,515
Impact fee credits	(7,118)	(4,039)	(3,950)
Net revenue less impact fee credits	33,885	36,371	35,565
Debt service			
Debt service on 2003 Bonds	1,182	-	
Debt sevice on 2007 bonds	24,539	24,803	25,655
Less int earnings on reserve	(1,191)	(1,198)	(1,201)
Adjusted annual debt service	24,530	23,605	24,454
Debt service coverage (1)	1.67	1.71	1.62
Debt service coverage net impact fee credits	1.38	1.54	1.45
Pay-as-you-go capital	10,755	11,870	9,516
Net cash flow of year's operations	$ (1,399)	896	1,595
Reserves end of year	58,826	58,509	52,031
Bond reserve account end of year	25,713	25,713	25,713

(1) Calculated in accordance with the Master Installment Purchase Contact

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2015

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APPENDIX C

SUMMARY OF THE INDENTURE

General

The following is a summary of certain provisions of the Master Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Master Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture. All capitalized terms not defined in this summary or elsewhere in the Official Statement have the meaning set forth in the Indenture.

Certain Amendments to the Master Indenture

In connection with the issuance of the Series 2016 Bonds, the County is seeking to amend and clarify certain provisions of the Master Indenture. Purchasers of the Series 2016 Bonds will, by their purchase and acceptance of the Series 2016 Bonds, give their consent to such amendments to the Master Indenture. Such amendments will become effective when the Outstanding Series 2016 Senior Bonds and any other Senior Obligations, the Owners of which have also given their consent to such amendments, become a majority in aggregate principal amount of all Outstanding Senior Obligations. Additions to the Master Indenture are shown in *italicized* text with additional language to the existing Master Indenture provisions shown in **bold double underline** and deleted language from the existing Master Indenture provisions shown in ~~strikethrough~~. The amendments are described in this summary under the headings "CERTAIN DEFINITIONS," "THE MASTER INDENTURE – Conditions to Issuance of Senior Obligations," "—Conditions to Issuance of Subordinate Obligations" and "—Covenants and Obligations of the County – Rates and Charges."

CERTAIN DEFINITIONS

"Account" means an account, including subaccounts, in any of the Funds established and maintained under the Indenture.

"Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant.

"Accreted Value" means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date to such date, compounded at the interest rate with respect to such Capital Appreciation Obligation specified in or determined pursuant to the Supplemental Indenture or Issuing Instrument relating to such Capital Appreciation Obligation, on each compounding date specified in such Supplemental Indenture or Issuing Instrument. The applicable Accreted Value at any date shall be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, shall be determined by straight-line interpolation with reference to such Accreted Value Table.

"Accreted Value Table" means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Supplemental Indenture or Issuing Instrument relating to such Capital Appreciation Obligations.

"Accrued Debt Service" means, for any period of time and with respect to any Outstanding Obligations, the amount of Debt Service on such Obligations accrued and to accrue during such period, modified as follows:

(a) interest on any Variable Rate Obligation for any portion of such period of time during which the rate has not been established shall be calculated at the maximum rate of interest payable with respect to such Variable Rate Obligation;

(b) interest payable from Capitalized Interest shall be excluded from the calculation;

(c) Debt Service paid from Available Revenues or moneys other than Revenues, including any investment earnings thereon, shall be excluded from the calculation and Debt Service to be paid from Available Revenues or money other than Revenues, including any investment earnings thereon, deposited with the Trustee or another Fiduciary exclusively for such purpose shall be excluded from the calculation;

(d) payments of interest due on any Interest Payment Date for an Obligation shall be deemed to accrue daily in equal amounts from the date of the preceding Interest Payment Date for such Obligation or, with respect to the initial Interest Payment Date for an Obligation, from the dated date of such Obligation; and

(e) payments of maturing principal and Sinking Fund Installments shall be deemed to accrue daily in equal amounts from the date which is one year prior to the due date of such maturing principal and Sinking Fund Installments.

"Act" means Chapter 14 of Part 2 of Division 2 of Title 3 of the Government Code of the State of California (Sections 26301 et seq.), and all laws amendatory thereof or supplemental thereto.

"Additional Bonds" means Additional Senior Bonds, Additional Subordinate Bonds or Additional Junior Subordinate Bonds, as applicable.

"Additional Junior Subordinate Bonds" means Junior Subordinate Bonds issued for the purpose described under the caption "THE MASTER INDENTURE – Authorization and Issuance of Bonds and Obligations – Additional Bonds" below and satisfying the conditions of the Master Indenture relating to the issuance of Junior Subordinate Obligations.

"Additional Senior Bonds" means Senior Bonds, other than the Series 2008 Senior Bonds, issued for the purpose described under the caption "THE MASTER INDENTURE – Authorization and Issuance of Bonds and Obligations – Additional Bonds" below and satisfying the conditions of the Master Indenture relating to the issuance of Senior Obligations.

"Additional Senior Obligations" means Senior Obligations, including Additional Senior Bonds that satisfy the conditions of the Master Indenture relating to the issuance of Senior Obligations.

"Additional Subordinate Bonds" means Subordinate Bonds, other than the Series 2008 Subordinate Bonds, issued for the purpose described under the caption "THE MASTER INDENTURE – Authorization and Issuance of Bonds and Obligations – Additional Bonds" below and satisfying the conditions of the Master Indenture relating to the issuance of Subordinate Obligations.

"Additional Subordinate Obligations" means Subordinate Obligations, including Additional Subordinate Bonds, that satisfy the conditions of the Master Indenture relating to the issuance of Subordinate Obligations.

"Advance Refunded Municipal Securities" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state: (a) which are rated "AAA" by S&P and Fitch (if rated by Fitch) or "Aaa" by Moody's; (b) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee, fiscal agent or other fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or other obligations for redemption on the date or dates specified in such instructions; (c) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) or (b) of the definition of "Permitted Investments" which fund 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 redemption date or dates specified in the irrevocable instructions referred to in clause (b) above, as appropriate; and (d) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) or (b) of the definition of "Permitted Investments" which have been deposited in such fund, along with any cash on deposit in such fund, have been verified by an Independent Certified Public Accountant as evidenced by an Accountant's Certificate as being sufficient, without reinvestment, to pay principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (b) above, as applicable.

"Aggregate Adjusted Annual Debt Service" means, with respect to any 12 month period of time, the aggregate amount of Accrued Debt Service on any Outstanding Obligations for such period modified, notwithstanding anything to the contrary contained in the definition of "Accrued Debt Service," as follows:

(a) In determining the amount of principal payable in any 12 month period of time, payment shall (unless a different paragraph of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Obligations in accordance with the maturity schedule or amortization schedule (including mandatory redemption from Sinking Fund Installments) established by the Supplemental Indenture or Issuing Instrument for such Obligations, including, as a principal payment, the Accreted Value of any Capital Appreciation Obligations maturing or scheduled for redemption in such year. In determining the amount of interest payable in any 12 month period of time, interest payable at a fixed rate shall (except to the extent paragraph (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required Interest Payment Dates.

(b) If all or any portion or portions of Outstanding Obligations constitute Balloon Obligations, then, for purposes of determining Aggregate Adjusted Annual Debt Service, each maturity which constitutes Balloon Obligations shall, at the option of the County, unless otherwise provided in the Supplemental Indenture or Issuing Instrument for such Balloon Obligations or unless paragraph (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a period of 20 years (or until the final maturity of such Balloon Obligations, if greater than 20 years) and with substantially level annual debt service payments at an interest rate equal to the rate borne by the Balloon Obligations commencing not later than the year following the year in which such Balloon Obligations was issued.

(c) Any maturity of Obligations which constitutes Balloon Obligations for which the stated maturity date occurs within 12 months from the date the calculation of Aggregate Adjusted Annual Debt Service is made, shall be assumed to become due and payable on the stated maturity date and paragraph (b) above shall not apply thereto unless the County has received a letter evidencing a binding commitment of an institutional lender or municipal underwriting firm to provide financing to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Airport System is sufficient to successfully complete such refinancing; upon the receipt of such letter, such Balloon Obligations shall be assumed to be refinanced in accordance with the probable terms set out in such commitment and such terms shall be used for purposes of calculating Aggregate Adjusted Annual Debt Service.

(d) If any Outstanding Obligations constitute Variable Rate Obligations except to the extent paragraph (g) applies (including payments or receipts under a Swap determined pursuant to a variable rate formula), the interest rate on such Obligations (or the variable rate formula for such payments or receipts under such Swap) for any period as to which such interest rate cannot be determined shall be assumed to be 110% of the daily average interest rate on such Obligations (or under such Swap) during the 12 months ending with the month preceding the month in which the calculation of Aggregate Adjusted Annual Debt Service is made, or such shorter period that such Obligations shall have been Outstanding.

(e) If any Obligations proposed to be issued shall be Variable Rate Obligations which are Tax-Exempt, except to the extent subsection (h) applies (including payments or receipts under a Swap to be determined pursuant to a variable rate formula based on a tax-exempt index), the interest rate on such Obligations (or the variable rate formula for such payments or receipts under such Swap) shall be assumed to be 110% of the average SIFMA Index during the 12 months ending with the month preceding the month in which the calculation of Aggregate Adjusted Annual Debt Service is made, or if that index is no longer published, 75% of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the County.

(f) If any Obligations proposed to be issued shall be Variable Rate Obligations which are not Tax-Exempt, except to the extent subsection (h) applies (including payments or receipts under a Swap to be determined pursuant to a variable rate formula based on the taxable index), the interest rate on such Obligations (or the variable rate formula for such payments or receipts under such Swap) shall be assumed to be 110% of the average One Month USD LIBOR Rate during the 12 months ending with the month preceding the month in which the calculation of Aggregate Adjusted Annual Debt Service is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the County.

(g) If a Qualified Swap has been entered into by the County with respect to any Outstanding Obligations, the interest rate on such Outstanding Obligations for each period during which payments are to be exchanged by the parties under such Qualified Swap shall be determined for purposes of calculating Aggregate Adjusted Annual Debt Service by adding: (1) the amount of Debt Service paid or to be paid by the County as interest on such Outstanding Obligations during such 12 month period or portion thereof (determined as provided in paragraph (d) if such Outstanding Obligations constitute Variable Rate Obligations) and (2) the net amount (which may be a negative amount) paid or to be paid by the County under the Qualified Swap (after giving effect to payments made and received, and to be made and received, by the County under the Qualified Swap) during such period (determined as provided in paragraph (d)), provided that if such Obligations are subject to a Qualified Swap that effectively converts the interest rate to be paid by the County on such Obligations to a fixed rate of interest, the Obligations shall be assumed to bear interest at the fixed rate of interest specified in such Qualified Swap during the stated term of such Qualified Swap.

(h) If a Qualified Swap has been entered into by the County with respect to any Obligations proposed to be issued, which Qualified Swap will be effective at the time the Obligations are issued, the interest on such proposed Obligations for each period during which payments are to be exchanged under the Qualified Swap shall be determined for purposes of calculating Aggregate Adjusted Annual Debt Service by adding: (1) the amount of Debt Service to be paid by the County as interest on such Obligations during such period (determined as provided in paragraph (e) or (f), as applicable, if such Obligations are to constitute Variable Rate Obligations) and (2) the net amount (which may be a negative amount) to be paid by the County under the Qualified Swap (after giving effect to payments to be made and received by the County under the Qualified Swap) during such period (determined as provided in paragraphs (e) and (f), as applicable), provided that if such Obligations are subject to a Qualified Swap that effectively converts the interest rate to be paid by the County on such Obligations to a fixed rate of interest, the Obligations shall

be assumed to bear interest at the fixed rate of interest specified in such Qualified Swap during the stated term of such Qualified Swap.

(i) With respect to any Obligations which are part of a Commercial Paper Program, it shall be assumed that the Outstanding amount of such Commercial Paper Program will be amortized over a term certified by an Authorized County Representative as the expected duration of such Commercial Paper Program at the time the initial Obligations of such Commercial Paper Program are issued or, if such expectations have changed, over a term certified by an Authorized County Representative to be the expected duration of such Commercial Paper Program at the time the calculation of Aggregate Adjusted Annual Debt Service is made, but not to exceed 30 years from the date the initial Obligations of such Commercial Paper Program are issued and it shall be assumed that Debt Service with respect to such Commercial Paper Program shall be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation shall be a rate equal to the average rate for such Obligations during the preceding 12 month period or, if the Obligations have not been Outstanding for a 12 month period, the period since the issuance of such Obligations or, if the Obligations under the Commercial Paper Program are Obligations proposed to be issued, as provided in paragraph (e) or (f) of this definition, as applicable.

(j) Reimbursement Obligations shall be included in the calculation of Aggregate Adjusted Annual Debt Service to the extent of amounts due during such 12 month period on the related Credit Support Instrument and only to the extent not otherwise included in Aggregate Adjusted Annual Debt Service and not otherwise paid as Operating Expenses. Interest on such Reimbursement Obligations shall be calculated at the rate in effect on the date the calculation of Aggregate Adjusted Annual Debt Service is made. Reimbursement of amounts drawn shall be treated as principal and payable as provided in the related Credit Support Agreement.

(k) If moneys or Permitted Investments have been irrevocably deposited with and are held by the Trustee or another Fiduciary or Capitalized Interest has been set aside exclusively to be used to pay Debt Service on specified Obligations, then the Debt Service to be paid from such moneys, Permitted Investments, or Capitalized Interest or from the earnings thereon shall be disregarded and not included in calculating Aggregate Adjusted Annual Debt Service.

(l) The Purchase Price of Tender Obligations shall not be included in the calculation of Aggregate Adjusted Annual Debt Service unless, at the time of calculation of Aggregate Adjusted Annual Debt Service, the Obligations have been tendered or deemed tendered for purchase in accordance with the applicable Supplemental Indenture or Issuing Instrument and the Purchase Price is not payable from amounts available under a Credit Support Instrument.

(m) If Available Revenues or moneys other than Revenues have been irrevocably committed pursuant to a Supplemental Indenture or Issuing Instrument for the purpose of paying Debt Service on specified Obligations, then the Debt Service to be paid from such amounts, including any investment earnings thereon, shall be disregarded and not included in calculating Aggregate Adjusted Annual Debt Service.

"Airport System" means the whole and each and every part of the existing airport system of the County, including the Sacramento International Airport, Mather Airport, Executive Airport and Franklin Field and any other airport or aviation facility owned or operated by the County and designated by the County to be part of the Airport System, including runways, taxiways, landing pads, aprons, ramps, beacon sites, obstruction lights, navigational and landing aids, control towers, facilities for storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection

therewith, together with all additions, betterments, extensions, replacements, renewals and improvements thereto which may hereafter be undertaken; provided, however, that the term does not include a Special Facility so long as Special Facility Obligations are Outstanding with respect to such Special Facility.

"Airport Consultant" means any independent consultant or firm of independent consultants of national reputation in matters relating to the planning, acquisition, construction, maintenance, operation and financing of airports comparable to the airports included in the Airport System, appointed and paid by the County, and who, or each of whom (a) is in fact independent and not under the domination of the County; (b) does not have a substantial financial interest, direct or indirect, in the operations of the County; and (c) is not connected with the County as a supervisor, officer or employee of the County, but who may be regularly retained to make management reports to the County.

"Annual Budget" means the annual budget, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in the Master Indenture.

"Authorized Denominations" means, with respect to the Bonds of any Series, the denomination or denominations designated as such in the Supplemental Indenture authorizing such Bonds.

"Authorized Airport Representative" means the Director of Airports or the Chief Administrative Officer of the Airport System and any other Person who is duly authorized to act as an Authorized Airport Representative for purposes of the Master Indenture or an Issuing Instrument by the Board.

"Authorized County Representative" means the Director of Finance of the County and any other Person who is duly authorized to act as an Authorized County Representative for purposes of the Master Indenture or an Issuing Instrument.

"Available CFC Account" has the meaning set forth under the heading "THE MASTER INDENTURE – Establishment and Application of Funds – Available Revenues" below.

"Available CFC Revenues" means, for any period of time, the amount of Customer Facility Charges specified in a Supplemental Indenture pursuant to the Master Indenture.

"Available Grant Account" has the meaning set forth under the heading "THE MASTER INDENTURE – Establishment and Application of Funds – Available Revenues" below.

"Available Grant Revenues" means, for any period of time, the amount of Grant Funds specified in a Supplemental Indenture pursuant to the Master Indenture.

"Available PFC Account" has the meaning under the heading "THE MASTER INDENTURE – Establishment and Application of Funds – Available Revenues" below.

"Available PFC Revenues" means, for any period of time, the amount of Passenger Facility Charges specified in a Supplemental Indenture pursuant to the Master Indenture.

"Available Revenues" means for any period of time, the amount of Available CFC Revenues, Available Grant Revenues and Available PFC Revenues to be received by the County during such period.

"Balloon Obligations" means, with respect to any Series of Obligations not included in a Commercial Paper Program, those Obligations of such Series which mature on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal) and which on the date of original issuance constitute at least 25% of the principal amount of the Obligations of such Series. For purposes of this definition, the principal amount maturing on any date shall

be reduced by the amount of such indebtedness which is required, by the applicable Supplemental Indenture or Issuing Instrument, to be amortized by prepayment or redemption prior to its stated maturity date.

"Beneficial Owner" means, with respect any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

"Board" means the Board of Supervisors of the County or any successor body of the Board of Supervisors.

"Bond" means any of the County of Sacramento Airport System Revenue Bonds authorized pursuant to the Master Indenture and a Supplemental Indenture, whether Senior Bonds, Subordinate Bonds or Junior Subordinate Bonds.

"Bond Counsel" means Orrick, Herrington & Sutcliffe LLP or another attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the County.

"Bond Debt Service" means, for any period of time, the Debt Service on any Outstanding Bonds during such period **less the amount of any Subsidy received or expected to be received with respect to or in connection with such Outstanding Bonds during such period of time**.

"Bond Register" means the registration books for the ownership of Bonds and other Obligations maintained by (or with respect to Obligation other than Bonds, on behalf of) the Trustee pursuant to the Master Indenture.

"Book-Entry Bonds" means Bonds registered in the name of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof pursuant to the Master Indenture.

"Business Day" means, with respect to each Series of Obligations, unless otherwise provided with respect to a particular Series of Obligations in the Supplemental Indenture or Issuing Instrument relating to such Series, any day of the year other than (a) a Saturday, (b) a Sunday, (c) any day which shall be in Sacramento, California or New York, New York a legal holiday, and (d) any day on which the banks are authorized or required by law or other government action to close in the State of New York or the State or any city in which the Principal Office of the Trustee or any other Fiduciary or any Credit Provider for such Series of Bonds is located.

"Capital Appreciation Obligations" means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations (including, as the context requires, a Convertible Obligation before the applicable Conversion Date).

"Capital Improvement" means, to the extent chargeable to a capital account of the Airport System under Generally Accepted Accounting Principles: (a) any addition, betterment, replacement, renewal, extension, equipping, or improvement of or to the Airport System, including, without limitation, the acquisition of land or any interests therein; and (b) capital costs for the extension, reinforcement, enlargement or other improvement of facilities or property, or the acquisition of interests therein, not included as part of the Airport System, determined by the County to be necessary or convenient in connection with the utilization of the Airport System.

"Capital Improvement Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Capitalized Interest" means the proceeds of Obligations or other moneys deposited with the Trustee, in the case of Bonds, and in the case of other Obligations with a trustee or other fiscal agent for such Obligations, the application of which is limited by the terms of the applicable Supplemental Indenture or Issuing Instrument to the payment of interest on specified Obligations for a specified period.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Master Indenture or an Issuing Instrument shall be deemed to include the applicable United States Treasury Regulations thereunder and also includes all amendments and successor provisions unless the context clearly requires otherwise.

"Commercial Paper Program" means a program of short-term Obligations having the characteristics of commercial paper in that such Obligations have a stated maturity not later than 270 days from their date of issue and that the principal of maturing Obligations of such program are expected to be paid with the proceeds of renewal short-term Obligations except to the extent that the Obligations of such commercial paper program are to be amortized.

"Construction" means, with respect to a Capital Improvement, the planning, designing, acquiring, constructing, installing, furnishing, equipping and financing of such Capital Improvement, placing such Capital Improvement in operation, and obtaining governmental approvals, certificates, permits and licenses with respect to the acquisition, construction, installation, furnishing, equipping and financing of such Capital Improvement and to the operation of such Capital Improvement.

"Construction Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Conversion Date" means the date set forth in the applicable Supplemental Indenture or Issuing Instrument on and after which a Convertible Obligation is deemed a Current Interest Obligation and after which the Owners shall be entitled to current payments of interest on each interest payment date.

"Convertible Obligation" means a Capital Appreciation Obligation which is deemed to be a Current Interest Obligation on and after the applicable Conversion Date.

"Cost" means, with respect to any Capital Improvement, all costs and expenses of the Construction of such Capital Improvement paid or incurred by the County. Payment of Cost shall include the reimbursement to the County for any of the costs included in this definition of Cost paid by the County and not previously reimbursed to the County and which are not to be reimbursed from government grants or other moneys not constituting the proceeds of Obligations.

"Costs of Issuance" means, with respect to any Obligations, all items of expense directly or indirectly payable by or reimbursable to the County and related to the original authorization, execution, sale and delivery of such Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Obligations, the initial costs of any Credit Support Instrument and any Reserve Guaranty, the initial fees and charges (including counsel fees) of any Fiduciary and any Credit Provider, legal fees and charges to the County, fees and expenses of financial advisors to the County, fees and expenses of other consultants and professionals providing services to the County, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of such Obligations and any other cost, charge or fee to the County or required to be paid by the County in connection with the authorization, issuance, sale or original delivery of such Obligations.

"County" means the County of Sacramento, a political subdivision of the State of California duly organized and existing under and by virtue of the laws of the State of California.

"Credit Provider" means any insurance company, bank or other institution which has issued any Credit Support Instrument.

"Credit Provider Bonds" means any Obligations the Purchase Price of which has been paid with funds provided under a Credit Support Instrument for so long as such Obligations are held by or for the account of, or are pledged to, the applicable Credit Provider or any assignee thereof in accordance with the applicable Credit Support Agreement.

"Credit Support Agreement" means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the County and the applicable Credit Provider providing for, among other things, the reimbursement to the Credit Provider for draws under the applicable Credit Support Instrument, as originally executed or as they may from time to time be supplemented or amended in accordance with the provisions thereof and any applicable Supplemental Indenture or Issuing Instrument. "Credit Support Agreement" also means and includes covenants or agreements of the County contained in a Supplemental Indenture or Issuing Instrument providing for the reimbursement to the Credit Provider for draws under the applicable Credit Support Instrument.

"Credit Support Instrument" means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of the principal or Purchase Price of, or interest on, any Obligations; provided that the term shall not include any Reserve Guaranty.

"Customer Facility Charges" means charges collected by the County pursuant to the authority granted by the Section 1936 of the Civil Code of the State (or any successor statute), as amended and supplemented from time to time, in respect of any component of the Airport System and interest earnings thereon, net of amounts that collecting entities are entitled to retain for collecting, handling and remitting such customer facility charge revenues.

"Current Interest Obligation" means an Obligation (including, as the context requires, a Convertible Obligation on and after the applicable Conversion Date), the interest on which is payable currently on each Interest Payment Date.

"Debt Service" means, for any period of time and with respect to any Outstanding Obligations, the sum of:

(a) the interest payable during such period on the Obligations, assuming that all Serial Obligations are retired as scheduled and that all Term Obligations are redeemed or paid from Sinking Fund Installments as scheduled;

(b) that portion of the principal amount of all Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Serial Obligations;

(c) that portion of the principal amount of all Term Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Obligations;

(d) the amounts payable as Reimbursement Obligations during such period only to the extent not otherwise included in Debt Service and not otherwise paid as Operating Expenses;

(e) the Purchase Price of Tender Obligations payable by the County during such period to the extent that such Tender Obligations have been tendered or deemed tendered for purchase in accordance with the applicable Supplemental Indenture or Issuing Instrument and the Purchase Price is not payable from the proceeds of remarketing or amounts available under a Credit Support Instrument;

(f) the amounts payable by the County on Obligations relating to payments due under any Swap minus any payments payable to the County under any Swap during such period only to the extent not otherwise included in Debt Service; and

(g) the amounts payable on any other Obligations during such period only to the extent not otherwise included in Debt Service.

"Defeasance Securities" means any of the securities described in clause (a), (b) or (n) of the definition of "Permitted Investments."

"Department" means the Sacramento County Airport System or any successor charged with operating the Airport System.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or its successors and assigns. References in the Master Indenture to DTC shall include any Nominee of DTC in whose name any Bond or other Obligation is registered.

"Electronic" means, with respect to notice, notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail, dedicated electronic link or other electronic means of communication capable of producing a written record.

"Escrow Agent" means the Trustee or a bank or trust company organized under the laws of any state of the United States, or a national banking association, in each case satisfying the financial qualifications of a successor Trustee contained in the Master Indenture and appointed by the County to hold in trust moneys set aside for the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof, deemed paid pursuant to the Master Indenture.

"Event of Bankruptcy" means any of the following with respect to any Person: (a) the commencement by such Person of a voluntary case under the United States Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence, or an order for relief being entered in, an involuntary case against such Person under the United States Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, conservator, trustee, custodian, liquidator or similar official of such Person or such Person's assets shall be appointed; (e) an assignment for the benefit of creditors shall be made by such Person; or (f) the entry by such Person into an agreement of composition with its creditors.

"Event of Default" means an event described as such under the heading "THE MASTER INDENTURE – Events of Default; Remedies – Events of Default" below.

"Facilities Construction Credits" means the amounts resulting from an arrangement embodied in a written agreement between the County and another Person pursuant to which the County permits such Person to make a payment or payments to the County which is reduced by the amount owed by the County to such Person under such agreement, resulting in a net payment to the County by such Person. The "Facilities Construction Credit" shall be deemed to be the amount owed by the County under such agreement which is "netted" against the payment of such Person to the County.

"Favorable Opinion of Bond Counsel" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action shall not, in and of itself, result in the inclusion of interest on the Bonds (or such portion thereof as shall be specified in the applicable provisions of the Master Indenture requiring such an opinion) in gross income for federal income tax purposes and that such action is authorized by or permitted under the terms of the Master Indenture.

"Fiduciary" means the Trustee, any Paying Agents for the Obligations appointed as provided in the Master Indenture and any Escrow Agent, tender agent or other fiscal agent for the Obligations appointed pursuant to a Supplemental Indenture or Issuing Instrument.

"Final Compounded Amount" means the Accreted Value of any Capital Appreciation Obligation on its maturity date (or, as the context requires, the Accreted Value of any Convertible Obligation on its Conversion Date).

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the County.

"Fitch" means Fitch Ratings and any successor entity rating Obligations at the request of the County.

"Fund" means a fund established and maintained under the Master Indenture.

"General Fund" means the fund by that name existing in the treasury of the County created under applicable law.

"Generally Accepted Accounting Principles" means the accounting principles generally accepted in the United States applied on a consistent basis that are applicable to the circumstances as of the date of determination as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned airport applying all statements and interpretations issued by the Governmental Accounting Standards Board and, to the extent adopted by the County from time to time: (a) the statements and pronouncements of the Financial Accounting Standards Board; and (b) the statements and pronouncements of such other entity or entities as may be approved by a significant segment of the accounting profession.

"Grant Funds" means grants to be provided to the County by the United States or the State pursuant to a Letter of Intent in connection with Airport System facilities or projects, and which grants are permitted by the terms thereof to be used for the payment of Obligations.

"Indenture" means the Master Indenture, as supplemented and amended from time to time by Supplemental Indentures.

"Independent Certified Public Accountant" means any firm of certified public accountants selected by the County, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's "Mergent" 5250 77 Center Drive, Suite 150, Charlotte, North Carolina, 28217, Attention: Called Bond Department; the Municipal Securities Rulemaking Board, CDI Pilot, 1640 King Street, Suite 300, Alexandria, Virginia 22314; and S&P "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission,

such other addresses and/or such other services providing information with respect to called bonds, as the County may designate in writing to the Trustee.

"Initial Amount" means the Accreted Value of a Capital Appreciation Obligation on its date of issuance.

"Interest Payment Date" means, with respect to a Series of Obligations, each date on which interest on Obligations of such Series is scheduled to be paid as set forth in, or determined in accordance with, the Supplemental Indenture or Issuing Instrument relating to such Series.

"Issuing Instrument" means, with respect to any Obligations other than Bonds (Bonds shall be issued pursuant to a Supplemental Indenture), the indenture, trust agreement, loan agreement, lease, installment purchase agreement, revolving credit agreement, Credit Support Agreement, Swap or other instrument or agreement pursuant to which such Obligations are issued or incurred.

"Junior Agreement" has the meaning described under the heading "THE MASTER INDENTURE – Covenants and Obligations of the County – Creation of Prior Liens" below.

"Junior Holder" has the meaning described under the heading "THE MASTER INDENTURE – Covenants and Obligations of the County – Creation of Prior Liens" below.

"Junior Obligation" has the meaning described under the heading "THE MASTER INDENTURE – Covenants and Obligations of the County – Creation of Prior Liens" below.

"Junior Subordinate Bonds" means Bonds issued for the purpose set forth in the Master Indenture and satisfying the conditions of the Master Indenture relating to the issuance of Junior Subordinate Obligations, which are subordinated as set forth in the provisions of the Master Indenture relating to the issuance of Junior Subordinate Obligations.

"Junior Subordinate Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Junior Subordinate Obligations" means any Junior Subordinate Bonds and any Obligations (or portions thereof) which are subordinated as set forth in the provisions of the Master Indenture relating to the issuance of Junior Subordinate Obligations and that satisfy the conditions of the Master Indenture relating to the issuance of Junior Subordinate Obligations, including without limitation any Termination Payments under Qualified Swaps for Subordinate Bonds, Reimbursement Obligations related to Junior Subordinate Bonds and Net Payments and Termination Payments under Swaps related to Junior Subordinate Bonds.

"Junior Subordinate Payment Default" means a failure to pay when due any Junior Subordinate Obligations.

"Letter of Intent" means a written commitment to make grant payments to the County (which commitment may be subject to appropriations) from the United States of America or any department or agency thereof, including the Federal Aviation Administration of the United States Department of Transportation and the Transportation Security Administration of the United States Department of Homeland Security, or from the State or any department or agency of the State.

"Master Indenture" means the Master Indenture of Trust, dated as of May 1, 2008, between the County and the Trustee, as the provisions thereof may be modified or amended from time to time.

"Moody's" means Moody's Investors Service, Inc. and any successor entity rating Obligations at the request of the County.

"Net Payment" means, with respect to a Swap, the amount payable by the County on each scheduled payment date under such Swap net of the amount payable by the counterparty under such Swap on such scheduled payment date.

"Net Proceeds" means (a) insurance proceeds received as a result of damage to or destruction of Airport System facilities (other than Special Facilities so long as Special Facility Obligations are Outstanding with respect to the damaged or destroyed Special Facilities) and (b) any condemnation award or amounts received by the County from the sale of Airport System land or facilities under the threat of condemnation (other than Special Facilities so long as Special Facility Obligations are Outstanding with respect to such condemned or sold Special Facilities) less (c) expenses (including attorneys' fees and expenses and any fees and expenses of the Trustee) incurred in the collection of such proceeds, sale or award.

"Net Revenues" mean, for any period of time, the Revenues for such period less the Operating Expenses for such period.

"Nominee" means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

"Obligations" means any obligation of the County, including any Bond, issued pursuant to the Master Indenture and a Supplemental Indenture or Issuing Instrument, as applicable.

"One Month USD LIBOR Rate" means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then the One Month USD LIBOR Rate for such date shall be the offered rate for deposits in U.S. dollars for a one month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on the next preceding date on which such dealings were transacted in such market.

"Operating Expenses" means the reasonable and necessary costs and expenses of operating, maintaining and administering the Airport System, determined in accordance with Generally Accepted Accounting Principles, including (among other things) salaries and wages, payments in connection with medical, pension and post-retirement medical plans, fees for services, costs of materials, supplies and fuel, reasonable expenses of management, repairs and other expenses necessary to maintain and preserve the Airport System in good repair and working order, reasonable amounts for administration, insurance, taxes (if any) and other similar costs, legal fees and expenses, the fees and expenses of the Fiduciaries, charges under management agreements for the operation and maintenance of the Airport System, the fees and expenses of remarketing agents, auction agents and broker-dealers, the regularly scheduled fees to be paid pursuant to any Credit Support Agreement, expenses (but not debt service) incurred in connection with the purchase or redemption of Obligations, and all other costs properly allocable to the operation, maintenance or administration of the Airport System, but excluding in all cases:

(a) amortization of intangibles or other bookkeeping entries of a similar nature;

(b) amortization and depreciation of Airport System facilities and assets;

(c) charges for the payment of principal, Redemption Price, Purchase Price, interest or other payments on any Obligations;

(d) any items chargeable to a capital account;

(e) any loss from the sale, exchange or other disposition of capital assets of the Airport System;

(f) any unrealized losses on securities held for investment by or on behalf of the County for the Airport System;

(g) any losses resulting from changes in valuation of any Swap;

(h) any unrealized losses from the write-down, reappraisal or revaluation of assets including investments for "other than temporary" declines in book value;

(i) any extraordinary losses;

(j) any loss resulting from extinguishment of indebtedness; and

(k) the costs and expenses of operating, maintaining and administering any Special Facility.

For purposes of testing compliance with the rate covenant and the limitations on the issuance of Obligations contained in the Master Indenture, Operating Expenses will be calculated based upon Generally Accepted Accounting Principles, except that such calculation will include and exclude those items specifically included or excluded above.

"Operating Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Operating Reserve Account" means the Account in the Operating Fund so designated, established pursuant to the Master Indenture.

"Operating Reserve Requirement" means, as of any date of calculation, an amount equal to 25% of the amount included in the then current Annual Budget for Operating Expenses.

"Opinion of Bond Counsel" means a written opinion signed by Bond Counsel.

"Outstanding" means as of any particular time: (a) with respect to Bonds, except as otherwise provided in the Master Indenture, all Bonds theretofore or thereupon being issued by the County except (i) Bonds theretofore cancelled or surrendered to the Trustee for cancellation; (ii) subject to the provisions of the Master Indenture relating to Bonds held by a Credit Provider, Bonds paid or deemed to be paid pursuant to the provisions of the Master Indenture relating to defeasance of bonds; and (iii) Bonds in lieu of or in substitution for which replacement Bonds have been issued; and (b) with respect to any other Obligations, all such Obligations other than Obligations no longer outstanding under the provisions of the Issuing Instrument relating to such Obligations.

"Owner" means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register. "Owner", when used with respect to an Obligation other than Bonds means the registered owner or holder of such Obligation as set forth in the Bond Register.

"Participants" means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository's book-entry system as having an interest in such Bonds.

"Participating Senior Bonds" means the Senior Bonds of each Series except any Series of Senior Bonds which, pursuant to the terms of the Supplemental Indenture relating to such Series, is not secured by amounts in the Senior Debt Service Reserve Fund.

"Participating Subordinate Bonds" means the Subordinate Bonds of each Series except any Series of Subordinate Bonds which, pursuant to the terms of the Supplemental Indenture relating to such Series, is not secured by amounts in the Subordinate Debt Service Reserve Fund.

"Passenger Facility Charges" means charges collected by the County pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990, the Aviation Investment Reform Act of 2000 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport System and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

"Paying Agent," when used with reference to any Series of Obligations, means any commercial bank or trust company organized under the laws of any state of the United States of America, or any national banking association, designated as paying agent for the Obligations of such Series, and its successor or successors appointed in the manner provided in the Master Indenture.

"Payment Priorities" means payment of Obligations in the following order of priority:

(1) first, the Senior Obligations until they are no longer Outstanding on a pro rata basis and among such maturities and/or Sinking Fund Installments as designated by the County and by lot within a maturity;

(2) second, the Subordinate Obligations until they are no longer Outstanding on a pro rata basis and among such maturities and/or Sinking Fund Installments as designated by the County and by lot within a maturity;

(3) third, the Junior Subordinate Obligations until they are no longer Outstanding on a pro rata basis and among such maturities and/or Sinking Fund Installments as designated by the County and by lot within a maturity; and

(4) fourth, any other payments not covered by (1), (2) and (3) of this definition.

"Permitted Investments" means any of the following:

(a) Direct obligations of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Farmers Home Administration ("FmHA")
Certificates of beneficial ownership

(ii) Federal Housing Administration ("FHA")
Debentures

(iii) General Services Administration
Participation certificates

(iv) Government National Mortgage Association ("GNMA")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations (participation certificates)

(v) United States Maritime Administration
Guaranteed Title XI financing

(vi) United States Department of Housing and Urban Development
Capital Improvement Notes
Local Agency Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System
Senior debt obligations

(ii) Federal Home Loan Mortgage Corporation ("FHLMC")
Participation Certificates
Senior debt obligations

(iii) Federal National Mortgage Association ("FNMA")
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal)

(iv) Student Loan Marketing Association
Senior debt obligations

(v) Resolution Funding Corporation ("REFCORP")
Obligations (only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable)

(vi) Farm Credit System
Consolidated system-wide bonds and notes

(d) Money market funds rated at least "AAAm-G" or "AAAm" by S&P or "Aaa" by Moody's including funds for which the Trustee or any of its affiliates (including any holding company, subsidiaries, or other affiliates) provides investment advisory or other management services, provided such funds satisfy the criteria contained in the Master Indenture.

(e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks (including affiliates of the Trustee), savings and loan associations or mutual savings banks. The collateral must be held by a third party and the County or the Trustee must have a perfected first priority security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation.

(g) Investment agreements with, or guaranteed by, a domestic or foreign bank, financial institution or corporation or other entity (other than a life or property casualty insurance company) the long-term debt of which is rated at the time of execution at least "AA" by S&P and "Aa" by Moody's, and which agreements are acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture, an Issuing Instrument or a Credit Support Agreement.

(h) Commercial paper rated, at the time of purchase, at least "P-1" by Moody's and "A-1" by S&P and which matures not later than 270 calendar days after the date of purchase.

(i) Bonds, notes, or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are rated by Moody's and S&P in the highest rating category assigned by such Rating Agencies and general obligations of such states rated at least "A-2" by Moody's and "A" by S&P.

(j) United States dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including those of the Trustee and its affiliates) which has an unsecured, uninsured and unguaranteed obligation rating on their short-term certificates of deposit on the date of purchase of at least "P-1" by Moody's and "A-1" by S&P and maturing not more than 180 calendar days after the date of purchase.

(k) Repurchase Agreements for 30 days or less must satisfy the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture, an Issuing Instrument or a Credit Support Agreement.

(i) Repurchase agreements must be between the County or the Trustee and a dealer bank or securities firm

(1) Primary dealers on the Federal Reserve reporting dealer list must be rated at the time of execution at least "A" by S&P and Moody's, or

(2) Banks must be rated at the time of execution at least "A" by S&P and Moody's.

(ii) The written repurchase agreements contract must include the following:

(1) Securities which are acceptable for transfer are:

(A) Securities described in subsection (a) or (b) of this definition, or

(B) Securities of FNMA or FHLMC described in subsection (c) of this definition.

(2) The collateral must be delivered to the County, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneously with payment.

(3) Valuation of Collateral

(A) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(iii) The value of collateral in the case of securities described in subsections (a) or (b) of this definition must be equal to 104% of the amount of cash transferred by the County or the Trustee to the dealer bank or security firm under the repurchase agreement plus accrued interest. The value of collateral in the case of securities of FNMA or FHLMC described in subsection (c) of this definition must be equal to 105% of the amount of cash transferred by the County or the Trustee to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral falls below the required percentage of the value of the cash transferred, then additional cash and/or acceptable securities must be transferred.

(iv) Legal Opinion. An opinion of counsel selected by the County, which may be in-house counsel to the County or other counsel retained by the County, to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds must be received by the County or the Trustee.

(l) Investments in the County of Sacramento Pooled Investment Fund.

(m) Investments in the State of California's Local Agency Investment Fund (LAIF).

(n) Advance Refunded Municipal Securities.

(o) Negotiable and non-negotiable certificates of deposit or thrift or bank notes issued by a state or national bank or a state-licensed branch of a foreign bank (excluding the Trustee) that have maturities of not more than three hundred sixty-five (365) days and that are fully insured by the Federal Deposit Insurance Corporation or the short-term obligations of which state or national bank or state-licensed branch of a foreign bank are rated no lower than "A1" by Moody's and "A+" by S&P, or medium-term notes with a maximum maturity of five (5) years and subject to the same credit qualifications contained herein.

(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(i) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(ii) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.

(iii) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

(q) Any other forms of investments relating to proceeds of a Series of Obligations if approved in writing by the Credit Provider for such Series.

"Person" means an individual, corporation, firm, association, partnership, trust or other entity or group of entities, whether or not a legal entity, including a governmental entity or any agency or political subdivision thereof.

"Principal Office" means, with respect to: (a) the Trustee, the principal office of such Trustee in Los Angeles, California; and (b) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Trustee; provided however that with respect to presentation of Obligations for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee or other Fiduciary at which, at any particular time, its corporate trust agency business shall be conducted.

"Priority Obligations" has the meaning described under the heading "THE MASTER INDENTURE – Covenants and Obligations of the County – Creation of Prior Liens."

"Purchase Price" means, with respect to Tender Obligations, the purchase price set forth in, or determined pursuant to, the Supplemental Indenture or Issuing Instrument relating to such Series to be paid to the Owners of such Obligations when such Obligations are tendered for purchase or deemed tendered for purchase in accordance with the provisions of such Supplemental Indenture or Issuing Instrument.

"Qualified Counterparty" means a party (other than the County) to a Swap (1) (a) who is rated, at the time of execution of such Swap, in the two highest rating categories (without regard to any gradations within a rating category) by at least two nationally recognized rating agencies, (b) whose senior debt obligations are rated, at the time of execution of such Swap, in the two highest rating categories (without regard to any gradations within a rating category) by at least two nationally recognized rating agencies or guaranteed by an entity so rated, (c) whose obligations under such Swap are guaranteed for the entire term of the Swap by a bond insurer or other institution which has been assigned a credit rating, at the time of execution of such Swap, in the two highest rating categories (without regard to any gradations within a rating category) by at least two nationally recognized rating agencies, or (d) whose obligations under such Swap are collateralized in such a manner as to obtain a rating, at the time of execution of such Swap, by in the two highest rating categories (without regard to any gradations within a rating category) by at least two nationally recognized rating agencies; and (2) who is otherwise qualified to act as the other party to such Swap under all applicable laws of the State.

"Qualified Swap" means a Swap satisfying the conditions of the Master Indenture relating to the issuance of Senior Obligations or Subordinate Obligations, as applicable.

"Rating Agency" means, as of any time and to the extent it is then providing or maintaining a rating on Obligations at the request of the County, each of Moody's, S&P and Fitch, or in the event that neither Moody's, S&P or Fitch then maintains a rating on Obligations at the request of the County, any other nationally recognized rating agency then providing or maintaining a rating on Obligations at the request of the County.

"Rating Confirmation" means written evidence from each Rating Agency then rating Outstanding Obligations at the request of the County to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Obligation shall not be lowered or withdrawn solely as a result of the occurrence of such event. If no rating is in effect with respect to any Series of Obligations, references to "Rating Confirmation" in the Master Indenture shall be considered deleted and none shall be required with respect to such Series.

"Rebate Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Rebate Instructions" means the instructions by an Authorized County Representative as to the deposit of moneys in the Rebate Fund, the investment of moneys in Rebate Fund and the payment of moneys from the Rebate Fund given, with respect to each Series of Obligations, in accordance with the Tax Certificate, if any, relating to such Series of Obligations.

"Redemption Price" means, with respect to any redemption of an Obligation prior to its maturity, the amount to be paid upon such redemption as set forth in, or determined in accordance with, the Supplemental Indenture or Issuing Instrument relating to such Obligation.

"Refunding Bonds" means Bonds issued in accordance with the terms and conditions of the Master Indenture and satisfying the conditions of the Master Indenture relating to the issuance of Senior Bonds, Subordinate Bonds, or Junior Subordinate Bonds, as applicable.

"Refunding Senior Obligations" means Senior Obligations, including Refunding Bonds, that satisfy the applicable conditions of the Master Indenture relating to the issuance of Senior Obligations.

"Refunding Subordinate Obligations" means Subordinate Obligations, including Refunding Bonds, that satisfy the applicable conditions of the Master Indenture relating to the issuance of Subordinate Obligations and which are subordinated as provided in the provisions of the Master Indenture relating to the issuance of Subordinate Obligations.

"Reimbursement Obligations" means the obligations of the County to pay from the Net Revenues amounts due under a Credit Support Agreement.

"Released Revenues" means **(1)** a category of income, receipts and other revenues of the County which are excluded from the definition of "Revenues" pursuant to the provisions of the Master Indenture described under the captain "THE MASTER INDENTURE – Authorization and Issuance of Bonds and Obligations – Released Revenues" **and (2) any income, receipts and other revenues of the County derived from any hotel owned by the County (or another entity controlled by the County) as part of, or in connection with, the Airport System**.

"Reserve and Contingency Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Reserve and Contingency Requirement" means, as of any date of calculation, an amount equal to $2,000,000 or such greater amount as specified in the then-current Annual Budget.

"Reserve Guaranty" means a policy of insurance or surety bond or a letter of credit or other financial arrangement issued by a Reserve Guaranty Provider, rated (or its guarantor is rated) in the two highest rating categories (without regard to any gradations within a rating category) by at least two nationally recognized rating agencies at the time of issuance of such policy or surety bond or letter of credit or other financial arrangement.

"Reserve Guaranty Agreement" means an agreement between the County and a Reserve Guaranty Provider under which, among other things, the County agrees to reimburse the Reserve Guaranty Provider for amounts drawn under the applicable Reserve Guaranty and to pay interest on such amounts and expense related thereto. "Reserve Guaranty Agreement" also means and includes covenants or agreements of the County contained in a Supplemental Indenture or Issuing Instrument providing for the reimbursement to the Reserve Guaranty Provider for draws under the applicable Reserve Guaranty.

"Reserve Guaranty Provider" means any insurance company, bank or other institution which has issued a Reserve Guaranty.

"Revenues" mean all income, receipts, earnings and revenues **(including, but not limited to, any Subsidy)** received by or accrued to the Department from the ownership or operation of the Airport System, excluding, except to the extent deposited in the Revenue Fund:

(a) gifts, grants and other funds otherwise included in this definition of "Revenues" which are restricted by their terms to purposes inconsistent with the payment of Operating Expenses or payment of Obligations;

(b) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds are restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of Operating Expenses or the payment of Obligations;

(c) except as and to the extent included in calculations made pursuant to the provisions of the Master Indenture relating to rates and charges, any Transfer;

(d) except as provided in the Master Indenture with respect to discharged Special Facility Obligations, any Special Facility Revenue;

(e) any gain from the sale, exchange or other disposition of capital assets of the Airport System;

(f) any Released Revenues;

(g) any unrealized gains on securities held for investment by or on behalf of the County;

(h) any gains resulting from changes in valuation of any Swap;

(i) any unrealized gains from the write-down, reappraisal or revaluation of assets;

(j) the proceeds of Obligations;

(k) Facilities Construction Credits;

(l) Passenger Facility Charges;

(m) Customer Facility Charges;

(n) Grant Funds;

(o) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Obligations;

(p) any arbitrage earnings which are required to be paid to the United States of America pursuant to Section 148 of the Code; and

(q) interest earnings or other investment earnings on any Account in the Construction Fund established by any Supplemental Indenture unless otherwise provided in such Supplemental Indenture.

For purposes of testing compliance with the rate covenant and the limitations on the issuance of Obligations contained in the Master Indenture, Revenues will be calculated based upon Generally Accepted Accounting Principles, except that such calculation will include and exclude those items specifically included or excluded above or in the definition of Accrued Debt Service or Aggregate Adjusted Annual Debt Service, as applicable.

For purposes of meeting any of the tests prescribed by the Master Indenture, any transfers from the Capital Improvement Fund to the Revenue Fund shall be deemed to be "Revenues."

"Revenue Fund" means the Fund so designated, established pursuant to the Master Indenture.

"S&P" means Standard & Poor's Rating Services, a Division of the McGraw-Hill Companies, and any successor entity rating Obligations at the request of the County.

"Securities Depository" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"Senior Bonds" means Bonds issued for the purpose set forth in the Master Indenture and satisfying the conditions therein relating to the issuance of Senior Obligations, which have the priority set forth in the provisions of the Master Indenture relating to the issuance of Senior Obligations.

"Senior Debt Service Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Senior Debt Service Reserve Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Senior Debt Service Reserve Requirement" means: (i) with respect to the Senior Debt Service Reserve Fund, as of any date of calculation, an amount equal to the least of (a) 10% of the initial offering price to the public of the Participating Senior Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service for the Participating Senior Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Participating Senior Bond is due, or (c) 125% of the sum of the Bond Debt Service for the Participating Senior Bonds for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of any Participating Senior Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service for the Participating Senior Bonds is due, divided by the number of such Fiscal Years, all as computed and determined by the County and specified in writing to the Trustee; provided, however that in determining Bond Debt Service with respect to any Participating Senior Bonds that constitute Variable Rate Obligations, the interest rate on such Participating Senior Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Participating Senior Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Participating Senior Bonds shall have been Outstanding (or if such Participating Senior Bonds that constitute Variable Rate Obligations have not yet been issued, then the interest rate on such Participating Senior Bonds shall be assumed to be equal to 110% of the average SIFMA Index during the last 12 months ending with the month preceding the date of calculation); (ii) with respect to any Senior Series Debt Service Reserve Fund, the amount specified as such in the Supplemental Indenture establishing such Senior Series Debt Service Reserve Fund; and (iii) with respect to any debt service reserve for Senior Obligations other than the Senior Debt Service Reserve Fund or a Senior Series Debt Service Reserve Fund, the amount, if any, specified in the applicable Issuing Instrument establishing such debt service reserve as the Senior Debt Service Reserve Requirement for such debt service reserve.

"Senior Obligations" means Senior Bonds and any Obligations (or portions thereof) which have the priority set forth in the Master Indenture relating to the issuance of Senior Obligations and that satisfy the conditions therein, including without limitation Reimbursement Obligations related to Senior Bonds and Net Payments due under Qualified Swaps related to Senior Bonds but excluding Termination Payments under Qualified Swaps related to Senior Bonds.

"Senior Series Debt Service Reserve Fund" means any fund established by the Trustee pursuant to a Supplemental Indenture in connection with the issuance of any Series of Senior Bonds other than Participating Senior Bonds and that is required to be funded for the purpose of providing additional security for such Series of Senior Bonds and, under the conditions provided in such Supplemental Indenture, to provide additional security for such other Series of Senior Bonds as shall satisfy such conditions.

"Serial Obligations" means Obligations for which no Sinking Fund Installments are established.

"Series" means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Supplemental Indenture or Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

"Series 2008 Senior Bonds" means the County of Sacramento Airport System Senior Revenue Bonds Series 2008A (Non-AMT), Series 2008B (AMT) and Taxable Series 2008C.

"Series 2008 Subordinate Bonds" means the County of Sacramento Airport System Subordinate and PFC Revenue Refunding Bonds, Series 2008D (Non-AMT) and Series 2008E (AMT).

"Series 2016 Continuing Disclosure Certificate" means each continuing disclosure certificate executed by the County relating to the Series 2016 Senior Bonds or the Series 2016 Subordinate Bonds.

"Series 2016 Senior Bonds" means the County of Sacramento Airport System Senior Revenue Refunding Bonds, Series 2016A.

"Series 2016 Subordinate Bonds" means the County of Sacramento Airport System Subordinate Revenue Refunding Bonds, Series 2016B.

"Seventh Supplemental Indenture" means the Seventh Supplemental Indenture of Trust, dated as of December 1, 2016, between the County and the Trustee, relating to the Series 2016 Subordinate Bonds.

"SIFMA Index" means the Securities Industry & Financial Markets Association (formerly The Bond Market Association) ("SIFMA") Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or otherwise designated by SIFMA.

"Significant Portion" means, for purposes of the Master Indenture with respect to the County's covenants relating to sale, lease or disposition of property and eminent domain, any Airport System facilities or portions thereof which, if such facilities had been sold or disposed of on the date which is one year prior to the last day of the month preceding the month of sale or disposition of the facilities pursuant to such covenants, would have resulted in a reduction of Net Revenues for such year of more than 5% when actual Net Revenues for such year are decreased by Revenues directly attributable to such Airport System facilities and increased by the Operating Expenses directly attributable to such Airport System facilities.

"Sinking Fund Installment" means, with respect to any Term Obligations, each amount so designated for such Term Obligations in the Supplemental Indenture or Issuing Instrument relating to such Obligations requiring payments of such amounts by the County from the Net Revenues to be applied to the retirement of such Obligations on and prior to the stated maturity date thereof.

"Sixth Supplemental Indenture" means the Sixth Supplemental Indenture of Trust, dated as of December 1, 2016, between the County and the Trustee, relating to the Series 2016 Senior Bonds.

"Special Facilities" or "Special Facility" mean a facility or group of facilities or category of facilities which are designated as a Special Facility pursuant to the Master Indenture. "Special Facilities" shall include the facilities relating to The Cessna Aircraft Company Project Special Facility Obligations as described in the definition of "Special Facility Obligations."

"Special Facility Obligations" means Obligations issued or incurred pursuant to an Issuing Instrument to finance or refinance Special Facilities and which are not payable from the Net Revenues or secured by a lien on and/or pledge of the Revenues but which are payable from, and secured by a pledge and lien on, only revenues derived from the financed Special Facilities. "Special Facility Obligations" shall include the County of Sacramento Variable Rate Demand Special Facilities Airport Revenue Bonds, Series 1998 (The Cessna Aircraft Company Project).

"Special Facility Revenue" means the contractual payments and all other revenues derived by the County from a Special Facility which are pledged to secure Special Facility Obligations.

"Specified Capital Improvement" means a Capital Improvement specified in a Supplemental Indenture or Issuing Instrument the costs of which are to be funded in whole or in part, with the proceeds of Obligations.

"State" means the State of California.

"Subordinate Bonds" means Bonds issued for the purpose set forth in the Master Indenture and satisfying the conditions therein relating to the issuance of Subordinate Obligations, which are subordinated as provided in the provisions of the Master Indenture relating to the issuance of Subordinate Obligations.

"Subordinate Debt Service Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Subordinate Debt Service Reserve Fund" means the Fund so designated, established pursuant to the Master Indenture.

"Subordinate Debt Service Reserve Requirement" means: (i) with respect to the Subordinate Debt Service Reserve Fund, as of any date of calculation, an amount equal to the least of (a) 10% of the initial offering price to the public of the Participating Subordinate Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service for the Participating Subordinate Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Participating Subordinate Bond is due, or (c) 125% of the sum of the Bond Debt Service for the Participating Subordinate Bonds for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of any Participating Subordinate Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service for the Participating Subordinate Bonds is due, divided by the number of such Fiscal Years, all as computed and determined by the County and specified in writing to the Trustee; provided, however that in determining Bond Debt Service with respect to any Participating Subordinate Bonds that constitute Variable Rate Obligations, the interest rate on such Participating Subordinate Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Participating Subordinate Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Participating Subordinate Bonds shall have been Outstanding (or if such Participating Subordinate Bonds that constitute Variable Rate Obligations have not yet been issued, then the interest rate on such Participating Subordinate Bonds shall be assumed to be equal to 110% of the average SIFMA Index during the last 12 months ending with the month preceding the date of calculation); (ii) with respect to any Subordinate Series Debt Service Reserve Fund, the amount specified as such in the Supplemental Indenture establishing such Subordinate Series Debt Service Reserve Fund; and (iii) with respect to any debt service reserve for Subordinate Obligations other than the Subordinate Debt Service Reserve Fund or a Subordinate Series Debt Service Reserve Fund, the amount, if any, specified in the applicable Issuing Instrument establishing such debt service reserve as the Subordinate Debt Service Reserve Requirement for such debt service reserve.

"Subordinate Obligation" means any Subordinate Bonds and any Obligations (or portions thereof) which are subordinated as provided in the provisions of the Master Indenture relating to the issuance of subordinate obligations and that satisfy the conditions of the Master Indenture, including without limitation Termination Payments under Qualified Swaps related to Senior Bonds, Reimbursement Obligations related to Subordinate Bonds and Net Payments under Qualified Swaps related to Subordinate Bonds but excluding Termination Payments under Qualified Swaps related to Subordinate Bonds.

"Subordinate Payment Default" means a failure to pay when due any Subordinate Obligations.

"Subordinate Series Debt Service Reserve Fund" means any fund established by the Trustee pursuant to a Supplemental Indenture in connection with the issuance of any Series of Subordinate Bonds other than Participating Subordinate Bonds and that is required to be funded for the purpose of providing additional security for such Series of Subordinate Bonds and, under the conditions provided in such Supplemental Indenture, to provide additional security for such other Series of Subordinate Bonds as shall satisfy such conditions.

"Subsidy" means any subsidy, reimbursement or other payment from the federal government of the United States of America under the American Recovery and Reinvestment Act of 2009 (or any similar legislation or regulation of the federal government of the United States of America or any other governmental entity).

"Supplemental Indenture" means any supplemental indenture supplementing or amending the Master Indenture as theretofore in effect, entered into by the County and the Trustee in accordance with the Master Indenture.

"Swap" means any contract, agreement or arrangement between the County and a counterparty relating to the Airport System (a) providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (b) providing for the exchange of cash flows or a series of payments, or (c) providing for the hedge of payment, currency, rate spread or similar exposure, including but not limited to interest rate exposure. The term "Swap" includes any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure.

"Tax Certificate" means a certificate relating to the requirements of the Code signed on behalf of the County and delivered in connection with the issuance of a Series of Obligations constituting Tax-Exempt Securities.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Obligations, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means bonds, notes or other securities the interest on which is Tax-Exempt.

"Tender Obligations" means any Obligations or portions of Obligations, a feature of which is an option or obligation, on the part of the Owners thereof under the terms of such Obligations, to tender for purchase all or a portion of such Obligations to the County, a fiscal agent, a paying agent, a tender agent or other agent.

"Termination Payment" means, with respect to a Swap, the amount payable by the County or the counterparty as a result of the termination of such Swap prior to its scheduled expiration date.

"Term Obligations" means Obligations as to which Sinking Fund Installments have been established.

"Test Year" means, with respect to the issuance of Refunding Senior Obligations or Refunding Subordinate Obligations, the period commencing in the Fiscal Year in which such Obligations are issued and ending in the last Fiscal Year in which Obligations which are Outstanding both immediately prior to and immediately after the issuance of such Obligations are scheduled to remain Outstanding.

"Transfer" means with respect to a Fiscal Year (a) the amount in the Capital Improvement Fund on the last Business Day of such Fiscal Year plus (b) any amounts withdrawn from the Capital Improvement Fund during such Fiscal Year to pay Operating Expenses and to make any required payments or deposits to pay or secure the payment of Obligations less (c) any amounts credited to the Capital Improvement Fund from the Revenue Fund during such Fiscal Year.

"Trust Estate" means, subject to the provisions of the Master Indenture and any applicable Issuing Instrument permitting the application thereof for the purposes and on the terms and conditions set forth therein and subject to the rights of the County to release categories of Revenues from the Trust Estate as provided in the Master Indenture: (a) the Net Revenues; (b) each Swap, including all payments (including Termination Payments) thereunder; (c) each Credit Support Instrument, including all payments thereunder; (d) each Reserve Guaranty, including all payments thereunder; (e) all Available CFC Revenues, all Available Grant Revenues, and all Available PFC Revenues; (f) the Construction Fund, the Revenue Fund, the Senior Debt Service Fund, the Senior Debt Service Reserve Fund, the Subordinate Debt Service Fund, the Subordinate Debt Service Reserve Fund, the Junior Subordinate Fund, the Reserve and Contingency Fund, the Capital Improvement Fund, each Senior Series Debt Service Reserve Fund, each Subordinate Series Debt Service Reserve Fund, the Available CFC Account, the Available Grant Account and the Available PFC Account, including all Accounts in any of the foregoing, all money, instruments, investment property, and other property on deposit in or credited to any such Fund or Account, and all property, including Permitted Investments, purchased with money on deposit in or credited to any such Fund or Account; (g) any additional property that may from time to time, by delivery or by writing of any kind, be subjected to the lien by the County or by anyone on its behalf which additional property the Trustee is authorized and directed to accept as part of the Trust Estate; and (h) all proceeds of the foregoing.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., and any successor trustee under the Master Indenture.

"United States Bankruptcy Code" means Title 11 of the United States Code, as the same may be amended and supplemented, and any successor statute.

"Variable Rate Obligations" means any Obligation the interest rate on which is not fixed to the final maturity date thereof.

THE MASTER INDENTURE

General

The Master Indenture sets forth certain terms of the Bonds and Obligations, the conditions for issuance of the Bonds and Obligations, the nature and extent of the security of the Bonds and Obligations, various rights of the Holders of the Bonds and Obligations, rights, duties and immunities of the Trustee and the rights and obligations of the County. Although certain provisions of the Master Indenture are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Master Indenture.

Authorization and Issuance of Bonds and Obligations

Authorization of Bonds and Obligations. Bonds of the County to be generally designated as "County of Sacramento Airport System Revenue Bonds" may be issued from time to time pursuant to Supplemental Indentures. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Master Indenture is not limited except as may hereafter be provided in the Master Indenture or as may be limited by law.

The Bonds may be issued in one or more Series, and the designation thereof, in addition to the name "County of Sacramento Airport System Revenue Bonds" shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the County may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Obligations other than Bonds may be issued or incurred from time to time on the terms and conditions set forth in the Master Indenture and the Issuing Instrument relating to such Obligations. The amount of Obligations that may be secured under the Master Indenture and the applicable Issuing Instrument is not limited except as may hereafter be provided in the Master Indenture or an Issuing Instrument or as may be limited by law.

Limited Obligations. The Obligations shall not constitute a charge against the general credit of the County but shall constitute and evidence special obligations of the County payable as to principal, Redemption Price, interest and other payments solely from the Trust Estate and, with respect to any particular Series of Obligations, from such other sources as shall be specified in the Supplemental Indenture or Issuing Instrument relating to such Series. The Purchase Price for the Tender Obligations shall be payable from such sources as are specified in the Supplemental Indenture or Issuing Instrument relating to such Series. The provisions of the Master Indenture described under this caption "Limited Obligations" shall not preclude the payment or redemption of Obligations, at the election of the County, from any other legally available funds.

The Obligations shall recite in substance that the principal, Redemption Price, interest and other payments on the Obligations are payable solely from the Trust Estate pledged for the payment thereof, and that the County is not obligated to pay the Obligations except from the Trust Estate; that the General Fund of the County is not liable and the full faith and credit or taxing power of the County is not pledged for the payment of the principal, Redemption Price, interest and other payments on the Obligations, and no tax or assessment shall ever be levied or collected to pay the principal, Redemption Price, interest and other payments on the Obligations; and that the Obligations are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any of the property of the County or any of its income or receipts except the Trust Estate as provided in the Master Indenture, and neither the payment of the principal, Redemption Price, interest or other payments on the Obligations is a general debt, liability or obligation of the County or the State of California.

From and after the issuance of the Obligations of each Series the findings and determinations of the Board respecting that Series shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Obligations is at issue, and no bona fide purchaser of any of such Obligations shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for such Obligations. The validity of the issuance of each Series of Obligations shall not be dependent on or affected in any way by (i) any proceedings taken by the County for the acquisition and construction of any additions, betterments, extensions or improvements to the Airport System, or (ii) any contracts made by the County in connection therewith, or (iii) the failure to complete the acquisition and construction of any additions, betterments, extensions or improvements to the

Airport System. Any recital contained in the Obligations that the Obligations are issued under and pursuant to the Act and under and pursuant the Indenture shall be conclusive evidence of their validity and of the regularity of their issuance and all Obligations shall be incontestable from and after their issuance. Obligations shall be deemed to be issued, within the meaning of the Indenture, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) or fully executed Obligations have been delivered to the purchaser thereof and the purchase price thereof received.

Indenture to Constitute Contract. In consideration of the purchase and acceptance of each Obligation issued or secured under the Indenture and any applicable Issuing Instrument by those who shall own the same from time to time, the provisions of each Obligation and the provisions of the Indenture and any applicable Issuing Instrument applicable to such Obligation, and the provisions of the State Constitution, the Act and any other general laws of the State applicable to such Obligation, shall be deemed to be and shall constitute a contract between the County and the Owner of such Obligation.

General Provisions for Issuance of Bonds. All (but not less than all) the Bonds of each Series shall be executed by the County for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the County or upon its order, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(a) An executed counterpart of the Master Indenture, as amended to the date of the initial delivery of such Series of Bonds, and an executed counterpart of the Supplemental Indenture relating to such Series of Bonds, which Supplemental Indenture shall specify:

(i) the sources of payment for the Bonds of such Series other than the Trust Estate, if any;

(ii) the Series designation of such Bonds and whether such Bonds constitute Senior Bonds, Subordinate Bonds or Junior Subordinate Bonds and whether such Bonds are Current Interest Obligations, Capital Appreciation Obligations or Convertible Obligations;

(iii) the authorized principal amount of the Bonds of such Series;

(iv) the purposes for which such Series of Bonds are being issued, which shall be one of the purposes specified in "Additional Bonds" and "Refunding Bonds" below;

(v) the date or manner of determining the date of the Bonds of such Series;

(vi) the maturity date or dates of the Bonds of such Series and the principal amount of the Bonds of such Series maturing on each such maturity date;

(vii) which, if any, of the Bonds of such Series shall constitute Serial Obligations and which, if any, shall constitute Term Obligations;

(viii) the interest rate or rates on the Bonds of such Series or the manner of determining such interest rate or rates;

(ix) the Interest Payment Dates for the Bonds of such Series or the manner of establishing such Interest Payment Dates;

(x) the Authorized Denominations of the Bonds of such Series;

(xi) the Redemption Price or Prices, if any, and, subject to the provisions of the Master Indenture with respect to redemption, the redemption terms for the Bonds of such Series or the manner of determining such Redemption Prices and terms;

(xii) the Sinking Fund Installments, if any, for the Bonds of such Series which constitute Term Obligations;

(xiii) if any of the Bonds of such Series constitute Tender Obligations, the terms and conditions, if any, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the option to tender such Bonds for purchase and the terms and conditions, if any, including Purchase Price, upon which the Bonds of such Series shall be subject to mandatory tender for purchase;

(xiv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect;

(xv) whether the Bonds of such Series will be Participating Senior Bonds or Participating Subordinate Bonds;

(xvi) if the Bonds of such Series will not be Participating Senior Bonds or Participating Subordinate Bonds, if such Bonds are to be secured by an existing Senior Series Debt Service Reserve Fund or existing Subordinate Series Debt Service Reserve Fund;

(xvii) if the Bonds of such Series will not be Participating Senior Bonds or Participating Subordinate Bonds nor be secured by an existing Senior Series Debt Service Reserve Fund or existing Subordinate Series Debt Service Reserve Fund, whether a Senior Series Debt Service Reserve Fund or a Subordinate Series Debt Service Reserve Fund is to be established in connection with such Series of Bonds and, if so, the amount or manner of determining the amount of the Senior Debt Service Reserve Requirement or Subordinate Debt Service Reserve Requirement in connection with such Senior Series Debt Service Reserve Fund or Subordinate Series Debt Service Reserve Fund, as applicable;

(xviii) the appropriate Funds and Accounts, if any, relating to such Series of Bonds established under such Supplemental Indenture;

(xix) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the Funds and Accounts maintained under the Master Indenture or the Supplemental Indenture relating to such Series;

(xx) the forms of the Bonds of such Series and of the certificate of authentication thereon; and

(xxi) such other provisions as are appropriate or necessary and not inconsistent with the provisions of the Master Indenture described above.

(b) An Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that the Master Indenture, as amended and supplemented to such date, including as supplemented by the Supplemental Indenture relating to such Series of Bonds, constitute the valid and binding obligation of the County.

(c) A certificate of an Authorized County Representative to the effect that no Event of Default has occurred and is continuing (except that Bonds may be issued to cure any Event of Default which may then be existing).

(d) With respect to any Senior Bonds other than the Series 2008 Senior Bonds, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture relating to conditions to the issuance of Senior Obligations.

(e) With respect to any Subordinate Bonds other than the Series 2008 Subordinate Bonds, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture relating to the conditions to the issuance of Subordinate Obligations.

(f) With respect to any Junior Subordinate Bonds, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture relating to the conditions to the issuance of Junior Subordinate Obligations.

(g) Such further documents, moneys and securities as are required by the applicable provisions of the Master Indenture or of the Supplemental Indenture relating to such Series.

After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Indenture.

Additional Bonds. One or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of paying all or a portion of the Costs of any Capital Improvement and for any other lawful purpose. Additional Bonds may be issued in a principal amount sufficient to pay such Costs, including providing amounts for the Costs of Issuance of such Series of Additional Bonds and the making of any deposits into the Funds or Accounts required by the provisions of the Indenture or the Supplemental Indenture relating to such Additional Bonds and for any other lawful purpose.

Refunding Bonds. One or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of any Outstanding Obligations, including payment of costs incidental to or connected with the refunding of such Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding, including providing amounts for the Costs of Issuance of such Refunding Bonds and the making of any deposits into the Funds and Accounts required by the provisions of the Indenture or the Supplemental Indenture relating to such Refunding Bonds and for any other lawful purpose.

General Provisions for Issuance of Obligations Other than Bonds. All Obligations (other than Bonds) of each Series shall be issued or incurred by the County and secured under the Indenture and the applicable Issuing Instrument in accordance with the terms thereof, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance or incurrence of such Series of Obligations have been satisfied):

(a) An executed counterpart of the Master Indenture, as amended to the date of the initial issuance of such Series of Obligations, and an executed counterpart of the Issuing Instrument relating to such Series of Obligations, which Issuing Instrument shall specify:

(i) the sources of payment for the Obligations of such Series other than the Trust Estate, if any;

(ii) the Series designation of such Obligations and whether such Obligations constitute Senior Obligations, Subordinate Obligations or Junior Subordinate Obligations;

(iii) the purposes for which such Obligation or Series of Obligations are being issued;

(iv) the form, title, designation, manner of numbering or denominations, if applicable, of such Obligations;

(v) the date or dates of maturity or other final expiration of the term of such Obligations, if applicable;

(vi) the date of issuance or incurrence of such Obligations;

(vii) the principal amount of such Obligation (if any) for purposes of calculating the percentage of Owners of Obligations required to take actions or give consents pursuant to the Master Indenture (which, if such Obligation is not debt under Generally Accepted Accounting Principles, shall be equal to zero. The designation of zero as a principal amount of an Obligation shall not in any manner affect the obligation of the County to pay such Obligation); and

(viii) such other provisions as are appropriate or necessary and not inconsistent with the provisions described above.

(b) A certificate of an Authorized County Representative to the effect that no Event of Default has occurred and is continuing (except that Obligations may be issued to cure any Event of Default which may then be existing).

(c) With respect to any Senior Obligations, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture.

(d) With respect to any Subordinate Obligations, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture.

(e) With respect to any Junior Subordinate Obligations, the Trustee shall have received the documents required by the applicable provisions of the Master Indenture.

Conditions to Issuance of Senior Obligations.

(a) Without satisfying the requirements of the Master Indenture described in subsection (e) below, the County may, at any time and from time to time, issue or enter into an Obligation which is a Qualified Swap, the Net Payments under which shall constitute Senior Obligations, provided that at the time of entering into such Swap (i) the Qualified Swap shall relate to a principal amount of Outstanding Senior Obligations or Senior Obligations issued or expected to be issued; (ii) the notional amount of the Qualified Swap shall not exceed the principal amount of the related Outstanding Senior Obligations or Senior Obligations expected to be issued; and (iii) the counterparty shall be a Qualified Counterparty.

(b) The County may, at any time and from time to time, issue Refunding Senior Obligations provided that either: (i) the requirements of the Master Indenture described in subsection (e) below are satisfied upon the issuance of such Refunding Senior Obligations and the application of the proceeds thereof; or (ii) the Trustee has received a certificate of an Authorized County Representative certifying that the Aggregate Adjusted Annual Debt Service for all Obligations to be Outstanding after the issuance of such Refunding Senior Obligations shall not exceed the Aggregate Adjusted Annual Debt Service for all

Obligations Outstanding immediately prior to the issuance of such Refunding Senior Obligations in each Test Year.

(c) Without satisfying the requirements of the Master Indenture described in subsection (b) above or subsection (e) below, the County may issue the Series 2008 Senior Bonds.

(d) Without satisfying the requirements of the Master Indenture described in subsection (e) below, the County may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Reimbursement Obligations with respect to Senior Obligations.

(e) The County may, at any time and from time to time, issue any Additional Senior Obligations, provided:

(i) an Authorized County Representative or an Airport Consultant has provided to the Trustee a certificate stating that Net Revenues for either the most recent Fiscal Year for which audited financial statements of the Airport System are available or any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the month of issuance of the proposed Additional Senior Obligations were sufficient to satisfy the rate covenant set forth in the Master Indenture for each of the next five full Fiscal Years following issuance of the Additional Senior Obligations, or each of the next two full Fiscal Years from the issuance of the Additional Senior Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Senior Obligations; or

(ii) an Airport Consultant has provided to the Trustee a certificate stating that, based upon assumptions the Person signing the certificate deems reasonable, projected Net Revenues will be sufficient to satisfy the rate covenant set forth in the Master Indenture for each of the next five full Fiscal Years following issuance of the Additional Senior Obligations, or each of the next two full Fiscal Years from issuance of the Additional Senior Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Senior Obligations.

For purposes of (e)(i) and (ii) above, the Person signing the certificate required by such clause may assume that, in each relevant Fiscal Year, Accrued Debt Service for Outstanding Obligations will equal Aggregate Adjusted Annual Debt Service for such Fiscal Year.

For purposes of (e)(i) above, the County shall be allowed to adjust Net Revenues for earnings arising from any increase in the rates, charges and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Additional Senior Obligations but which, during the Fiscal Year or 12-month period utilized by the County for purposes of (e)(i) above, was not in effect for the entire Fiscal Year or 12-month period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole Fiscal Year or 12-month period under consideration, as determined by an Authorized County Representative.

For purposes of (e)(ii) above, in estimating Net Revenues, the Person signing the certificate required by such clause may take into account (1) Revenues from Capital Improvements reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which has been approved by the Board and will be in effect during the period for which the estimates are provided or (3) any other increases in Revenues which the Person signing the certificate believes to be a reasonable assumption for such period. With respect to Operating Expenses of the County, the Person signing the certificate required by (e)(ii) above

shall use such assumptions as such Person believes to be reasonable, taking into account: (i) historical Operating Expenses of the County, (ii) Operating Expenses associated with the Capital Improvements to be funded with the proceeds of the Additional Senior Obligations proposed to be issued and any other new Capital Improvements and Airport System facilities and (iii) such other factors, including inflation and changing operations or policies of the County, as the Person signing such certificate believes to be appropriate. The Person signing the certificate required by (e)(ii) above shall include in such certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Adjusted Annual Debt Service, which calculations may be based upon information provided by the County.

For purposes of preparing the certificate or certificates described above, the Authorized County Representative or Airport Consultant, as applicable, may rely upon financial statements prepared by the County which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized County Representative shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with Generally Accepted Accounting Principles.

Neither of the certificates described under (e)(i) or (e)(ii) above shall be required if the proceeds of Additional Senior Obligations being issued will be used to pay Costs of completing the Construction of a Capital Improvement for which Senior Obligations have previously been issued and the principal amount of such Additional Senior Obligations being issued for completion purposes does not exceed an amount equal to 10% of the principal amount of the Senior Obligations originally issued for such Capital Improvement as shown in a written certificate of an Authorized County Representative and there is delivered to the Trustee (i) a certificate of an Authorized County Representative or an Airport Consultant stating that the nature and purpose of such Capital Improvement has not materially changed and that the proceeds of such Additional Senior Obligations plus any other moneys in the Construction Fund available to pay the Costs of such Capital Improvement are expected to be sufficient to pay the Costs of completing the Construction of the Capital Improvement, and (ii) a certificate of an Authorized County Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Capital Improvement) of the Senior Obligations issued to finance such Capital Improvement have been or will be used to pay Costs of the Capital Improvement, indicating the amount of such proceeds and investment earnings; and (B) the then estimated Costs of the Construction of the Capital Improvement.

(f) All Senior Obligations (i) shall be senior in payment and priority to all Subordinate Obligations, Junior Subordinate Obligations, and all obligations described in the Master Indenture with respect to the creation of prior liens, (ii) shall be paid with the priority provided in the Master Indenture with respect to the application of Revenues, and (iii) shall be entitled to all of the benefits provided to Senior Obligations by the terms of the Indenture and any applicable Issuing Instrument.

(g) For purposes of complying with any of the requirements set forth in the Master Indenture relating to issuance of Senior Obligations, (1) any calculation of Aggregate Adjusted Annual Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County expects to receive during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received or expected to be received by the County with respect to or in connection with the specified Obligations during such period of time.

Conditions to Issuance of Subordinate Obligations.

(a) Without satisfying the requirements of the Master Indenture described in subsection (e) below, the County may, at any time and from time to time, issue or enter into an Obligation which is a Qualified Swap, the Net Payments under which shall constitute Subordinate Obligations, provided that at the time of entering into such Swap (i) the Qualified Swap shall relate to a principal amount of Outstanding Subordinate Obligations or Subordinate Obligations issued or expected to be issued; (ii) the notional amount of the Qualified Swap shall not exceed the principal amount of the related Outstanding Subordinate Obligations or Subordinate Obligations expected to be issued; and (iii) the counterparty shall be a Qualified Counterparty.

(b) The County may, at any time and from time to time, issue Refunding Subordinate Obligations provided that either: (i) the requirements of the Master Indenture described in subsection (e) below are satisfied upon the issuance of such Refunding Subordinate Obligations and the application of the proceeds thereof; or (ii) the Trustee has received a certificate of an Authorized County Representative certifying that the Aggregate Adjusted Annual Debt Service for all Obligations to be Outstanding after the issuance of such Refunding Subordinate Obligations shall not exceed the Aggregate Adjusted Annual Debt Service for all Obligations Outstanding immediately prior to the issuance of such Refunding Subordinate Obligations in each Test Year.

(c) Without satisfying the requirements of the Master Indenture described in subsection (b) above or subsection (e) below, the County may issue the Series 2008 Subordinate Bonds.

(d) Without satisfying the requirements of the Master Indenture described in subsection (e) below, the County may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Reimbursement Obligations with respect to Subordinate Obligations.

(e) The County may, at any time and from time to time, issue any Additional Subordinate Obligations, provided:

(i) an Authorized County Representative or an Airport Consultant has provided to the Trustee a certificate stating that Net Revenues for either the most recent Fiscal Year for which audited financial statements of the Airport System are available or any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the month of issuance of the proposed Additional Subordinate Obligations were sufficient to satisfy the rate covenant set forth in the Master Indenture for each of the next five full Fiscal Years following issuance of the Additional Subordinate Obligations, or each of the next two full Fiscal Years from the issuance of the Additional Subordinate Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Subordinate Obligations; or

(ii) an Airport Consultant has provided to the Trustee a certificate stating that, based upon assumptions the Person signing the certificate deems reasonable, projected Net Revenues will be sufficient to satisfy the rate covenant set forth in the Master Indenture for each of the next five full Fiscal Years following issuance of the Additional Subordinate Obligations, or each of the next two full Fiscal Years from issuance of the Additional Subordinate Obligations during which there is no Capitalized Interest, whichever is later, including the Aggregate Adjusted Annual Debt Service during such Fiscal Years on such proposed Subordinate Obligations.

For purposes of (e)(i) and (ii) above, the Person signing the certificate required by such clause may assume that, in each relevant Fiscal Year, Accrued Debt Service for Outstanding Obligations will equal Aggregate Adjusted Annual Debt Service for such Fiscal Year.

For purposes of (e)(i) above, the County shall be allowed to adjust Net Revenues for earnings arising from any increase in the rates, charges and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Additional Subordinate Obligations but which, during the Fiscal Year or 12-month period utilized by the County for purposes of (e)(i) above, was not in effect for the entire Fiscal Year or 12-month period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole Fiscal Year or 12-month period under consideration, as determined by an Authorized County Representative.

For purposes of (e)(ii) above, in estimating Net Revenues, the Person signing the certificate required by such clause may take into account (1) Revenues from Capital Improvements reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which has been approved by the Board and will be in effect during the period for which the estimates are provided or (3) any other increases in Revenues which the Person signing the certificate believes to be a reasonable assumption for such period. With respect to Operating Expenses of the County, the Person signing the certificate required by (e)(ii) above shall use such assumptions as such Person believes to be reasonable, taking into account: (i) historical Operating Expenses of the County, (ii) Operating Expenses associated with the Capital Improvements to be funded with the proceeds of the Additional Subordinate Obligations proposed to be issued and any other new Capital Improvements and Airport System facilities and (iii) such other factors, including inflation and changing operations or policies of the County, as the Person signing such certificate believes to be appropriate. The Person signing the certificate required by (e)(ii) above shall include in such certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Adjusted Annual Debt Service, which calculations may be based upon information provided by the County.

For purposes of preparing the certificate or certificates described above, the Authorized County Representative or Airport Consultant, as applicable, may rely upon financial statements prepared by the County which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized County Representative shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with Generally Accepted Accounting Principles.

Neither of the certificates described under (e)(i) or (e)(ii) above shall be required if the proceeds of Additional Subordinate Obligations being issued will be used to pay Costs of completing the Construction of a Capital Improvement for which Subordinate Obligations have previously been issued and the principal amount of such Additional Subordinate Obligations being issued for completion purposes does not exceed an amount equal to 10% of the principal amount of the Subordinate Obligations originally issued for such Capital Improvement as shown in a written certificate of an Authorized County Representative and there is delivered to the Trustee (i) a certificate of an Authorized County Representative or an Airport Consultant stating that the nature and purpose of such Capital Improvement has not materially changed and that the proceeds of such Additional Subordinate Obligations plus any other moneys in the Construction Fund available to pay the Costs of such Capital Improvement are expected to be sufficient to pay the Costs of completing the Construction of the Capital Improvement, and (ii) a certificate of an Authorized County Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Capital Improvement) of the Subordinate Obligations issued to finance such Capital Improvement have been or will be used to pay Costs of the Capital Improvement, indicating

the amount of such proceeds and investment earnings; and (B) the then estimated Costs of the Construction of the Capital Improvement.

(f) All Subordinate Obligations shall be junior in payment and priority to all Senior Obligations. Subordinate Obligations shall be paid in the priority set forth in the Master Indenture with respect to the application of Revenues, and only to the extent that funds are available to make such payments as provided therein after the required payments are made with respect to the Senior Obligations. Any exercise of rights or remedies by any holder, owner, or beneficial owner of a Subordinate Obligation, or the Trustee on behalf of the foregoing, and all Subordinate Obligations shall be subject to the limitations imposed on Subordinate Obligations by the terms of the Indenture and any applicable Issuing Instrument.

(g) For purposes of complying with any of the requirements of the Master Indenture relating to issuance of Subordinate Obligations, (1) any calculation of Aggregate Adjusted Annual Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County expects to receive during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received or expected to be received by the County with respect to or in connection with the specified Obligations during such period of time.

Conditions to Issuance of Junior Subordinate Obligations. The County may, at any time or from time to time, issue Junior Subordinate Obligations without satisfying the requirements of the Master Indenture with respect to conditions to the issuance of Senior or Subordinate Obligations for any purpose in connection with the Airport System, including, without limitation, the financing of all or a portion of the Costs of any Capital Improvement and/or the refunding of all or any portion of any Outstanding Obligations and/or for any other lawful purpose.

All Junior Subordinate Obligations shall be junior in payment and priority to all Subordinate Obligations and Senior Obligations. Junior Subordinate Obligations shall be paid in the priority set forth in the Master Indenture with respect to the application of Revenues, and only to the extent that funds are available to make such payments as provided therein after the required payments are made with respect to the Senior Obligations and the Subordinate Obligations. Any exercise of rights or remedies by any holder, owner, or beneficial owner of a Junior Subordinate Obligation, or the Trustee on behalf of the foregoing, and all Junior Subordinate Obligations shall be subject to the limitations imposed on Junior Subordinate Obligations by the terms of the Indenture and any applicable Issuing Instrument.

Special Facilities and Special Facility Obligations. The County shall be permitted to designate new or existing Airport System facilities as Special Facilities as permitted in the Master Indenture as described under this caption "Special Facilities and Special Facility Obligations." The County may, from time to time, and subject to the terms and conditions described under this caption (i) designate a separately identifiable existing facility or planned facility as a "Special Facility," (ii) pursuant to an Issuing Instrument and without a pledge of any Net Revenues, incur Obligations for the purpose of financing and/or refinancing Constructing, renovating, or improving, or providing financing and/or refinancing to a third party to Construct, renovate or improve, such Special Facility, (iii) provide that certain of the contractual payments derived from such Special Facility, together with other income and revenues available to the County from such Special Facility to the extent necessary to make the payments required by the Master Indenture, be "Special Facility Revenue" and not included as Revenues or Net Revenues, and (iv) provide that the Obligations so incurred shall be "Special Facility Obligations" and the principal of and interest thereon and other amounts payable with respect thereto shall be payable solely from the Special Facility Revenue. The County may from time to time refinance any such Special Facility Obligations with other Special Facility Obligations.

Special Facility Obligations shall be payable as to principal, redemption premium, if any, and interest and other amounts due with respect to such Special Facility Obligations solely from the Special Facility Revenue related to the Special Facility financed and/or refinanced with such Special Facility Obligations, which shall include contractual payments derived by the County under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the County and another Person, either public or private, as shall undertake the operation of such Special Facility.

No Special Facility Obligations shall be issued by the County unless there shall have been filed with the Trustee a certificate of an Authorized County Representative stating that:

(i) The Special Facility Revenue required to be paid by the third party operating the Special Facility and pledged to the payment of obligations relating to the Special Facility will be at least sufficient to pay as and when the same become due: (A) the principal of and interest on such Special Facility Obligations, (B) all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the County and (C) all sinking fund, reserve or other payments required by the Issuing Instrument relating to the Special Facility Obligations; and

(ii) With respect to the designation of any separately identifiable existing Airport System facility or Airport System facilities as a "Special Facility" or "Special Facilities", the County has qualified all Revenues from such Airport System facility or Airport System facilities as Released Revenues; and

(iii) No Event of Default has occurred and is continuing.

To the extent Special Facility Revenue received by the County during any Fiscal Year shall exceed the amounts required to be paid pursuant to the Master Indenture with respect to Special Facility Obligations for such Fiscal Year, such excess Special Facility Revenue, to the extent not otherwise encumbered or restricted, shall constitute Revenues.

Notwithstanding any other provision of the Master Indenture described under this subheading, at such time as the Special Facility Obligations issued for a Special Facility including Special Facility Obligations issued to refinance Special Facility Obligations are fully paid or otherwise discharged, all revenues of the County from such facility shall be included as Revenues.

Special Facility Obligations shall be in compliance with the provisions of the Indenture if such Special Facility Obligations are issued in accordance with the provisions of the Master Indenture described under this subheading and compliance with other provisions of the Master Indenture described under this heading "Authorization and Issuance of Bonds and Obligations" is not required.

Obligations Secured by Other Revenues. The County may, from time to time, incur Obligations payable solely from certain revenues of the Airport System which do not constitute Revenues other than Special Facility Obligations at such times and upon such terms and conditions as the County shall determine; provided that such Obligations shall specifically include a provision that payment of such Obligations is neither secured by nor payable from the Trust Estate or any part thereof.

Released Revenues. The County may cause a category of income, receipts or other revenues then included in the definition of "Revenues" to be excluded from such definition for all purposes of the Indenture, which exclusion shall be effective from the date the County satisfies the conditions of the Master Indenture, by filing the following with the Trustee:

(a) a written request from an Authorized Airport Representative to release such category of income, receipts and other revenues from the definition of Revenues, accompanied by a written certificate of an Authorized Airport Representative certifying the County is in compliance with all requirements of the Indenture;

(b) a certificate of an Authorized Airport Representative or a report of an Independent Certified Public Accountant to the effect that Net Revenues, excluding the category of Revenues proposed to become Released Revenues, for each of the two Fiscal Years for which audited financial statements are available immediately preceding the date of such certificate or report, were sufficient to satisfy the rate covenant set forth in the Master Indenture for each of the two such Fiscal Years, assuming that 150% (instead of 125%) was used in the rate covenant set forth in the Master Indenture with respect to Outstanding Senior Obligations, 125% (instead of 110%) was used in the rate covenant set forth in the Master Indenture with respect to Outstanding Senior Obligations and Subordinate Obligations and 110% (instead of 100%) was used in the rate covenant set forth in the Master Indenture with respect to all Outstanding Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations;

(c) a certificate of an Authorized Airport Representative or an Airport Consultant retained by the County to the effect that based upon current knowledge of the operations of the Airport System, Net Revenues, excluding the category of Revenues proposed to become Released Revenues, for the current Fiscal Year (and the preceding Fiscal Year if such year is not included in certificate required by paragraph (b) above) are expected to be sufficient to satisfy the rate covenant set forth in the Master Indenture for such Fiscal Year, assuming that 150% (instead of 125%) was used in the rate covenant set for in the Master Indenture with respect to Outstanding Senior Obligations, 125% (instead of 110%) was used in the rate covenant set forth in the Master Indenture with respect to Outstanding Senior Obligations and Subordinate Obligations and 110% (instead of 100%) was used in the rate covenant set forth in the Master Indenture with respect to all Outstanding Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations; and

(d) a Rating Confirmation in connection with the withdrawal of the category of income, receipts and other revenues proposed to become Released Revenues.

Establishment and Application of Funds

Establishment of Funds and Accounts. The following Funds and Accounts are established and to be held by the County pursuant to the Master Indenture: (a) Construction Fund, (b) Revenue Fund, (c) Operating Fund, including the Operating Reserve Account therein, (d) Rebate Fund, (e) Reserve and Contingency Fund, and (f) Capital Improvement Fund. The following Funds and Accounts are established and to be held by the Trustee pursuant to the Master Indenture: (a) Senior Debt Service Fund, (b) Senior Debt Service Reserve Fund, (c) Subordinate Debt Service Fund, (d) Subordinate Debt Service Reserve Fund, and (e) Junior Subordinate Fund.

Revenues and Revenue Fund. All Revenues shall be promptly deposited upon receipt thereof to the credit of the Revenue Fund and applied as provided in the Master Indenture. The County may also from time to time, in its sole discretion and without any obligation to do so, deposit funds from any available source into the Revenue Fund.

Application of Revenues. As soon as practicable in each month, but in any case no later than the first Business Day of such month, the County shall withdraw moneys from the Revenue Fund and apply such moneys to the deposits and payments indicated below, in the amounts and in the priority set forth below. In the event there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments shall be made in the priority of the lettered paragraphs below. In the event any of the lettered paragraphs below requires more than one such deposit

or payment and there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments shall be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available moneys.

(a) First, to the Operating Fund the amount which, together with any amount therein available to pay such Operating Expenses (other than amounts in the Operating Reserve Account), is equal to the total amount appropriated for Operating Expenses in such month pursuant to the then current Annual Budget.

(b) Second:

(i) to the Senior Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the Accrued Debt Service on all Outstanding Senior Bonds as of the last day of such month;

(ii) to the extent not included in Debt Service on Senior Bonds, to each Credit Provider of a Credit Support Instrument relating to the Senior Bonds, the amount of the Reimbursement Obligation, if any, payable by the County as of the last day of such month in accordance with each applicable Credit Support Agreement;

(iii) to each Qualified Counterparty, the amount of Net Payments, if any, payable by the County as of the last day of such month in accordance with each applicable Qualified Swap relating to the Senior Obligations; and

(iv) to the applicable trustee or paying agent for, or owner or payee of, Outstanding Senior Obligations not specified above in this subparagraph (b), the amount, if any, required to be paid during such month to such trustee, paying agent, owner or payee as and to the extent required by the Supplemental Indentures or Issuing Instruments for payment of such Outstanding Senior Obligations.

(c) Third:

(i) subject to the provisions of the Master Indenture described under the caption "Senior Debt Service Reserve Fund" below, to the Senior Debt Service Reserve Fund the amount, if any, required to maintain the Senior Debt Service Reserve Fund at the applicable Senior Debt Service Reserve Requirement; provided that the maximum amount required to be deposited into the Senior Debt Service Reserve Fund in any month shall not exceed one-twelfth (1/12) of the applicable Senior Debt Service Reserve Requirement; and

(ii) to each Senior Series Debt Service Reserve Fund, the amount, if any, required to be paid during such month pursuant to the applicable Supplemental Indenture to maintain each Senior Series Debt Service Reserve Fund at the amount required by such Supplemental Indenture;

(iii) to the applicable trustee or paying agent for, or owner of, Outstanding Senior Obligations other than Senior Bonds, the amount, if any, required to be paid during such month to such trustee, paying agent or owner pursuant to the Issuing Instruments for such Outstanding Senior Obligations to maintain each debt service reserve for such Outstanding Senior Obligations at the amount required by the applicable Issuing Instrument; and

(iv) to each Reserve Guaranty Provider relating to Senior Obligations, the amount, if any, payable by the County as of the last day of such month in accordance with each applicable Reserve Guaranty Agreement.

(d) Fourth, to the Rebate Fund, the amount required to be paid for Senior Obligations pursuant to the Rebate Instructions.

(e) Fifth:

(i) to the Subordinate Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the Accrued Debt Service on all Outstanding Subordinate Bonds as of the last day of such month;

(ii) to the extent not included in Debt Service on Subordinate Bonds, to each Credit Provider of a Credit Support Instrument relating to the Subordinate Bonds, the amount of the Reimbursement Obligation, if any, payable by the County as of the last day of such month in accordance with each applicable Credit Support Agreement;

(iii) to each Qualified Counterparty, the amount of Net Payments, if any, payable by the County as of the last day of such month in accordance with each applicable Qualified Swap relating to the Subordinate Obligations or investments in funds established by the Master Indenture;

(iv) to the applicable trustee or paying agent for, or owner or payee of, Outstanding Subordinate Obligations not specified above in this subparagraph (e), the amount, if any, required to be paid during such month to such trustee, paying agent, owner or payee as and to the extent required by the Supplemental Indentures or Issuing Instruments for payment of such Outstanding Subordinate Obligations; and

(v) to each Qualified Counterparty, the balance of the amounts to be paid by the County, if any, as of the last day of such month in accordance with each applicable Qualified Swap relating to Senior Obligations, including any Termination Payments.

(f) Sixth:

(i) subject to the provisions of the Master Indenture described below under the caption "Subordinate Debt Service Reserve Fund", to the Subordinate Debt Service Reserve Fund the amount, if any, required to maintain the Subordinate Debt Service Reserve Fund at the applicable Subordinate Debt Service Reserve Requirement; provided that the maximum amount required to be deposited into the Subordinate Debt Service Reserve Fund in any month shall not exceed one-twelfth (1/12) of the applicable Subordinate Debt Service Reserve Requirement;

(ii) to each Subordinate Series Debt Service Reserve Fund, the amount, if any, required to be paid during such month pursuant to the applicable Supplemental Indenture to maintain each Subordinate Series Debt Service Reserve Fund at the amount required by such Supplemental Indenture;

(iii) to the applicable trustee or paying agent for, or owner of, Outstanding Subordinate Obligations other than Subordinate Bonds, the amount, if any, required to be paid during such month to such trustee, paying agent or owner pursuant to the Issuing Instruments for such Outstanding Subordinate Obligations to maintain each debt service reserve for such Outstanding Subordinate Obligations at the amount required by the applicable Issuing Instrument; and

(iv) to each Reserve Guaranty Provider relating to Subordinate Obligations, the amount, if any, payable by the County as of the last day of such month in accordance with each applicable Reserve Guaranty Agreement.

(g) Seventh, to the Rebate Fund, the amount required to be paid for Subordinate Obligations pursuant to the Rebate Instructions.

(h) Eighth, to the Operating Reserve Account one-twelfth (1/12) of the Operating Reserve Requirement, but only to the extent such deposit is required to make the amount on deposit in the Operating Reserve Account equal to the Operating Reserve Requirement.

(i) Ninth, to the Junior Subordinate Fund, the amount, if any, required to be paid during such month with respect to Junior Subordinate Obligations pursuant to the Master Indenture.

(j) Tenth, to the Rebate Fund, the amount required to be paid for Junior Subordinate Obligations pursuant to the Rebate Instructions.

(k) Eleventh, to the Reserve and Contingency Fund an amount equal to the greater of (x) one-twelfth (1/12th) of $2,000,000 or (y) the amount, if any, provided for deposit therein during such month pursuant to the then-current Annual Budget, but only to the extent such deposit is required to make the amount on deposit in the Reserve and Contingency Fund equal to the Reserve and Contingency Requirement.

(l) Twelfth, on the last Business Day of each month after making the deposits and payments required by the Master Indenture as described in subsection (a) through subsection (k), the County may withdraw from the Revenue Fund and deposit in the Capital Improvement Fund the balance, if any, of moneys remaining in the Revenue Fund.

Operating Fund. Moneys from the proceeds of Obligations may be deposited in the Operating Reserve Account or otherwise set aside in the Operating Fund as working capital or a reserve for working capital as specified in a Supplemental Indenture or Issuing Instrument.

Amounts in the Operating Fund (other than amounts in the Operating Reserve Account, except as described in subsection (d)) shall be paid out from time to time by the County for reasonable and necessary Operating Expenses.

Amounts in the Operating Fund which the County at any time determines to be in excess of the requirements of such Fund shall be transferred to the Revenue Fund and applied in accordance with the Master Indenture.

Amounts in the Operating Reserve Account shall be paid out from time to time by the County for reasonable and necessary Operating Expenses in the event that other moneys in the Operating Fund available for such purpose are insufficient therefor.

Senior Debt Service Fund. The Trustee shall apply the moneys in the Senior Debt Service Fund to the payment of the following: (i) on or before each Interest Payment Date for any of the Outstanding Senior Bonds the amount required for the interest payable on such date; (ii) on or before each due date therefor, the principal and, to the extent included in Debt Service, the Purchase Price of, Outstanding Senior Bonds payable on such due date; (iii) on or before each redemption date for Outstanding Senior Bonds, the amount required for the payment of the Redemption Price and any accrued interest on the Senior Bonds then to be redeemed; and (iv) upon receipt of a written request signed by an Authorized County Representative, to the respective Credit Providers, on each date a Reimbursement Obligation relating to Senior Bonds is due pursuant to a Credit Support Agreement, the amount of such Reimbursement Obligation to the extent not included in Debt Service on Senior Bonds and not otherwise paid as Operating Expenses. Amounts received by the Paying Agents pursuant to this subsection shall be applied by Paying

Agents to the payment of the principal, Redemption Price or Purchase Price, as applicable, of, and interest on, the Senior Bonds on and after the due dates thereof.

Amounts accumulated in the Senior Debt Service Fund with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Senior Bonds for which such Sinking Fund Installment was established) may, and if so directed in writing by an Authorized County Representative shall, be applied by the Trustee, on or prior to the sixtieth (60th) day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Senior Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (ii) the optional redemption at not exceeding the applicable sinking fund Redemption Price of such Senior Bonds, if such Senior Bonds are then subject to redemption at the option by the County. All purchases of any Senior Bonds pursuant to this subsection shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Senior Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed by an Authorized County Representative. The applicable sinking fund Redemption Price (or principal of maturing Senior Bonds) of any Senior Bonds so purchased or redeemed shall be deemed to constitute part of the Senior Debt Service Fund until such Sinking Fund Installment due date, for the purpose of calculating the amount of such Fund. If directed in writing by an Authorized County Representative on or prior to the forty-fifth (45th) day next preceding a Sinking Fund Installment due date, there shall be applied as a credit against such Sinking Fund Installment, and there shall be deemed to constitute part of the Senior Debt Service Fund until such Sinking Fund Installment due date for the purpose of calculating the amount of such Fund, the principal of any Senior Bonds of the Series and maturity for which such Sinking Fund Installment was established which have been purchased or redeemed and cancelled or delivered to the Trustee for cancellation on or prior to the forty-fifth (45th) day next preceding such Sinking Fund Installment due date and not previously applied as a credit against a Sinking Fund Installment. As soon as practicable after the forty-fifth (45th) day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date, by giving notice as provided in the Master Indenture, Senior Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Senior Bonds maturing on a Sinking Fund Installment due date) in such amount as shall be necessary to complete the retirement of Senior Bonds from the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Senior Debt Service Fund, on or before such redemption date (or maturity date), the amount required for the redemption of the Senior Bonds so called for redemption (or for the payment of such Senior Bonds then maturing). All expenses in connection with the purchase or redemption of Senior Bonds may be paid from the Operating Fund.

The amount, if any, deposited in the Senior Debt Service Fund from the proceeds of each Series of Senior Bonds as Capitalized Interest shall be set aside in such Fund and applied to the payment of interest on Senior Bonds as provided in the Supplemental Indenture relating to such Series of Senior Bonds and shall not be included as amounts in the Senior Debt Service Fund in any month except to the extent that such Capitalized Interest is to pay interest on Senior Bonds for such month.

In the event of the refunding of one or more Senior Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized County Representative, withdraw from the Senior Debt Service Fund amounts accumulated therein with respect to Debt Service on the Senior Bonds (or portions thereof) being refunded, and deposit such amounts with itself as Trustee or with an Escrow Agent specified by an Authorized County Representative, to be held for the payment of the principal or Redemption Price, as applicable, of, and interest on, the Senior Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Senior Bonds (or portions thereof) being refunded shall be deemed to have been paid, and (b) the amount remaining in the Senior Debt Service Fund after such withdrawal shall not be less than the requirement of such Fund.

Any provision of the Master Indenture to the contrary notwithstanding, so long as there shall be held in the Senior Debt Service Fund an amount sufficient to pay in full all Outstanding Senior Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Senior Debt Service Fund.

In determining the amount on deposit in the Senior Debt Service Fund, there shall be excluded from the balance of said Fund any Capitalized Interest with respect to interest on Senior Bonds accruing after the last day of such month and the amount, if any, set aside in said Fund for the payment of Debt Service on Senior Bonds which is then due and payable.

Senior Debt Service Reserve Fund. If on the Business Day immediately preceding an Interest Payment Date for the Participating Senior Bonds, or any other date on which any principal or interest on the Outstanding Participating Senior Bonds is due, after applying amounts in the Senior Debt Service Fund ratably (based on the amounts due) to the payment of the principal and interest then due with respect to all Outstanding Senior Bonds, the amount in the Senior Debt Service Fund available for payment of the principal and interest then due with respect to all Outstanding Participating Senior Bonds is less than the amount due on such date, the Trustee shall apply amounts in the Senior Debt Service Reserve Fund ratably (based on amounts due) to the extent necessary to make good the deficiency for the principal and interest then due with respect to the Outstanding Participating Senior Bonds.

Except as provided in the fourth paragraph under this caption "Senior Debt Service Reserve Fund," if on the last Business Day of any month the amount on deposit in the Senior Debt Service Reserve Fund shall exceed the applicable Senior Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Guaranty credited to such Fund (to the extent not reimbursed upon the reinstatement of such Reserve Guaranty pursuant to the fifth paragraph under this caption) and to the payment of interest or other amounts due with respect to any Reserve Guaranty credited to such Fund and any remaining moneys shall be deposited in the Senior Debt Service Fund.

Whenever the amount in the Senior Debt Service Reserve Fund and all Senior Series Debt Service Reserve Funds (excluding Reserve Guaranties), together with the amount available therefor in the Senior Debt Service Fund, is sufficient to pay in full all Outstanding Senior Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Senior Debt Service Reserve Fund and all Senior Series Debt Service Reserve Funds shall be transferred to the Senior Debt Service Fund and applied to the payment of the Outstanding Senior Bonds (including principal or applicable Redemption Price and interest thereon).

In the event of the refunding, purchase or redemption of one or more Participating Senior Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized County Representative, withdraw from the Senior Debt Service Reserve Fund any or all of the amounts on deposit therein (excluding Reserve Guaranties) and deposit such amounts with itself as Trustee or with the Escrow Agent to be held for the payment of the principal or Redemption Price of, and interest on, the Participating Senior Bonds (or portions thereof) being refunded, purchased or redeemed; provided that such withdrawal shall not be made unless immediately thereafter the amount remaining in the Senior Debt Service Reserve Fund after such withdrawal, taking into account any deposits to be made in the Senior Debt Service Reserve Fund in connection with such refunding, purchase or redemption, shall not be less than the Senior Debt Service Reserve Requirement for the Participating Senior Bonds to be Outstanding upon such refunding, purchase or redemption.

In lieu of the deposits and transfers to the Senior Debt Service Reserve Fund required by the Master Indenture, the County may cause to be deposited in the Senior Debt Service Reserve Fund a Reserve Guaranty or Reserve Guaranties in an aggregate amount equal to the difference between the applicable Senior Debt Service Reserve Requirement and the sums, if any, then on deposit in the Senior Debt Service

Reserve Fund or being deposited in the Senior Debt Service Reserve Fund concurrently with such Reserve Guaranty or Guaranties.

In computing the amount on deposit in the Senior Debt Service Reserve Fund, a Reserve Guaranty shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Guaranties credited to the Senior Debt Service Reserve Fund to receive payments with respect to the Reserve Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys will be required to be withdrawn from the Senior Debt Service Reserve Fund and applied to the payment of principal or interest on, any Participating Senior Bonds and such withdrawal cannot be met by moneys on deposit in the Senior Debt Service Reserve Fund; (ii) unless such Reserve Guaranty expires on the final maturity date for the Outstanding Participating Senior Bonds, on the first Business Day which is at least thirty (30) days prior to the expiration date of each Reserve Guaranty, in an amount equal to the deficiency which would exist in the Senior Debt Service Reserve Fund if the Reserve Guaranty expired, unless a substitute Reserve Guaranty with an expiration date not earlier than one hundred eighty (180) days after the expiration date of the expiring Reserve Guaranty (or the final maturity date of the Outstanding Participating Senior Bonds, if sooner) is delivered to the Trustee prior to such date or the County deposits funds in the Senior Debt Service Reserve Fund on or before such date such that the amount in the Senior Debt Service Reserve Fund on such date (without regard to such expiring Reserve Guaranty) is at least equal to the applicable Senior Debt Service Reserve Requirement.

If at any time a Reserve Guaranty is delivered pursuant to this subparagraph there shall be any amount in the Senior Debt Service Reserve Fund in excess of the applicable Senior Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Guaranty and, to the extent not so applied, shall be applied to either: (i) the purchase or redemption of Participating Senior Bonds as directed in writing by an Authorized County Representative (other than amounts due for interest on such purchase or redemption which shall be paid from amounts accumulated in the Senior Debt Service Fund with respect to such interest or other available funds); or (ii) any lawful purpose as directed by an Authorized County Representative if the County delivers to the Trustee a Favorable Opinion of Bond Counsel with respect to such application.

If a disbursement is made pursuant to a Reserve Guaranty credited to the Senior Debt Service Reserve Fund, the County shall be obligated either (i) to reinstate the maximum limits of such Reserve Guaranty or (ii) to deposit into the Senior Debt Service Reserve Fund funds in the amount of the disbursement made under such Reserve Guaranty, or a combination of such alternatives, as shall provide that the amount in the Senior Debt Service Reserve Fund equals the applicable Senior Debt Service Reserve Requirement; provided, however, that to the extent a Reserve Guaranty will be reinstated so that the amount in the Senior Debt Service Reserve Fund (including Reserve Guarantees) shall equal the applicable Senior Debt Service Reserve Requirement, amounts in the Senior Debt Service Reserve Fund in excess of the applicable Senior Debt Service Reserve Requirement shall be applied to the reimbursement of drawings under a Reserve Guaranty.

Subordinate Debt Service Fund. The Trustee shall apply the moneys in the Subordinate Debt Service Fund to the payment of the following: (i) on or before each Interest Payment Date for any of the Outstanding Subordinate Bonds the amount required for the interest payable on such date; (ii) on or before each due date therefor, the principal and, to the extent included in Debt Service, the Purchase Price of, Outstanding Subordinate Bonds payable on such due date; (iii) on or before each redemption date for Outstanding Subordinate Bonds, the amount required for the payment of the Redemption Price and any accrued interest on the Subordinate Bonds then to be redeemed; and (iv) upon receipt of a written request signed by an Authorized County Representative, to the respective Credit Providers, on each date a

Reimbursement Obligation relating to Subordinate Bonds is due pursuant to a Credit Support Agreement, the amount of such Reimbursement Obligation to the extent not included in Debt Service on Subordinate Bonds and not otherwise paid as Operating Expenses. Amounts received by the Paying Agents pursuant to this subsection shall be applied by Paying Agents to the payment of the principal, Redemption Price or Purchase Price, as applicable, of, and interest on, the Subordinate Bonds on and after the due dates thereof.

Amounts accumulated in the Subordinate Debt Service Fund with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Subordinate Bonds for which such Sinking Fund Installment was established) may, and if so directed in writing by an Authorized County Representative shall, be applied by the Trustee, on or prior to the sixtieth (60th) day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Subordinate Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (ii) the optional redemption at not exceeding the applicable sinking fund Redemption Price of such Subordinate Bonds, if such Subordinate Bonds are then subject to redemption at the option by the County. All purchases of any Subordinate Bonds pursuant to this subsection shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Subordinate Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed by an Authorized County Representative. The applicable sinking fund Redemption Price (or principal of maturing Subordinate Bonds) of any Subordinate Bonds so purchased or redeemed shall be deemed to constitute part of the Subordinate Debt Service Fund until such Sinking Fund Installment due date, for the purpose of calculating the amount of such Fund. If directed in writing by an Authorized County Representative on or prior to the forty-fifth (45th) day next preceding a Sinking Fund Installment due date, there shall be applied as a credit against such Sinking Fund Installment, and there shall be deemed to constitute part of the Subordinate Debt Service Fund until such Sinking Fund Installment due date for the purpose of calculating the amount of such Fund, the principal of any Subordinate Bonds of the Series and maturity for which such Sinking Fund Installment was established which have been purchased or redeemed and cancelled or delivered to the Trustee for cancellation on or prior to the forty-fifth (45th) day next preceding such Sinking Fund Installment due date and not previously applied as a credit against a Sinking Fund Installment. As soon as practicable after the forty-fifth (45th) day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date, by giving notice as provided in the Master Indenture, Subordinate Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Subordinate Bonds maturing on a Sinking Fund Installment due date) in such amount as shall be necessary to complete the retirement of Subordinate Bonds from the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Subordinate Debt Service Fund, on or before such redemption date (or maturity date), the amount required for the redemption of the Subordinate Bonds so called for redemption (or for the payment of such Subordinate Bonds then maturing). All expenses in connection with the purchase or redemption of Subordinate Bonds may be paid from the Operating Fund.

The amount, if any, deposited in the Subordinate Debt Service Fund from the proceeds of each Series of Subordinate Bonds as Capitalized Interest shall be set aside in such Fund and applied to the payment of interest on Subordinate Bonds as provided in the Supplemental Indenture relating to such Series of Subordinate Bonds and shall not be included as amounts in the Subordinate Debt Service Fund in any month except to the extent that such Capitalized Interest is to pay interest on Subordinate Bonds for such month.

In the event of the refunding of one or more Subordinate Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized County Representative, withdraw from the Subordinate Debt Service Fund amounts accumulated therein with respect to Debt Service on the Subordinate Bonds (or portions thereof) being refunded, and deposit such amounts with itself as Trustee or with an Escrow Agent specified by an Authorized County Representative, to be held for the payment of the principal or Redemption Price, as applicable, of, and interest on, the Subordinate Bonds (or portions thereof) being

refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Subordinate Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to the Master Indenture, and (b) the amount remaining in the Subordinate Debt Service Fund after such withdrawal shall not be less than the requirement of such Fund.

Any provision of the Master Indenture to the contrary notwithstanding, so long as there shall be held in the Subordinate Debt Service Fund an amount sufficient to pay in full all Outstanding Subordinate Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Subordinate Debt Service Fund.

In determining the amount on deposit in the Subordinate Debt Service Fund, there shall be excluded from the balance of said Fund any Capitalized Interest with respect to interest on Subordinate Bonds accruing after the last day of such month and the amount, if any, set aside in said Fund for the payment of Debt Service on Subordinate Bonds which is then due and payable.

Subordinate Debt Service Reserve Fund. If on the Business Day immediately preceding an Interest Payment Date for the Participating Subordinate Bonds, or any other date on which any principal or interest on, the Outstanding Participating Subordinate Bonds is due, after applying amounts in the Subordinate Debt Service Fund ratably (based on the amounts due) to the payment of the principal and interest then due with respect to all Outstanding Subordinate Bonds, the amount in the Subordinate Debt Service Fund available for payment of the principal and interest then due with respect to all Outstanding Participating Subordinate Bonds is less than the amount due on such date, the Trustee shall apply amounts in the Subordinate Debt Service Reserve Fund ratably (based on amounts due) to the extent necessary to make good the deficiency for the principal and interest then due with respect to the Outstanding Participating Subordinate Bonds.

Except as provided in the fourth paragraph under this caption "Subordinate Debt Service Reserve Fund," if on the last Business Day of any month the amount on deposit in the Subordinate Debt Service Reserve Fund shall exceed the applicable Subordinate Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Guaranty credited to such Fund (to the extent not reimbursed upon the reinstatement of such Reserve Guaranty pursuant to the fifth paragraph under this caption) and to the payment of interest or other amounts due with respect to any Reserve Guaranty credited to such Fund and any remaining moneys shall be deposited in the Subordinate Debt Service Fund.

Whenever the amount in the Subordinate Debt Service Reserve Fund and all Subordinate Series Debt Service Reserve Funds (excluding Reserve Guaranties), together with the amount available therefor in the Subordinate Debt Service Fund, is sufficient to pay in full all Outstanding Subordinate Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Subordinate Debt Service Reserve Fund and all Subordinate Series Debt Service Reserve Funds shall be transferred to the Subordinate Debt Service Fund and applied to the payment of the Outstanding Subordinate Bonds (including principal or applicable Redemption Price and interest thereon).

In the event of the refunding, purchase or redemption of one or more Participating Subordinate Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized County Representative, withdraw from the Subordinate Debt Service Reserve Fund any or all of the amounts on deposit therein (excluding Reserve Guaranties) and deposit such amounts with itself as Trustee or with the Escrow Agent to be held for the payment of the principal or Redemption Price of, and interest on, the Participating Subordinate Bonds (or portions thereof) being refunded, purchased or redeemed; provided that such withdrawal shall not be made unless immediately thereafter the amount remaining in the Subordinate Debt Service Reserve Fund after such withdrawal, taking into account any deposits to be made in the Subordinate Debt Service Reserve Fund in connection with such refunding, purchase or redemption,

shall not be less than the Subordinate Debt Service Reserve Requirement for the Participating Subordinate Bonds to be Outstanding upon such refunding, purchase or redemption.

In lieu of the deposits and transfers to the Subordinate Debt Service Reserve Fund required by the Master Indenture, the County may cause to be deposited in the Subordinate Debt Service Reserve Fund a Reserve Guaranty or Reserve Guaranties in an aggregate amount equal to the difference between the applicable Subordinate Debt Service Reserve Requirement and the sums, if any, then on deposit in the Subordinate Debt Service Reserve Fund or being deposited in the Subordinate Debt Service Reserve Fund concurrently with such Reserve Guaranty or Guaranties.

In computing the amount on deposit in the Subordinate Debt Service Reserve Fund, a Reserve Guaranty shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Guaranties credited to the Subordinate Debt Service Reserve Fund to receive payments with respect to the Reserve Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys will be required to be withdrawn from the Subordinate Debt Service Reserve Fund and applied to the payment of principal or interest on, any Participating Subordinate Bonds and such withdrawal cannot be met by moneys on deposit in the Subordinate Debt Service Reserve Fund; (ii) unless such Reserve Guaranty expires on the final maturity date for the Outstanding Participating Subordinate Bonds, on the first Business Day which is at least thirty (30) days prior to the expiration date of each Reserve Guaranty, in an amount equal to the deficiency which would exist in the Subordinate Debt Service Reserve Fund if the Reserve Guaranty expired, unless a substitute Reserve Guaranty with an expiration date not earlier than one hundred eighty (180) days after the expiration date of the expiring Reserve Guaranty (or the final maturity date of the Outstanding Participating Subordinate Bonds, if sooner) is delivered to the Trustee prior to such date or the County deposits funds in the Subordinate Debt Service Reserve Fund on or before such date such that the amount in the Subordinate Debt Service Reserve Fund on such date (without regard to such expiring Reserve Guaranty) is at least equal to the applicable Subordinate Debt Service Reserve Requirement.

If at any time a Reserve Guaranty is delivered pursuant to this paragraph there shall be any amount in the Subordinate Debt Service Reserve Fund in excess of the applicable Subordinate Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Guaranty and, to the extent not so applied, shall be applied to either: (i) the purchase or redemption of Participating Subordinate Bonds as directed in writing by an Authorized County Representative (other than amounts due for interest on such purchase or redemption which shall be paid from amounts accumulated in the Subordinate Debt Service Fund with respect to such interest or other available funds); or (ii) any lawful purpose relating to the Airport System as directed by an Authorized County Representative if the County delivers to the Trustee a Favorable Opinion of Bond Counsel with respect to such application.

If a disbursement is made pursuant to a Reserve Guaranty credited to the Subordinate Debt Service Reserve Fund, the County shall be obligated either (i) to reinstate the maximum limits of such Reserve Guaranty or (ii) to deposit into the Subordinate Debt Service Reserve Fund, in accordance with the Master Indenture, funds in the amount of the disbursement made under such Reserve Guaranty, or a combination of such alternatives, as shall provide that the amount in the Subordinate Debt Service Reserve Fund equals the applicable Subordinate Debt Service Reserve Requirement; provided, however, that to the extent a Reserve Guaranty will be reinstated so that the amount in the Subordinate Debt Service Reserve Fund (including Financial Guarantees) shall equal the applicable Subordinate Debt Service Reserve Requirement, amounts in the Subordinate Debt Service Reserve Fund in excess of the applicable Subordinate Debt Service Reserve Requirement shall be applied to the reimbursement of drawings under a Reserve Guaranty.

Junior Subordinate Fund. The Trustee shall apply moneys in the Junior Subordinate Fund to the payment of the following:

(a) on or before each Interest Payment Date for any of the Outstanding Junior Subordinate Bonds the amount required for the interest payable on such date;

(b) on or before each due date therefor, the principal and, to the extent included in Debt Service, the Purchase Price of, Outstanding Junior Subordinate Bonds payable on such due date;

(c) on or before each redemption date for Outstanding Junior Subordinate Bonds, the amount required for the payment of the Redemption Price and any accrued interest on the Junior Subordinate Bonds then to be redeemed;

(d) to the respective Credit Providers, on each date a Reimbursement Obligation relating to Junior Subordinate Obligations is due pursuant to a Credit Support Agreement, the amount of such Reimbursement Obligation to the extent not otherwise paid as Debt Service on Junior Subordinate Obligations and not otherwise paid as Operating Expenses;

(e) to each Qualified Counterparty, the amount of Net Payments and Termination Payments, if any, payable by the County as of the last day of such month in accordance with each applicable Qualified Swap relating to the Junior Subordinate Bonds;

(f) to the applicable trustee or paying agent for, or owner of, Outstanding Junior Subordinate Obligations not otherwise paid above, the amount, if any, required to be paid during such month to such trustee, paying agent or owner as and to the extent required by the Issuing Instruments for payment of such Outstanding Subordinate Obligations;

(g) to the applicable trustee or paying agent for, or owner of, Outstanding Junior Subordinate Obligations, the amount, if any, required to be paid during such month to such trustee, paying agent or owner pursuant to the Supplemental Indentures or Issuing Instruments for such Outstanding Subordinate Obligations to maintain each debt service reserve for such Outstanding Subordinate Obligations at the amount required by the applicable Supplemental Indenture or Issuing Instrument;

(h) to each Reserve Guaranty Provider relating to Junior Subordinate Obligations, the amount, if any, payable by the County as of the last day of such month in accordance with each applicable Reserve Guaranty Agreement; and

(i) to the payment of any other payment due with respect to any Junior Subordinate Obligations.

Reserve and Contingency Fund. Amounts in the Reserve and Contingency Fund shall be applied to the cost of renewals, replacements, extensions, betterments and improvements to the Airport System, including, without limitation, any Capital Improvement. Amounts in the Reserve and Contingency Fund shall also be applied to the payment of operation and maintenance costs and contingencies for the Airport System including payments with respect to the prevention or correction of any unusual loss or damage in connection with the Airport System or to prevent a loss of revenue therefrom, all to the extent not scheduled to be paid from amounts in the Operating Fund pursuant to the then current Annual Budget.

No payments shall be made from the Reserve and Contingency Fund if and to the extent that the proceeds of insurance, including the proceeds of any self insurance fund, or other moneys recoverable as the result of damage to the Airport System, if any, are available to pay the costs otherwise payable from such Fund.

If on any date the amount in the Funds described in subsections (a) through (j) under the caption "Application of Revenues" above (after application of the Master Indenture with respect to the Capital Improvement Fund) shall be less than the requirement of such Fund and there shall not be on deposit in the Capital Improvement Fund available moneys sufficient to cure any such deficiency, then the Trustee shall transfer from the Reserve and Contingency Fund and deposit in the Funds in the order of priority described in the Master Indenture the amount necessary (or all the moneys in the Reserve and Contingency Fund if less than the amount necessary) to make up any such deficiency.

Any balance in the Reserve and Contingency Fund not required to meet any deficiencies in a Fund by the 10th day of a month or not needed for any of the purposes for which such Fund was established, shall be transferred to the Operating Fund, if and to the extent deemed necessary by the County and any remaining balance may be transferred to the Capital Improvement Fund.

Capital Improvement Fund. If on any date the amount in the Funds described in subsections (a) through (k) under the caption "Application of Revenues" above shall be less than the requirement of such Fund pursuant to the Master Indenture, then the County shall transfer from the Capital Improvement Fund and deposit the amount necessary (or all the moneys in the Capital Improvement Fund if less than the amount necessary) to make up any such deficiency. Amounts in the Capital Improvement Fund not required to meet deficiencies shall be used by the County for any lawful purpose.

Rebate Fund. When required in connection with a Series of Obligations pursuant to the Supplemental Indenture or Issuing Instrument relating to such Series of Obligations or the Tax Certificate, if any, relating to such Series of Obligations, there shall be established an Account within the Rebate Fund with respect to such Series of Obligations. Amounts on deposit in each Account in the Rebate Fund shall be applied as provided in Supplemental Indenture or Issuing Instrument pursuant to which Account was established and the Rebate Instructions relating to such Account.

Available Revenues. At any time and from time to time, the County and the Trustee, without the consent of the Owner of any Obligation and without the consent of any Credit Provider, may enter into a Supplemental Indenture or Issuing Instrument that (i) specifies the amount of Passenger Facility Charges that shall constitute Available PFC Revenues, the amount of Customer Facility Charges that shall constitute Available CFC Revenues, or the amount of Grant Funds that shall constitute Available Grant Revenues during each Fiscal Year specified in such Supplemental Indenture or Issuing Instrument or (ii) specifies Obligations that shall be secured by Available Revenues. More than one Series of Obligations may be secured by Available CFC Revenues, Available Grant Revenues, or Available PFC Revenues, and no consent from any Owner of any Obligation that is secured by any Available Revenues, or from any Credit Provider, shall be required as a condition to the issuance or incurring of any subsequently-issued Obligations that is secured by any Available Revenues. Notwithstanding any other provision of the Indenture, any Issuing Instrument, any Credit Support Agreement or any Credit Support Instrument, the County and the Trustee may amend (including reduce) the amount of Available CFC Revenues, Available Grant Revenues, or Available PFC Revenues specified pursuant to clause (i) of this paragraph with respect to any Fiscal Year without the consent of any Owner of any Obligation or any Credit Provider.

The Master Indenture establishes the following accounts, to be held by the Trustee: (i) Available CFC Account; (ii) Available Grant Account; and (iii) Available PFC Account.

The County shall, promptly upon receipt, deposit, or cause to be deposited, all Available CFC Revenues in the Available CFC Account, all Available Grant Revenues in the Available Grant Account, and all Available PFC Revenues in the Available PFC Account.

Notwithstanding any other provision of the Master Indenture or any Issuing Instrument, (i) the Available CFC Account and the Available CFC Revenues shall secure on a pro rata pari passu basis all

Obligations, whenever issued and whether Senior Obligations, Subordinate Obligations, or Junior Subordinate Obligations, that are specified in the applicable Supplemental Indenture or Issuing Instrument to be secured by the Available CFC Account and the Available CFC Revenues; and (ii) Available CFC Revenues held in the Available CFC Account shall be applied by the Trustee as follows:

The pro rata amount of the Available CFC Revenues, including any investment earnings thereon, on deposit in the Available CFC Account shall be applied to the payment of such Obligations secured thereby and such amount shall be accounted for as a credit against the amounts required to be deposited for such purposes pursuant to the provisions of the Master Indenture described above under the caption "Application of Revenues."

Notwithstanding any other provision of the Master Indenture or any Issuing Instrument, (i) the Available Grant Account and the Available Grant Revenues shall secure on a pro rata pari passu basis all Obligations, whenever issued and whether Senior Obligations, Subordinate Obligations, or Junior Subordinate Obligations, that are specified in the applicable Supplemental Indenture or Issuing Instrument to be secured by the Available Grant Account and the Available Grant Revenues; and (ii) Available Grant Revenues held in the Available Grant Account shall be applied by the Trustee as follows:

The pro rata amount of the Available Grant Revenues, including any investment earnings thereon, on deposit in the Available Grant Account shall be applied to the payment of such Obligations secured thereby and such amount shall be accounted for as a credit against the amounts required to be deposited for such purpose pursuant to the provisions of the Master Indenture described above under the caption "Application of Revenues."

Notwithstanding any other provision of the Master Indenture or any Issuing Instrument, (i) the Available PFC Account and the Available PFC Revenues shall secure on a pro rata pari passu basis all Obligations, whenever issued and whether Senior Obligations, Subordinate Obligations, or Junior Subordinate Obligations, that are specified in the applicable Supplemental Indenture or Issuing Instrument to be secured by the Available PFC Account and the Available PFC Revenues; and (ii) Available PFC Revenues held in the Available PFC Account shall be applied by the Trustee as follows:

The pro rata amount of the Available PFC Revenues, including any investment earnings thereon, on deposit in the Available PFC Account shall be applied to the payment of such Obligations secured thereby and such amount shall be accounted for as a credit against the amounts required to be deposited for such purpose pursuant to the provisions of the Master Indenture described above under the caption "Application of Revenues."

Investment of Certain Funds. Moneys held in the Senior Debt Service Fund, the Subordinate Debt Service Fund and the Junior Subordinate Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in "Permitted Investments" which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Fund. Moneys held in the Senior Debt Service Reserve Fund and the Subordinate Debt Service Reserve Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in "Permitted Investments" which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Fund, but in any event not later than five (5) years from the time of such investment except that any security described in clause (g) of the definition of Permitted Investments may mature not later than thirty (30) years from the time of such investment provided that the Trustee may make withdrawals of all or any part of such Permitted Investment without penalty upon not more than two Business Days notice. Moneys held in the Revenue Fund and the Construction Fund may be invested and reinvested in Permitted Investments which mature or which may be drawn upon not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys in the Operating Fund, including amounts

in the Operating Reserve Account, the Reserve and Contingency Fund and the Capital Improvement Fund may be invested and reinvested in Permitted Investments which mature or which may be drawn upon not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds but in any event not later than five (5) years from the time of such investment. Moneys held in any other Fund or Account may be invested as provided in the Supplemental Indenture or Issuing Instrument establishing such Fund or Account. Notwithstanding any provision of the Master Indenture to the contrary, the investment of the proceeds of the Obligations of any Series, or any moneys held under the Master Indenture for the payment of the principal or Redemption Price of, or interest on, the Obligations of such Series, may be further restricted as provided in the Supplemental Indenture or Issuing Instrument authorizing such Series. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment in securities described in clause (g) of the definition of "Permitted Investments", in each case in accordance with directions of an Authorized County Representative, which directions shall be consistent with the Master Indenture and applicable law, and which directions shall be written. In the absence of written investment instructions directing the Trustee, the Trustee is directed to invest available funds in investments described in paragraph (d) of the definition of Permitted Investments.

Interest or other income (net of that which (x) represents a return of accrued interest paid in connection with the purchase of any investment or (y) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds and Accounts shall be applied as follows: (i) all such interest or other income on moneys or investments in the Funds or Accounts established in the Master Indenture (other than the Construction Fund and the Rebate Fund) shall be paid into the Revenue Fund; provided, however, that with respect to the Senior Debt Service Reserve Fund and each Senior Series Debt Service Reserve Fund, such payment shall be made only to the extent the amounts remaining in such Funds is not less than the applicable Senior Debt Service Reserve Requirement and with respect to the Subordinate Debt Service Reserve Fund and each Subordinate Series Debt Service Reserve Fund, such payment shall be made only to the extent the amounts remaining in such Funds is not less than the applicable Subordinate Debt Service Reserve Requirement, (ii) all such interest or other income on moneys or investments in the Rebate Fund shall be applied as provided in the Master Indenture with respect to the County's tax covenants, (iii) unless otherwise provided with respect to an Account in the Construction Fund funded with the proceeds of a Series of Bonds in the Supplemental Indenture authorizing such Series, all such interest or other income on moneys or investments in each Account in the Construction Fund shall be retained in such Account, and (iv) all such interest or other income earned on moneys in any other Fund or Account shall be applied as provided in the Supplemental Indenture establishing such Fund or Account.

Covenants and Obligations of the County

Creation of Prior Liens. Except as provided in the Indenture, the County shall not issue any bond, note, or other evidence of indebtedness, incur any obligation, including any Obligation, payable from or secured by the Trust Estate or any part thereof or create, permit, or suffer to exist any lien or other encumbrance on the Trust Estate or any part thereof; provided that the County may issue obligations payable from and secured by the Trust Estate or any part thereof if such obligations are subordinate in payment and priority to the Junior Subordinate Obligations, the Subordinate Obligations and the Senior Obligations.

Any agreement pursuant to which are issued obligations permitted by the paragraph above (each, a "Junior Agreement") shall contain provisions to the following effect:

(1) The provisions of paragraphs (1)-(22) (the "Subordination Provisions") shall apply as long as any Obligation (other than any Obligation issued pursuant to the first paragraph under

this caption) (the "Priority Obligations") is Outstanding, except that the Subordination Provisions shall continue to be effective or be reinstated, as the case may be, if at any time any payment in respect of any Priority Obligation is avoided, recovered, rescinded, annulled, or must otherwise be returned by the Trustee or the holder thereof, upon the bankruptcy or other similar proceedings with respect to the County or otherwise, all as though such payment had not been made. Any amounts received by any holder of an obligation issued pursuant to the first paragraph under this caption or any trustee or representative thereof (each, a "Junior Holder") on account of such an obligation (each, a "Junior Obligation") shall, in the event of a reinstatement of the Subordination Provisions pursuant to this paragraph, be held in trust for and paid over to the Trustee.

(2) The indebtedness evidenced by each Junior Obligation is junior and subordinate in all respects, including in right of payment, to the prior payment of the Priority Obligations, to the extent and in the manner provided in the Subordination Provisions. Any lien, security interest, pledge, or other encumbrance securing any Junior Obligation is subordinate in all respects to the lien of the Master Indenture. The rights and remedies of the Junior Holders are subject to the restrictions and limitations set forth in the Subordination Provisions.

(3) No payment shall be made on any Junior Obligations from the Trust Estate or any part thereof, except from amounts payable to the County pursuant to paragraph (*l*) under the caption "Application of Revenues" above. Except as permitted by the immediately preceding sentence, each Junior Holder shall not ask for, demand, sue for, take, accept, or receive, directly or indirectly, by set-off, counterclaim, redemption, purchase, or in any other manner whatsoever, whether voluntary or involuntary and whether by operation of law or otherwise, (i) any payment or distribution, whether in money, securities, or other property, of or on account of any principal, premium, if any, or interest in respect of any Junior Obligations, or (ii) any payment or distribution for the purpose of any redemption, purchase, or other acquisition, direct or indirect, by the County of any Junior Obligations, and no such payment shall be due by the County. Except as permitted by the first sentence of this paragraph, the County shall not make any such payment or distribution. In the event that any payment or distribution with respect to any Junior Obligation shall be received by any Junior Holder in violation of the Subordination Provisions, such payment shall be held in trust for the benefit of the Trustee and shall be immediately paid to Trustee for application pursuant to the Master Indenture. In the event of the failure of the applicable Junior Holder to indorse or assign any such payment or distribution, the Trustee is irrevocably authorized under the Master Indenture to indorse or assign such payment or distribution.

(4) Each Junior Holder (i) shall not exercise any right or remedy otherwise available to it, whether pursuant to the applicable Junior Agreement, the applicable Junior Obligation, or applicable law, whether or not there has been any default or event of default under the applicable Junior Agreement or the applicable Junior Obligation, (ii) shall not accelerate, make demand, or otherwise cause to become due and payable prior to the original stated maturity the applicable Junior Obligation or any obligation under the applicable Junior Agreement, (iii) shall not declare any default or event of default under the applicable Junior Agreement or the applicable Junior Obligation, and no such default or event of default shall exist or occur, and (iv) shall not bring suit or institute any other action or proceeding against the County to enforce, nor seek or obtain any writ, judgment, or other process or remedy with respect to, its rights or interests under or in respect of the applicable Junior Agreement or the applicable Junior Obligation.

(5) In the event of (i) any bankruptcy or other similar proceeding of which the County or its property is the subject, (ii) any proceeding for the liquidation, dissolution, or other winding-up of the County, or (iii) any distribution, division, marshalling, or application of any of the properties or assets of the County or the proceeds thereof to creditors, voluntary or involuntary, and whether or not involving legal proceedings, then in any such event:

(A) All Priority Obligations shall first be paid in full, including all principal, premium, if any, interest, and other payments owing pursuant to the terms of the Master Indenture, any applicable Issuing Instrument and the Priority Obligations, including interest, premium, and other payments accruing after the commencement of any such proceeding or that would have accrued but for the commencement of any such proceeding, and regardless of whether any such amounts are allowed claims, disallowed claims, or allowable claims in such proceeding, or are avoided or subordinated in such proceeding, before any payment or distribution of any character, whether in money, securities, or other property, shall be made in respect of any Junior Obligation. The Subordination Provisions expressly are intended to include and do include the "rule of explicitness" in that the Subordination Provisions expressly entitle the Trustee and the holders of the Priority Obligations, and are intended to provide the Trustee and the holders of the Priority Obligations, with the right to receive payment of all post-petition interest, premium, fees, expenses, and other payments through distributions made pursuant to the provisions of the Subordination Provisions even though such interest, premium, fees, expenses or other payments are not allowed or allowable in such proceeding under Section 502(b)(2) or Section 506(b) of the United States Bankruptcy Code or under any other provision of the United States Bankruptcy Code or any other law, or are avoided or subordinated in any such proceeding;

(B) all principal or premium, if any, and interest and other payments on the Junior Obligations shall forthwith become due and payable, and any payment or distribution of any character, whether in money, securities, or other property, which would otherwise, but for the terms of the Master Indenture described under this caption, be payable or deliverable in respect of the Junior Obligations, shall be paid or delivered directly to the Trustee, for application pursuant to the Master Indenture until the Priority Obligations have been paid in full as described in paragraph (A) above, and the Junior Holders irrevocably (i) authorize, empower, and direct all receivers, trustees, liquidators, conservators, fiscal agents, and other applicable Persons to effect all such payments and deliveries, and (ii) to the extent necessary to effectuate the foregoing, assign to the Trustee their rights to (I) all such amounts, and (II) all collateral securing the Junior Obligations or the Junior Agreements;

(C) in the event that, notwithstanding the foregoing, any such payment or distribution of assets is received by any Junior Holder on account of, or with respect to, any Junior Obligation before all Priority Obligations shall have been paid in full as described in paragraph (A) above, such payment or distribution shall be held in trust for the benefit of and shall be immediately paid over to the Trustee for application in accordance with the Master Indenture. In the event of the failure of any Junior Holder to indorse or assign any such payment or distribution, the Trustee is irrevocably authorized under the Master Indenture to indorse or assign such payment or distribution;

(D) each Junior Holder irrevocably authorizes and empowers the Trustee (without imposing any obligation on the Trustee) to demand, sue for, collect, and receive all payments and distributions on account of each Junior Obligation and to receipt therefor, to file all claims therefor, and to take all such other actions, including the right to vote such Junior Obligation or any claims in respect thereof, in the name of the applicable Junior Holder, or otherwise, as the Trustee may determine to be necessary or appropriate, without any notice to any Junior Holder; and

(E) each Junior Holder shall execute and deliver to the Trustee all such further instruments confirming the above authorization, and all such powers of attorney, proofs of claim, assignments of claim, and other instruments, and shall take all such other action as may be reasonably requested by the Trustee to enforce all claims upon or in respect of any Junior Obligation.

(6) The Junior Holders appoint the Trustee as their attorney-in-fact with full authority in the place and stead of the Junior Holders and in the name of the Junior Holders or its own name or otherwise, from time to time in the Trustee's discretion, to take any action and to execute any instrument which the Trustee may deem necessary or advisable to accomplish the purposes of the Subordination Provisions. The power of attorney granted in the Master Indenture is coupled with an interest and is irrevocable.

(7) The terms of the Subordination Provisions, the subordination effected by the provisions described under this caption, and the rights of the holders of the Priority Obligations shall not be affected by (i) any lack of validity or enforceability of any Priority Obligation, the Master Indenture, any Issuing Instrument, any Junior Obligation, or any Junior Agreement; (ii) any change in the time, manner, or place of payment of, or in any other terms of, all or any of the Junior Obligations, the Junior Agreements, the Priority Obligations, any Issuing Instrument or the Master Indenture; (iii) any amendment, supplement, waiver, or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of any or all of the Priority Obligations, the Master Indenture, any Issuing Instrument the Junior Obligations, or the Junior Agreements; (iv) any substitution, exchange, or release of any part of the Trust Estate or any other collateral; (v) the commencement of any bankruptcy, insolvency, or similar proceeding in respect of the County; (vi) any exercise or non-exercise by the Trustee or any holder of any Priority Obligation of any right, power, or remedy under or in respect of any Priority Obligation, any Issuing Instrument or the Master Indenture, (vii) any waiver, consent, release, indulgence, extension, renewal, modification, delay, or other action, inaction, or omission, in respect of any Priority Obligation, any Issuing Instrument or the Master Indenture, or (viii) any other circumstances which otherwise might constitute a defense available to, or a discharge of, the County in respect of any Priority Obligation, any Issuing Instrument or the Master Indenture, or the Junior Holders in respect of the Junior Obligations or the Junior Agreements, whether or not or any Junior Holder shall have had notice or knowledge of any of the foregoing. No failure to exercise, and no delay in exercising, on the part of the Trustee or any holder of any Priority Obligation, any right, power, or privilege shall operate as a waiver thereof; nor shall any single or partial exercise by the Trustee or any holder of any Priority Obligation of any right, power, or privilege preclude any other further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided in the Subordination Provisions are cumulative and shall not be exclusive of any rights or remedies provided by law.

(8) The Trustee and the holders of the Priority Obligations may, at any time and from time to time, without the consent of, or notice to, any Junior Holder and without impairing or releasing the priorities and other benefits provided in the Subordination Provisions, even if any right of subrogation or other right or remedy of any Junior Holder is affected, impaired, or extinguished thereby, do any one or more of the following: (i) change the manner, place, or terms of payment or change or extend the time of payment of, or amend, renew, compromise, extend, accelerate, exchange, or increase, increase or decrease the rate of interest payable on, or alter any of the terms of, any Priority Obligation, any Issuing Instrument or the Master Indenture or any lien, pledge, security interest, or encumbrance on any collateral securing any Priority Obligation, any Issuing Instrument or the Master Indenture or any liability of the County (including any increase in or extension of the Priority Obligations, any Issuing Instrument or the Master Indenture, without any restriction as to the amount, tenor, or terms of any such increase or extension) or otherwise amend, renew, exchange, extend, modify, or supplement in any manner any lien, pledge, security interest, or encumbrance held by the Trustee or any holder of Priority Obligations, any Priority Obligation, any Issuing Instrument or the Master Indenture; (ii) sell, substitute, exchange, release, waive, surrender, realize upon, enforce, or otherwise deal with in any manner and in any order any part of the collateral securing any Priority Obligation, any Issuing Instrument or the Master Indenture or any liability of the County to the Trustee or any holder of any Priority Obligation; (iii) settle or compromise any Priority Obligation or any other liability of the County or any collateral therefor and apply any sums by whomsoever paid and however realized to any liability (including any Priority Obligation) in any manner or order; (iv) exercise or delay in or refrain from exercising any right or remedy against the County or with respect to any collateral, elect any remedy, or otherwise deal freely with the County or any collateral securing any Priority Obligation, any Issuing Instrument or the Master Indenture or any liability incurred directly or indirectly in respect thereof; or (v) release or discharge any Priority Obligation, any Issuing Instrument or the Master Indenture or any agreement or obligation of the County or any other Person with respect thereto.

(9) The Trustee and the holders of the Priority Obligations shall have the exclusive right to enforce rights, exercise remedies (including setoff and the right to credit bid their debt) and make determinations regarding the release, disposition, or restrictions with respect to the collateral securing any Priority Obligation, any Issuing Instrument or the Master Indenture without any consultation with, and without the consent of, any Junior Holder, all as though the Junior Obligations and the Junior Agreements did not exist. In exercising rights and remedies with respect to the collateral securing the Priority Obligations, any Issuing Instrument or the Master Indenture, the Trustee and the holders of the Priority Obligations may enforce the provisions of the Priority Obligations, any Issuing Instrument and the Master Indenture and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion.

(10) The Junior Holders shall not exercise any right of subrogation that they may have or obtain pursuant to the exercise of any right or remedy in connection with the Junior Obligations or the Junior Agreement. The Junior Holders agree not to acquire, directly or indirectly, by subrogation or otherwise, any lien that is senior to the lien of the Master Indenture, and any such lien so acquired shall automatically and without any further action become subject and subordinate to the lien of the Master Indenture.

(11) Notwithstanding the date, manner, or order of grant, attachment, or perfection of any liens, pledges, security interests, or encumbrances securing any Junior Obligation, any Issuing Instrument or any Junior Agreement or of any liens, pledges, security interests, or encumbrances securing any Priority Obligation, any Issuing Instrument or the Master Indenture and notwithstanding any provision of any applicable law, any Junior Obligation, or any Junior Agreement or any other circumstance whatsoever, including the bankruptcy or insolvency of the County or any non-perfection, avoidance, or subordination of any lien, pledge, security interest, or encumbrance purporting to secure any Priority Obligation, any Issuing Instrument, the Master Indenture, any Junior Obligation, or any Junior Agreement, (i) any lien, pledge, security interest, or encumbrance on the Trust Estate or any part thereof securing any Priority Obligation, any Issuing Instrument or the Master Indenture, now or hereafter acquired, regardless of how acquired, whether by grant, possession, statute, operation of law, subrogation, or otherwise, shall be senior in all respects and prior to any lien, pledge, security interest, or encumbrance on the Trust Estate or any part thereof securing any Junior Obligation or any Junior Agreement and (ii) any lien, pledge, security interest, or encumbrance on the Trust Estate or any part thereof securing any Junior Obligation or any Junior Agreement, now or hereafter acquired, regardless of how acquired, whether by grant, possession, statute, operation of law, subrogation, or otherwise, shall be junior and subordinate in all respects to all liens, pledges, security interests, and encumbrances on the Trust Estate or any part thereof securing any Priority Obligation, any Issuing Instrument or the Master Indenture.

(12) The Subordination Provisions constitute a "subordination agreement" within the meaning of Section 510(a) of the United States Bankruptcy Code and any successor thereto.

(13) Each Junior Holder shall not commence a bankruptcy or similar case or proceeding against the County or its property.

(14) No provision of any Junior Agreement or any Junior Obligation shall restrict in any way the rights and remedies of the Trustee or any holder of a Priority Obligation as set forth in the Subordination Provisions, the Master Indenture, any Issuing Instrument, or any Priority Obligation.

(15) Each Junior Holder waives any right to, and shall not, contest or object to, in any proceeding, including any bankruptcy, insolvency, or similar proceeding, (i) the validity, enforceability, legality, or binding effect of the Master Indenture, any Issuing Instrument, each Priority Obligation, or any provision thereof, (ii) the validity, perfection, priority, or enforceability of the liens, pledges, security interests, and encumbrances granted pursuant to the Master Indenture, any Issuing Instrument or any Priority Obligation, or (iii) the provisions of the Subordination Provisions.

(16) Each Junior Holder waives any right to, and shall not, contest or object to, in any proceeding, including any bankruptcy, insolvency, or similar proceeding, (i) any foreclosure proceeding or action brought by the Trustee or any holder of any Priority Obligation or any other exercise by the Trustee or any holder of any Priority Obligation of any rights or remedies relating to the collateral securing the Master Indenture, any Issuing Instrument or any Priority Obligation, or (ii) any forbearance by the Trustee or any holder of any Priority Obligation from bringing or pursuing any foreclosure proceeding or action or any other exercise of any rights or remedies relating to any collateral securing the Master Indenture, any Issuing Instrument or any Priority Obligation.

(17) The Junior Holders (i) agree that they will not take any action that would hinder, delay, limit, or prohibit any exercise of remedies under the Master Indenture, any Issuing Instrument or any Priority Obligation, including any collection, sale, lease, exchange, transfer, or other disposition of the collateral securing the Master Indenture, any Issuing Instrument or any Priority Obligation, whether by foreclosure or otherwise, or that would limit, invalidate, avoid, or set aside the Master Indenture, any Issuing Instrument, any Priority Obligation, or any collateral securing the Master Indenture, any Issuing Instrument or any Priority Obligation, or subordinate the priority of any Priority Obligation, any Issuing Instrument or the Master Indenture to any Junior Obligation or any Junior Agreement, and (ii) waive any and all rights they may have as a junior lien creditor or otherwise, whether arising under the Uniform Commercial Code or under any other law, to contest or object to the manner in which the Trustee or any holder of any Priority Obligation seeks to enforce or collect any Priority Obligation, any Issuing Instrument, the Master Indenture, or any lien, pledge, security interest, or encumbrance granted pursuant to the Master Indenture, any Issuing Instrument or any Priority Obligation, including the manner in which collateral is disposed of, or to receive any notice with respect thereto, regardless of whether any action or failure to act by or on behalf of the Trustee or any holder of any Priority Obligation is adverse to the interests of any Junior Party or is commercially reasonable.

(18) The Junior Parties agree not to assert and waive, to the fullest extent permitted by law, any right to demand, request, plead, or otherwise assert or otherwise claim the benefit of, any marshalling, appraisal, valuation, or other similar right that may otherwise be available under applicable law with respect to the Trust Estate or any part thereof or any other similar rights a junior secured creditor may have under applicable law.

(19) The Junior Parties waive presentment, demand, protest, notice of protest, notice of default or dishonor, notice of payment or nonpayment, notice of acceptance of any Junior Agreement by the Trustee or any holder of any Priority Obligation, notice or proof of any action taken in reliance hereon, and all other notices and demands of every kind in connection with each Priority Obligation, the Master Indenture, any Issuing Instrument, each Junior Obligation, or any Junior Agreement. The Junior Holders waive all diligence in collection or protection of or realization upon the Priority Obligations, the Master Indenture, any Issuing Instrument, or any collateral therefor.

(20) The Junior Parties waive any defense based on the adequacy of a remedy at law that might be asserted as a bar to the remedy of specific performance of the Subordination Provisions in any action brought therefor by the Trustee or any holder of a Priority Obligation.

(21) Any waiver, amendment, or supplement of the Subordination Provisions shall be treated as a waiver, amendment, or supplement of the Master Indenture and shall not be effective except in compliance with the terms of the Master Indenture relating to waivers, supplements, and amendments thereto. Notwithstanding any other provision of any Junior Agreement to the contrary, including any provision that states that it controls over any other provision to the contrary, this paragraph shall not be amended in any way.

(22) The Trustee and the holders of the Priority Obligations are express third-party beneficiaries of the Subordination Provisions and as such may enforce the provisions set forth in the Subordination Provisions to the fullest extent provided by law.

Rates and Charges. The County covenants to fulfill the following requirements:

(a) The County shall, while any of the Obligations remain Outstanding, establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to 100% of the aggregate amount of transfers required to be made by the County pursuant to paragraphs (b) through (k) under the caption "Application of Revenues" above during such Fiscal Year.

(b) (i) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year plus any Transfer will be equal to at least 125% of Accrued Debt Service on all Outstanding Senior Obligations for such Fiscal Year. For purposes of this subsection (b)(i), the amount of any Transfer taken into account shall not exceed 25% of the Accrued Debt Service on the Outstanding Senior Obligations for such Fiscal Year.

(ii) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year plus any Transfer will be equal to at least 110% of Accrued Debt Service on all Outstanding Senior Obligations and Subordinate Obligations for such Fiscal Year. For purposes of this subsection (b)(ii), the amount of any Transfer taken into account shall not exceed 10% of the Accrued Debt Service on the Outstanding Senior Obligations and Subordinate Obligations for such Fiscal Year.

(iii) The County further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year will be equal to at least 100% of Accrued Debt Service on all Outstanding Senior Obligations, ~~Junior Obligations~~**Subordinate Obligations** and Junior Subordinate Obligations for such Fiscal Year.

(iv) For purposes of complying with any of the requirements of the Master Indenture described in subsection (b), (1) any calculation of Accrued Debt Service with respect to specified Obligations for any period of time shall be reduced by the amount of any Subsidy that the County received during such period of time relating to or in connection with such Obligations and (2) any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received by the County with respect to or in connection with the specified Obligations during such period of time.

(c) The County covenants that if Net Revenues in any Fiscal Year are less than the amount specified in subsection (a) under this caption "Rates and Charges," or that if Net Revenues together with any Transfer in any Fiscal Year are less than the amount specified in subsection (b) under this caption, the County will retain and direct an Airport Consultant to make recommendations as to the revision of the County's business operations and its schedule of rates, tolls, fees, rentals and charges for the use of the Airport System and for services rendered by the County in connection with the Airport System. After receiving such recommendations, the County shall, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the Board that such recommendations, in whole or in part, are in the best interests of the County, take all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the County's business operations and schedule of rates, tolls, fees, rentals and charges as may be necessary to produce Net Revenues, together with any Transfer (only as applied in subsection (b) under this caption), in the amount specified in subsection (a) or (b) under this caption in the next Fiscal Year.

In the event that Net Revenues, together with any Transfer (only as applied in subsection (b) under this caption), for any Fiscal Year (referred to in this paragraph as "Fiscal Year One") are less than the amount specified in subsection (a) or (b) under this caption but, prior to or during the next succeeding Fiscal Year (referred to in this paragraph as "Fiscal Year Two"), the County has taken all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the County's business operations and schedule of rates, tolls, fees, rentals and charges as required by subsection (c) under this caption, such deficiency in Net Revenues for Fiscal Year One shall not constitute an Event of Default. Nevertheless, even if the measures required by subsection (c) under this caption to revise the schedule of rates, tolls, fees, rentals and charges have been taken by the County, in the event the Net Revenues in Fiscal Year Two (as evidenced by the audited financial statements of the County for such Fiscal Year), together with any Transfer (only as applied in subsection (b) under this caption), are less than the amount specified in subsection (a) or (b) under this caption, such deficiency in Net Revenues for Fiscal Year Two, as the second successive year of deficiencies in Net Revenues, shall, with the applicable notice, constitute an Event of Default.

(d) The County shall file with the Trustee a calculation or other evidence from an Authorized County Representative or an Independent Certified Public Accountant demonstrating compliance (or non-compliance) with the rate covenants of the Master Indenture.

Sale, Lease or Other Disposition of Property. The County shall not, except as permitted below, transfer, sell, lease or otherwise dispose of any Airport System facility or facilities. Any transfer of an asset over which the County retains substantial control in accordance with the terms of such transfer, shall not, for so long as the County has such control, be deemed a disposition of an Airport System facility or facilities.

The County may, to the extent permitted by law, transfer, sell, lease or otherwise dispose of Airport System facilities only if such transfer, sale, lease or disposition complies with one or more of the following provisions:

(a) The property being disposed of is inadequate, obsolete or worn out; or

(b) The property proposed to be disposed of and all other Airport System facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds of such disposition are to be used as described below and the County delivers to the Trustee a certificate of an Authorized County Representative to the effect that the County expects that such disposal will not materially impair the operations or financial condition of the Airport

System or the performance by the County of all of its obligations and covenants under the Master Indenture or any Issuing Instrument and with respect to all Outstanding Obligations; or

(c) The County has furnished evidence (including, but not limited to, a certificate of an Authorized County Representative) to the Trustee that (i) the disposition of such Airport System facilities, including Airport System facilities constituting a Significant Portion of the Airport System, would not result in the ratings on any Obligations being suspended or downgraded by any Rating Agency and (ii) such disposition would be for a consideration not less than fair market value; or

(d) The County has furnished to the Trustee (i) a certificate of an Authorized County Representative or an Airport Consultant to the effect that notwithstanding such disposition of Airport System facilities, including Airport System facilities constituting a Significant Portion of the Airport System, but taking into account the use of the proceeds of such disposition in accordance with the expectations of the County as evidenced by a certificate of an Authorized County Representative, the County is expected to be in compliance with the Master Indenture with respect to the County's covenant regarding rates and charges during each of the five Fiscal Years immediately following such disposition and (ii) a Ratings Confirmation with respect to the disposition of any Significant Portion of Airport System facilities; or

(e) If the disposition involves a lease of any part of the Airport System, other than a Significant Portion, such lease shall not materially impair the operations or financial condition of the Airport System or the performance by the County of all of its obligations and covenants under the Master Indenture or any Issuing Instrument and with respect to all Outstanding Obligations.

Proceeds of the disposition of Airport System facilities under paragraphs (b), (c) and (d) above shall be deposited into a separate fund or account held by the County and used, within a reasonable period of time, to (i) provide additional revenue-producing Airport System facilities, (ii) pay or redeem Obligations or (iii) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Master Indenture or create an escrow fund pledged to pay specified other Obligations and thereby cause such other Obligations to be deemed paid in accordance with the Issuing Instrument pursuant to which such Obligations were issued; provided, however, that if the County proposes to use the proceeds as described in clause (ii) or (iii) above, the County shall pay, redeem or defease, as applicable, Obligations in accordance with the Payment Priorities.

Operation and Maintenance of the Airport System; Budgets. The County shall maintain and preserve the Airport System facilities in good repair and working order at all times and shall operate the Airport System in an efficient and economical manner and shall pay all Operating Expenses as they become due and payable. The County shall prepare, not later than July 30 of each Fiscal Year, a proposed Annual Budget for the Airport System for approval by the Board setting forth the estimated Revenues, Operating Expenses, scheduled Debt Service for all Outstanding Obligations of the County for such Fiscal Year and shall take such action as may be necessary to include all such payments and all other payments required to be made under the Issuing Instruments for Outstanding Obligations of the County during such Fiscal Year. Any such Annual Budget may be amended at any time during any Fiscal Year provided that such amended budget shall include all payments coming due in such Fiscal Year with respect to Obligations, and debt service reserves therefor, payable from Net Revenues.

The County covenants to adopt a budget with respect to Capital Improvements for the Airport System for each Fiscal Year which will show, in addition to such other matters as the County may determine to include, the amounts, if any, to be expended during such Fiscal Year for identified Capital Improvements

to the Airport System and the sources of such amounts. The Capital Improvements budget may be part of the County's Annual Budget.

The County covenants to file copies of its Annual Budget and its Capital Improvements budget promptly upon availability with the Trustee. The Trustee shall not be responsible for reviewing the Annual Budget or the Capital Improvements budget.

If the County determines to amend its Capital Improvements budget to pay from Revenues any unbudgeted expenditure, the County shall, as a condition to making such amendment, file a certificate of an Authorized County Representative with the Trustee demonstrating that payment from Revenues of such unbudgeted expenditure is not expected to impair the County's ability to comply with the Master Indenture with respect to the County's covenant regarding rates and charges.

Amendments to Indenture

Amendments Permitted. The Master Indenture or any Supplemental Indenture and the rights and obligations of the County and of the Owners of the Outstanding Obligations and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the County and the Trustee may enter into with the written consent of each Credit Provider whose consent is required by a Credit Support Agreement, when the written consent of the Owners of at least a majority in aggregate principal amount of the Senior Obligations then Outstanding shall have been filed with the Trustee and, if the modification, amendment or supplement affects the provisions of the Master Indenture with respect to the issuance of Obligations other than bonds, the issuance of Senior Obligations, the application of Revenues, the County's covenant regarding rates and charges, or the County's covenant regarding the sale, lease or disposition of property, the written consent of the Owners of at least a majority in aggregate principal amount of the Subordinate Obligations then Outstanding shall have been filed with the Trustee; or if less than all of the Outstanding Obligations are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Obligations; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Obligations of any particular Series and maturity remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Obligations. No such modification, amendment or supplement shall (i) reduce the aforesaid percentage of Obligations the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Obligations then Outstanding; (ii) extend the fixed maturity of any Obligation, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Obligation or extend the time of payment of interest thereon, without the consent of the Owner of each Obligation so affected; or (iii) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the entry into any Supplemental Indenture by the County and the Trustee for any of the purposes described under this caption "Amendments Permitted," the County shall cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Obligations (or the affected Outstanding Obligations) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the substance of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Obligation.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to this subsection, the County shall have received an instrument or instruments in writing by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Senior Obligations or Subordinate Obligations, as applicable, then Outstanding, or if less than all of the Outstanding Senior Obligations or Subordinate Obligations, as applicable, are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Obligations, which instrument or instruments shall refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and shall consent to the substance of such Supplemental Indenture referred to in such notice, thereupon, but not otherwise, the County and the Trustee may enter into such Supplemental Indenture without liability or responsibility to any Owner of any Obligation, whether or not such Owner shall have consented thereto.

The Master Indenture or any Supplemental Indenture or Issuing Instrument may be supplemented from time to time and at any time by a Supplemental Indenture or Issuing Instrument, which the County and the Trustee may enter into without the consent of any Credit Provider and without the consent of the Owner of any Obligation, to provide for the issuance of a Series of Obligations in accordance with the terms and conditions described under the heading "Authorization and Issuance of Bonds and Obligations," and establishing the terms and conditions thereof.

No Credit Provider shall have the right to require that it consent to an amendment, Supplemental Indenture, or Issuing Instrument made pursuant to the Master Indenture with respect to Available Revenues, regardless of the provisions of any Credit Support Agreement or any Credit Support Instrument.

The Master Indenture and any Supplemental Indenture and the rights and obligations of the County, the Fiduciaries and the Owners of the Outstanding Obligations may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the County and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of any Owners of Obligations, so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Obligations, including for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County contained in the Master Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Obligations (or any portion thereof), or to surrender any right or power in the Master Indenture reserved to or conferred upon the County;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Master Indenture or a Supplemental Indenture, or in regard to matters or questions arising under the Master Indenture or a Supplemental Indenture, as the County may deem necessary or desirable;

(iii) to modify, amend or supplement the Master Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(iv) to make any other modification, amendment or supplement that shall not materially adversely affect the interests of the Owners of the Outstanding Obligations.

Notwithstanding anything to the contrary, the provisions of the Master Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in the first paragraph under this caption, which the County and the Trustee may enter into without the consent of the Owners of Obligations constituting Tender Obligations if either (i) the effective date of such Supplemental Indenture is a date on which such Obligations are subject to mandatory tender for purchase or (ii) the notice described in the third paragraph under this caption is given to Owners of such Obligations at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Obligations have the right to demand purchase of such Obligations.

Unless otherwise provided in the Supplemental Indenture or Issuing Instrument relating to the Obligations and notwithstanding anything to the contrary in the Master Indenture (other than the provision in the sixth paragraph under this caption), the Credit Provider for all or any portions of the Obligations shall be deemed to be the Owner of such Obligations for all purposes under the Master Indenture except the payment of interest of and principal and premium of any of the Obligations.

For purposes of the provisions of the Master Indenture described under this caption, it shall not be necessary that consents of the Owners of any particular percentage of Outstanding Obligations of any affected Series be obtained but it shall be sufficient if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Obligations shall be obtained.

Effect of Supplemental Indenture. Upon the County and the Trustee entering into any Supplemental Indenture, the Master Indenture shall be deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Master Indenture of the County, the Fiduciaries and all Owners of Outstanding Obligations shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Master Indenture for any and all purposes. Upon the County and the Trustee entering into any Supplemental Indenture, no Owner of any Obligation shall have any right to object to the entry into such Supplemental Indenture by the County and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the County or the Trustee from entering into the same or to enjoin or restrain the County or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave its consent to such Supplemental Indenture.

Defeasance

Payment of Bonds. If the County shall pay, or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal amount or Redemption Price, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Master Indenture, together with all other Obligations and all other sums payable by the County under the Master Indenture, including all fees and expenses of the Trustee, then and in that case, subject to the provisions of the Master Indenture, the Issuing Instruments, and the lien of the Master Indenture and all covenants, agreements and obligations of the County contained in the Master Indenture and the Issuing Instruments, shall cease and terminate and shall be completely discharged and satisfied and the County shall be released therefrom and the Trustee shall assign and transfer to or upon the order of the County all of the Trust Estate (in excess of the amounts required for the foregoing) free and clear of any liens or encumbrances thereon pursuant to the Master Indenture and the Issuing Instruments and shall execute such documents as may be reasonably required by the County in this regard.

Bonds Deemed Paid. Bonds (or portions of Bonds) for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent at the maturity or redemption

date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture. Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to the provisions of the Master Indenture described under this caption shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture if (i) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the County shall have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date, (ii) there shall have been deposited with an Escrow Agent either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due shall provide moneys which, together with the other moneys, if any, held by such Escrow Agent for such purpose, shall be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (ii) above, the County shall have given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (ii) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with the provisions in the Master Indenture described under this caption and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (iii) of this paragraph with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series and maturity shall specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (iii) of this paragraph with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid pursuant to the provisions of the Master Indenture described under this caption and notify the Owner of such Bond that such Bond must be surrendered. The receipt of any notice required by the Master Indenture shall not be a condition precedent to any Bond being deemed paid in accordance with the provisions of the Master Indenture described under this caption and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds in accordance with the provisions of the Master Indenture described under this caption.

No Bond which constitutes a Tender Obligation shall be deemed to be paid within the meaning of the Master Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Master Indenture, could be paid when due from such moneys or Defeasance Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

Defeasance of Portion of Bond. If there shall be deemed paid less than all of the full principal amount of a Bond, the County shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, maturity and other terms, and in any of the Authorized Denominations.

Defeasance of Obligations Other than Bonds. If Obligations other than Bonds are capable of being defeased, such Obligations shall be defeased in accordance with the provisions of the Issuing Instrument relating to such Obligations.

Events of Default; Remedies

Events of Default. Each of the following shall constitute an Event of Default under the Master Indenture: (1) if default shall be made in the payment of the principal of or Sinking Fund Installment for, or interest on, or any other payment of, any Outstanding Senior Obligation when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by declaration, or otherwise; (2) if default shall be made in the payment when due of the Purchase Price of any Outstanding Senior Obligations which are Tender Obligations; (3) if default shall be made by the County in the performance or observance of any other of the covenants, agreements or conditions on its part in the Master Indenture (other than a default with respect to Subordinate Obligations for so long as any Senior Obligations are Outstanding or a default with respect to Junior Subordinate Obligations for so long as any Senior Obligations or Subordinate Obligations are Outstanding) or in the Outstanding Senior Obligations contained, and such default shall continue for a period of 120 days after written notice thereof to the County by the Trustee or to the County and to the Trustee by the Owners of not less than 25% in aggregate principal amount of the Senior Obligations Outstanding; provided, however, if such default is such that it can be corrected by the County but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the County within thirty days of the County's receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; and provided further that the provisions of the Master Indenture described under this caption are subject to the provisions of the Master Indenture with respect to the County's covenant regarding rates and charges; (4) any Senior Obligation is declared due and payable as a result of an event of default under the Issuing Instrument for such Senior Obligation; or (5) an Event of Bankruptcy shall have occurred and be continuing with respect to the County.

AS LONG AS ANY SENIOR OBLIGATIONS REMAIN OUTSTANDING, NO EVENT OF DEFAULT SHALL EXIST OR MAY BE DECLARED WITH RESPECT TO ANY SUBORDINATE OBLIGATIONS OR JUNIOR SUBORDINATE OBLIGATIONS. AS LONG AS ANY SUBORDINATE OBLIGATIONS REMAIN OUTSTANDING, NO EVENT OF DEFAULT SHALL EXIST OR MAY BE DECLARED WITH RESPECT TO ANY JUNIOR SUBORDINATE OBLIGATIONS.

If, and only if, the Senior Obligations are no longer Outstanding, all references to Senior Obligations in the Master Indenture with respect to Events of Default shall be read to be references to Subordinate Obligations and if, and only if, the Subordinate Obligations and Senior Obligations are no longer Outstanding, all references to Senior Obligations in the Master Indenture with respect to Events of Default shall be read to be references to Junior Subordinate Obligations.

While the Senior Obligations are Outstanding, a Subordinate Payment Default is not an Event of Default under the Master Indenture, provided that in the event of a Subordinate Payment Default, Owners of Subordinate Obligations shall have the remedies set forth in the Master Indenture as described in the first paragraph under the heading "Events of Default; Remedies – Remedies for Subordinate Obligations and Junior Subordinate Obligations."

While the Senior Obligations or Subordinate Obligations are Outstanding, a Junior Subordinate Payment Default is not an Event of Default under the Master Indenture, provided that in the event of a Junior Subordinate Payment Default, Owners of Junior Subordinate Obligations shall have the remedies set forth in the Master Indenture as described in the second paragraph under the heading "Events of Default; Remedies – Remedies for Subordinate Obligations and Junior Subordinate Obligations."

Right to Accelerate Upon Default. Notwithstanding anything to the contrary in the Master Indenture, any Issuing Instrument or in the Senior Obligations, unless all the Outstanding Senior Obligations shall have already become due and payable, upon the occurrence of an Event of Default, the Trustee may, and shall, at the direction of the Owners of a majority in aggregate principal amount of Outstanding Senior Obligations (other than Senior Obligations owned by or on behalf of the County) by written notice to the County, declare all of the Outstanding Senior Obligations to be immediately due and payable, whereupon the principal of the Senior Obligations thereby coming due and the interest thereon accrued to the date of payment and all other payments thereby coming due shall, without further action, become and be immediately due and payable. If the terms of any Supplemental Indenture or Issuing Instrument give a Person the right to consent to acceleration of the Obligations issued pursuant to such Supplemental Indenture or Issuing Instrument, the Obligations issued pursuant to such Supplemental Indenture or Issuing Instrument may not be accelerated by the Trustee unless such consent is obtained pursuant to the terms of such Supplemental Indenture or Issuing Instrument. Nothing in the Master Indenture shall affect the rights of the parties to a Swap to terminate such Swap.

Any such declaration, however, is subject to the condition that if, at any time after the Senior Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as provided in the Master Indenture, there shall have been deposited with the Trustee a sum sufficient to pay the principal of the Senior Obligations matured and coming due prior to such declaration, with interest on such overdue principal at the rate borne by the respective Senior Obligations, the accrued interest on the Senior Obligations due prior to such declaration, any other payments then due and the reasonable fees and expenses of the Trustee (including but not limited to those of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal of the Senior Obligations and accrued interest and other payments due on the Senior Obligations due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal of the Senior Obligations then Outstanding, by written notice to the County and to the Trustee, may, on behalf of the Owners of all of the Senior Obligations, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

The Subordinate Obligations shall not be subject to acceleration if any Senior Obligations are then Outstanding. The Junior Subordinate Obligations shall not be subject to acceleration if any Subordinate Obligations or Senior Obligations are then Outstanding.

If, and only if, the Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Subordinate Obligations and if, and only if, the Subordinate Obligations and Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Junior Subordinate Obligations.

Appointment of Receiver. If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Senior Obligations under the Master Indenture and any Issuing Instruments, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Net Revenues and the Available Revenues, pending such proceedings, with such power as the court making such appointment shall confer. If an Event of Default shall happen and shall not have been remedied, upon the written request of the Trustee, a Credit Provider or the Owners of not less than 10% of the aggregate principal amount of the Outstanding Senior Obligations, the County shall transfer to the Trustee all moneys held in all of the Funds maintained by the County under the Master Indenture and shall

transfer to the Trustee, at least monthly all the Net Revenues and Available Revenues received by the County.

If, and only if, the Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Subordinate Obligations and if, and only if, the Subordinate Obligations and Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Junior Subordinate Obligations.

Enforcement Proceedings. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, proceed, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Senior Obligations at the time Outstanding, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Senior Obligations by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Master Indenture or any Issuing Instrument, to enforce the lien of the Master Indenture, or in aid of the execution of any power granted in the Master Indenture or any Issuing Instrument, or any remedy granted under applicable provisions of the laws of the State, or for an accounting by the County as if the County were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

All rights of action under the Master Indenture or any Issuing Instrument may be prosecuted and enforced by the Trustee without the possession of any of the Senior Obligations or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Master Indenture or any Issuing Instrument, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Master Indenture or any Issuing Instrument and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Senior Obligations then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Master Indenture or any Issuing Instrument by any acts which may be unlawful or in violation of the Master Indenture or any Issuing Instrument, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Senior Obligations.

If the Trustee or any Owner or Owners of Outstanding Senior Obligations have instituted any proceeding to enforce any right or remedy under the Master Indenture or any Issuing Instrument and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the County, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Master Indenture or such Issuing Instrument, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

If, and only if, the Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Subordinate Obligations and if, and only if,

the Subordinate Obligations and Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Junior Subordinate Obligations.

Remedies for Subordinate Obligations and Junior Subordinate Obligations. If a Subordinate Payment Default has occurred, then the Owners of at least a majority of the aggregate principal amount of the Subordinate Obligations, may direct the Trustee to take the following actions: enforce by mandamus or specific performance the obligations of the County to deposit money pursuant to paragraphs (e) and/or (f) under the caption "Application of Revenues" above which is otherwise required to be deposited for the benefit of Subordinate Obligations pursuant to such provisions and is available for such deposit but is being wrongfully withheld by the County or direct an accounting of Trustee funds; provided however, that notwithstanding the foregoing, no remedial action may be taken that would adversely affect the Owners of the Senior Obligations.

If a Junior Subordinate Payment Default has occurred, then the Owners of at least a majority of the aggregate principal amount of the Junior Subordinate Obligations, may direct the Trustee to take the following actions: enforce by mandamus or specific performance the obligations of the County to deposit money pursuant to paragraph (i) under the caption "Application of Revenues" above which is otherwise required to be deposited for the benefit of Junior Subordinate Obligations pursuant to such provisions and is available for such deposit but is being wrongfully withheld by the County or direct an accounting of Trustee funds; provided however, that notwithstanding the foregoing, no remedial action may be taken that would adversely affect the Owners of the Senior Obligations or the Owners of the Subordinate Obligations.

The principal, premium, if any, and interest and any other payment on Subordinate Obligations will be subordinated in right of payment to principal, premium, if any, and interest and any other payments on the Senior Obligations. If any Event of Default shall have occurred and be continuing, Owners of Senior Obligations will be entitled to receive payment thereof in full, including any interest, premium, fees, expenses or other payments that would otherwise have accrued after the occurrence of an Event of Bankruptcy with respect to the County (whether or not such interest, premium, fees, expenses or other payments are allowable or allowed in the relevant proceeding, or are avoided or subordinated) before the Owners of the Subordinate Obligations are entitled to receive payment thereof; and any payment or distribution of assets otherwise payable to Owners of the Subordinate Obligations will be paid to Owners of Senior Obligations until all Senior Obligations have been paid in full, and the Owners of the Subordinate Obligations will be subrogated to the rights of such Owners of Senior Obligations to receive payments or distributions of assets with respect thereto.

The principal, premium, if any, and interest and any other payment on Junior Subordinate Obligations will be subordinated in right of payment to principal, premium, if any, and interest and any other payments on the Subordinate Obligations and Senior Obligations. If any Event of Default shall have occurred and be continuing, and the Senior Obligations are no longer Outstanding, Owners of Subordinate Obligations will be entitled to receive payment thereof in full, including any interest, premium, fees or expenses or other payments that would otherwise have accrued after the occurrence of an Event of Bankruptcy with respect to the County (whether or not such interest, premium, fees or expenses or other payments are allowable or allowed in the relevant proceeding, or are avoided or subordinated) before the Owners of the Junior Subordinate Obligations are entitled to receive payment thereof; and any payment or distribution of assets otherwise payable to Owners of the Junior Subordinate Obligations will be paid to Owners of Subordinate Obligations until all Subordinate Obligations have been paid in full, and the Owners of the Junior Subordinate Obligations will be subrogated to the rights of such Owners of Subordinate Obligations to receive payments or distributions of assets with respect thereto.

Remedies not Exclusive. No remedy by the terms of the Master Indenture or any Issuing Instrument conferred upon or reserved to the Trustee or the Owners of the Obligations is intended to be

exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Master Indenture or any Issuing Instrument or existing at law or in equity or by statute whether effective on or after the effective date of the Master Indenture. The assertion or employment of any right or remedy, under the Master Indenture or any Issuing Instrument or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Application of Net Revenues and Other Moneys After Default. If an Event of Default shall happen and shall not have been remedied, upon the written request of the Trustee, a Credit Provider or the Owners of not less than 10% of the aggregate principal amount of the Outstanding Senior Obligations, the County shall transfer to the Trustee all moneys held in all of the Funds maintained by the County under the Master Indenture and shall transfer to the Trustee, at least monthly all the Net Revenues and Available Revenues received by the County.

During the continuance of an Event of Default, the Trustee shall apply any money or other property (other than Available Revenues) received by the Trustee pursuant to any right given or action taken under the provisions of the Master Indenture as described under this caption, to the following purposes and in the following order of priority:

First: To the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries for Senior Obligations and the amount to be paid to the Rebate Fund pursuant to the Rebate Instructions for Senior Obligations.

Second: To the payment of the principal, Redemption Price and Purchase Price of and interest on the Outstanding Senior Bonds, and amounts owed on the other Outstanding Senior Obligations then due and payable; provided however, that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available money to the payment of the principal, Redemption Price and Purchase Price of and interest on and other amounts owed on all Outstanding Senior Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination or preference.

Third: To the payment to the Reserve Guaranty Providers, the amounts due with respect to Reserve Guaranties relating to Senior Obligations; provided however, that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by this clause with respect to all Reserve Guaranties relating to Senior Obligations, the Trustee shall apply the available money to the payment of the amounts then due with respect to all Reserve Guaranties relating to Senior Obligations ratably (based on the respective amounts to be paid), without any discrimination or preference.

Fourth: To the transfer to the Senior Debt Service Reserve Fund and each Senior Series Debt Service Reserve Fund and to each debt service reserve for other Outstanding Senior Obligations, the amount, if any, necessary so that the amount on deposit in the Senior Debt Service Reserve Fund and each Senior Series Debt Service Reserve Fund shall equal the applicable Senior Debt Service Reserve Requirement and the amount in each debt service reserve for other Outstanding Senior Obligations shall equal the amount required to be on deposit in such debt service reserve under the applicable Issuing Instrument; provided that that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available money to the transfer to the Senior Debt Service Reserve Fund, each Senior Series Debt Service Reserve Fund and each debt service reserve for other Outstanding Senior Obligations ratably (based on the respective amounts to be paid), without any discrimination or preference.

Fifth: To the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries for Subordinate Obligations and the amount to be paid to the Rebate Fund pursuant to the Rebate Instructions for Subordinate Bonds.

Sixth: To the payment of the principal, Redemption Price and Purchase Price of and interest on the Outstanding Subordinate Bonds, and the amounts owed on the other Outstanding Subordinate Obligations then due and payable; provided however, that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available money to the payment of the principal, Redemption Price and Purchase Price of and interest on and other amounts owed on all Outstanding Subordinate Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination or preference.

Seventh: To the payment to the Reserve Guaranty Providers, the amounts due with respect to Reserve Guaranties relating to Subordinate Obligations; provided however, that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by this clause with respect to all Reserve Guaranties relating to Subordinate Obligations, the Trustee shall apply the available money to the payment of the amounts due with respect to all Reserve Guaranties relating to Subordinate Obligations ratably (based on the respective amounts to be paid), without any discrimination or preference.

Eighth: To the transfer to the Subordinate Debt Service Reserve Fund and each Subordinate Series Debt Service Reserve Fund and to each debt service reserve for other Outstanding Subordinate Obligations, the amount, if any, necessary so that the amount on deposit in the Subordinate Debt Service Reserve Fund and each Subordinate Series Debt Service Reserve Fund shall equal the applicable Subordinate Debt Service Reserve Requirement and the amount in each debt service reserve for other Outstanding Subordinate Obligations shall equal the amount required to be on deposit in such debt service reserve under the applicable Issuing Instrument; provided that that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available money to the transfer to the Subordinate Debt Service Reserve Fund, each Subordinate Series Debt Service Reserve Fund and each debt service reserve for other Outstanding Subordinate Obligations ratably (based on the respective amounts to be paid), without any discrimination or preference.

Ninth: To the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries for Junior Subordinate Obligations and the amount to be paid to the Rebate Fund pursuant to the Rebate Instructions for Junior Subordinate Obligations.

Tenth: To the payment of amounts due with respect to outstanding Junior Subordinate Obligations in accordance with the provisions of the applicable Supplemental Indenture or Issuing Instrument pursuant to which such Junior Subordinate Obligations have been issued; provided that that in the event the amount of money available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available money to the payments of amounts due with respect to all Junior Subordinate Obligations ratably (based on the respective amounts to be paid), without any discrimination or preference except as otherwise provided in the Issuing Instruments pursuant to which such Junior Subordinate Obligations have been issued.

Eleventh: To the payment of any other amounts due under the Master Indenture, any Issuing Instrument, the Bonds or the Obligations.

Notwithstanding the foregoing, Available Revenues shall be applied solely as provided under the caption "Available Revenues" above; provided, however, that if the ratable distribution provisions of clauses Second or Sixth above are applicable, the amounts that would otherwise be distributed pursuant to such clauses Second or Sixth to Obligations that are secured by Available Revenues shall be reduced by the amount of Available Revenues that are available for distribution to such Obligations as described under the caption "Available Revenues" above, and the moneys that become available as a result of such reduction shall then be distributed pursuant to Clauses Second or Sixth, as applicable, without regard to this paragraph.

If and whenever all overdue installments of interest on all Outstanding Obligations, together with the reasonable and proper charges, expenses and liabilities of the Fiduciaries and any other fiduciary for Obligations, and all other sums payable for the account of the County under the Master Indenture or any Issuing Instrument, including the principal and Redemption Price of all Outstanding Bonds and payment of the other Outstanding Obligations and unpaid interest on all Outstanding Obligations which shall then be payable, shall be paid by or for the account of the County, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Master Indenture and the Outstanding Obligations and the Issuing Instruments shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended moneys in the hands of the Trustee (except moneys deposited or pledged, or required by the terms of the Master Indenture to be deposited or pledged, with the Trustee), and thereupon the County and the Trustee shall be restored, respectively, to their former positions and rights under the Master Indenture. No such payment by the Trustee nor such restoration of the County and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Master Indenture or impair any right consequent thereon.

The Trustee may in its discretion establish special record dates for the determination of the Owners of Obligations for various purposes, including without limitation, payment of defaulted interest and giving direction to the Trustee.

Restriction on Owner's Action. Except as otherwise provided in the second paragraph under this caption, no Owner of any Senior Obligation shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Master Indenture or any Issuing Instrument or the execution of any trust under the Master Indenture or any Issuing Instrument or for any remedy under the Master Indenture or any Issuing Instrument unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as described under this heading "Events of Default; Remedies," and the Owners of at least 25% in principal amount of the Senior Obligations then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Master Indenture or any Issuing Instrument or by the applicable laws of the State or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Senior Obligations shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the lien of the Master Indenture, or to enforce any right under the Master Indenture or any Issuing Instrument, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Master Indenture or any Issuing Instrument shall be instituted, had and maintained in the manner provided in the Master Indenture and any applicable Issuing Instrument and for the ratable benefit of all Owners of the Outstanding Senior Obligations, subject only to the provisions of the Master Indenture with respect to moneys held for particular Obligations.

Nothing in the Master Indenture, any Issuing Instrument or in the Senior Obligations contained shall affect or impair the obligation of the County, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Net Revenues and the Trust Estate, the principal amount, or Redemption Price if applicable, and any other payments of the Senior Obligations, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

If, and only if, the Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Subordinate Obligations and if, and only if,

the Subordinate Obligations and Senior Obligations are no longer Outstanding, all references to Senior Obligations under this caption shall be read to be references to Junior Subordinate Obligations.

Notice of Default. The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default to each Credit Provider, each Reserve Guaranty Provider and each Owner of Obligations then Outstanding at such Owner's address, if any, appearing in the Bond Register.

Credit Providers. Unless provided otherwise in the applicable Supplemental Indenture or Issuing Instrument, any Credit Provider providing a Credit Support Instrument with respect to Obligations of such Series may exercise any right under the Master Indenture or the Supplemental Indenture authorizing the issuance of such Series of Obligations given to the Owners of the Obligations to which such Credit Support Instrument relates in lieu of such Owners.

THE SIXTH SUPPLEMENTAL INDENTURE

General

The Sixth Supplemental Indenture authorizes the issuance of the Series 2016 Senior Bonds and prescribes their terms, conditions and form. Although certain provisions of the Sixth Supplemental Indenture are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Sixth Supplemental Indenture.

Terms of the Series 2016 Senior Bonds

The Series 2016 Senior Bonds shall be issued as Participating Senior Bonds the payment of the principal of and interest on which shall, together with all other Outstanding Participating Senior Bonds, be secured by amounts in the Senior Debt Service Reserve Fund.

For a description of the maturity dates, principal amounts, interest rates, interest payment dates and redemption provisions for the Series 2016 Senior Bonds, see the inside cover pages and the front part of this Official Statement under the caption "THE SERIES 2016 BONDS."

Continuing Disclosure

The County covenants and agrees to comply with the Series 2016 Continuing Disclosure Certificate as it may be amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the County to comply with the requirements of the Series 2016 Continuing Disclosure Certificate, as it may from time to time be amended or supplemented, shall not be considered an Event of Default and the Trustee shall have no right to accelerate amounts due under the Master Indenture as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Outstanding Series 2016 Senior 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 in the Sixth Supplemental Indenture with respect to the Series 2016 Continuing Disclosure Certificate.

SEVENTH SUPPLEMENTAL INDENTURE

General

The Seventh Supplemental Indenture authorizes the issuance of the Series 2016 Subordinate Bonds. Although certain provisions of the Seventh Supplemental Indenture are summarized below, this summary

does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Seventh Supplemental Indenture.

Terms of the Series 2016 Subordinate Bonds

The Series 2016 Subordinate Bonds shall be issued as Participating Subordinate Bonds the payment of the principal of and interest on which shall, together with all other Outstanding Participating Subordinate Bonds, be secured by amounts in the Subordinate Debt Service Reserve Fund.

For a description of the maturity dates, principal amounts, interest rates, interest payment dates and redemption provisions for the Series 2016 Subordinate Bonds, see the inside cover pages and the front part of this Official Statement under the caption "THE SERIES 2016 BONDS."

Continuing Disclosure

The County covenants and agrees to comply with the Series 2016 Continuing Disclosure Certificate as it may from time to time be amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the County to comply with the requirements of the Series 2016 Continuing Disclosure Certificate, as it may from time to time be amended or supplemented, shall not be considered an Event of Default and the Trustee shall have no right to accelerate amounts due under the Master Indenture as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Outstanding Series 2016 Subordinate 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 in the Seventh Supplemental Indenture with respect to the Series 2016 Continuing Disclosure Certificate.

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APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy or completeness thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2016 Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Series 2016 Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2016 Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The County and the Underwriters of the Series 2016 Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, or interest in the Series 2016 Bonds.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Bond will be issued for each maturity of the Series 2016 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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 foregoing internet address is included for reference only, and the information on this internet site is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 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 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 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 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 County (or the Trustee on behalf thereof) as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2016 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 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 nor its nominee, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or 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 2016 Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Series 2016 Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Sacramento (the "County") in connection with the issuance of its $89,000,000 County of Sacramento Airport System Senior Revenue Refunding Bonds, Series 2016A (the "Series 2016 Senior Bonds") and the $92,790,000 County of Sacramento Airport System Subordinate Revenue Refunding Bonds, Series 2016B (the "Series 2016 Subordinate Bonds"). The Series 2016 Senior Bonds and the Series 2016 Subordinate Bonds are collectively referred to herein as the "Series 2016 Bonds."

The Series 2016 Senior Bonds are being issued pursuant to a Master Indenture of Trust, dated as of May 1, 2008, between the County and The Bank of New York Mellon Trust Company, NA., as trustee (the "Trustee") (the "Master Indenture"), as supplemented and amended by a Sixth Supplemental Indenture of Trust, dated as of December 1, 2016, between the County and the Trustee (the "Sixth Supplemental Indenture"). The Series 2016 Subordinate Bonds are being issued pursuant to the Master Indenture, as supplemented and amended by a Seventh Supplemental Indenture of Trust, dated as of December 1, 2016, between the County and the Trustee (the "Seventh Supplemental Indenture" and, together with the Master Indenture, as so supplemented and amended and as supplemented from time to time, and the Sixth Supplemental Indenture, the "Indenture"). In connection therewith the County covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters (as defined herein) in complying with SEC (as defined herein) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this section, the following capitalized terms shall have the following meanings.

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Listed Event" shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of California.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds listed on the cover page of the Official Statement (as defined herein) required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The County shall, not later than 210 days after the end of the County's Fiscal Year (presently June 30), commencing with the report for the 2015-16 Fiscal Year, provide to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall send to the MSRB a notice in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the County for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided, that if the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An annual updating, to reflect results of the most recently completed fiscal year, of the following tables contained in the Official Statement for the Bonds, dated December 7, 2016 (the "Official Statement"):

1. Table 5 – Historical Enplaned Passengers - International Airport;

2. Table 6 – Historical Aircraft Landed Weight - International and Mather Airports;

3. Table 7 – Airlines' Market Shares of Enplaned Passengers – International Airport;

4. Table 9 – Statement of Revenues, Expenses and Changes in Net Assets – Sacramento County Airport System;

5. Table 10 – Airline and Nonairline Revenues; and

6. Table 13 – Historical Revenues, Operating Expenses and Debt Service Coverage.

Any or all of the items listed above may be included by specific reference to other documents, including the audited financial statements of the Airport System, official statements of debt issues of the County relating to the Airport System, which have been submitted to the MSRB through the EMMA System; provided, that the County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016 Bonds in a timely manner not more than 10 business days after the event:

(1) Principal and interest payment delinquencies;

(2) Unscheduled draws on debt service reserves reflecting financial difficulties;

(3) Unscheduled draws on credit enhancements reflecting financial difficulties;

(4) Substitution of credit or liquidity providers, or their failure to perform;

(5) Issuance by the Internal Revenue Service (the "IRS") of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(6) Tender offers;

(7) Defeasances;

(8) Rating changes; or

(9) Bankruptcy, insolvency, receivership or similar event of the County.

Note: for the purposes of the event identified in Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County 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 County, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

(b) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016 Bonds, if material:

(1) Unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the IRS with respect to the tax status of the Series 2016 Bonds or other material events affecting the tax status of the Series 2016 Bonds;

(2) Modifications to rights of holders of the Series 2016 Bonds;

(3) Optional, unscheduled or contingent bond calls;

(4) Release, substitution, or sale of property securing repayment of the Series 2016 Bonds;

(5) Non-payment related defaults;

(6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(7) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the County shall as soon as possible determine if such event would be material under applicable federal securities laws. If the County determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the County shall file a notice of such occurrence with EMMA in a timely manner not more than 10 business days after the event.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Bonds, or (b) if, in the opinion of nationally recognized bond counsel, the County ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Bonds or the Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived; provided, that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally-recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a) or 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Participating Underwriters and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December 21, 2016.

COUNTY OF SACRAMENTO

By: _____
Chief Financial Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of County: COUNTY OF SACRAMENTO

Name of Issue: $89,000,000 County of Sacramento Airport System Senior Revenue Refunding Bonds, Series 2016A

$92,790,000 County of Sacramento Airport System Subordinate Revenue Refunding Bonds, Series 2016B

Date of Issuance: December 21, 2016

NOTICE IS HEREBY GIVEN that the County of Sacramento has not provided an Annual Report with respect to the above-named Bonds as required by the Master Indenture of Trust, dated as of May 1, 2008, between the County and The Bank of New York Mellon Trust Company, NA., as trustee (the "Trustee") (the "Master Indenture"), as supplemented. The County anticipates that the Annual Report will be filed by _____.

Dated: _____

COUNTY OF SACRAMENTO

By_____

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APPENDIX F

PROPOSED FORMS OF BOND COUNSEL OPINIONS

[PROPOSED FORM OF BOND COUNSEL OPINION FOR SERIES 2016 SENIOR BONDS]

December 21, 2016

Board of Supervisors,
County of Sacramento
Sacramento, California

County of Sacramento
Airport System Senior Revenue Refunding Bonds
Series 2016A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Sacramento (the "County") in connection with the issuance of $89,000,000 aggregate principal amount of County of Sacramento Airport System Senior Revenue Refunding Bonds, Series 2016A (the "Bonds"), issued pursuant to a Master Indenture of Trust, dated as of May 1, 2008 (as previously supplemented, the "Master Indenture"), as supplemented and amended by a Sixth Supplemental Indenture of Trust, dated as of December 1, 2016 (the "Sixth Supplemental Indenture" and together with the Master Indenture, as so supplemented and amended and as supplemented and amended from time to time, the "Indenture"), each between the County and The Bank of New York Mellon Trust Company, N.A., 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 the Indenture; the Tax Certificate relating to the Bonds, dated the date hereof (the "Tax Certificate"), executed by the County; opinions of counsel to the County and the Trustee; certificates of 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 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 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 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 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture 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 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 assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. 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, dated December 7, 2016, or other offering material relating to the 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 Bonds constitute the valid and binding limited obligations of the County.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the County. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Trust Estate, 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 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 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. 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 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

[PROPOSED FORM OF BOND COUNSEL OPINION FOR SERIES 2016 SUBORDINATE BONDS]

December 21, 2016

Board of Supervisors,
County of Sacramento
Sacramento, California

County of Sacramento
Airport System Subordinate Revenue Refunding Bonds
Series 2016B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Sacramento (the "County") in connection with the issuance of $92,790,000 aggregate principal amount of County of Sacramento Airport System Subordinate Revenue Refunding Bonds, Series 2016B (the "Bonds"), issued pursuant to a Master Indenture of Trust, dated as of May 1, 2008 (as previously supplemented, the "Master Indenture"), as supplemented and amended by a Seventh Supplemental Indenture of Trust, dated as of December 1, 2016 (the "Seventh Supplemental Indenture" and together with the Master Indenture, as so supplemented and amended and as supplemented and amended from time to time, the "Indenture"), each between the County and The Bank of New York Mellon Trust Company, N.A., 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 the Indenture; the Tax Certificate relating to the Bonds, dated the date hereof (the "Tax Certificate"), executed by the County; opinions of counsel to the County and the Trustee; certificates of 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 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 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 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 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture 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 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 assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. 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, dated December 7, 2016, or other offering material relating to the 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 Bonds constitute the valid and binding limited obligations of the County.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the County. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Trust Estate, 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 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 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. 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 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

COUNTY OF SACRAMENTO • AIRPORT SYSTEM SENIOR REVENUE REFUNDING BONDS, SERIES 2016A AND AIRPORT SYSTEM SUBORDINATE REVENUE REFUNDING BONDS, SERIES 2016B

SACRAMENTO COUNTY

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